VIG HOUSE VIEW

VIG ASSET MANAGEMENT

What happened in the last month?

What can we expect in the coming period?

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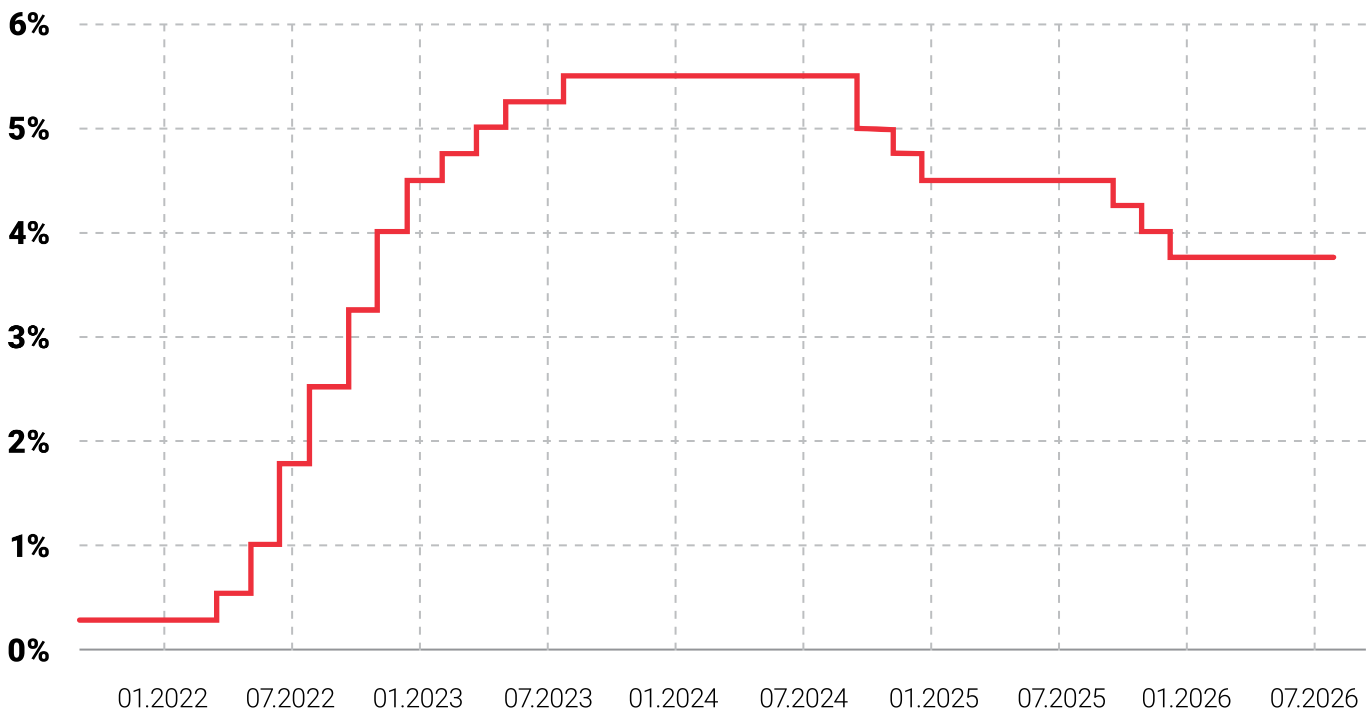
September 2026

What happened in the last month?

In focus: a tighter than expected Fed

Kevin Warsh, Chair of the Federal Reserve (Fed), gave nothing away about where he believes interest rates are heading, yet investors read the tough remarks on inflation in his closely watched speech at the end of August as a signal that rates are likely to rise. The Federal Reserve Jackson Hole Economic Symposium is a three day annual international conference followed with keen attention by economic policymakers around the world, and there the Fed Chair drew attention to the fact that the labour market is stable, investment (above all in the field of AI) is strong, oil is becoming more expensive because of geopolitical problems, and prices are still rising faster than the central bank (and most people) would like. The inflation gauge watched most closely by the Fed, the personal consumption expenditures price index, was 3.7% higher in July than a year earlier, while the inflation target of the US central bank is 2%. So for now the Fed has to focus primarily on prices, Warsh stressed, which means that a rate hike in the near future has once again become a realistic possibility. Because of the higher expected level of interest rates, yields on government bonds denominated in dollars rose and the dollar strengthened as well.

The US base rate (%)



Source: Trading Economics

Equity market news

The growth of the technology sector driven by AI remains decisive, but demand is broadening beyond the “mega cap” technology companies. Corporate earnings exceeded expectations. The Q2 report of Nvidia, the world leader in technologies linked to artificial intelligence, showed enormous strength: revenue rose to 96.2 billion dollars, which represents growth of 106% compared with a year earlier. Data centre revenue was 89.0 billion dollars, an improvement of 117%. For the year 2027 a further 70% increase in revenue is expected. The financial strength of the sector is well illustrated by the exceptionally high profit margin of Nvidia at 75%. Demand for the computing capacity needed for AI is not only lasting but shows an ever accelerating trend.

European exchanges also have strong fundamentals: the average EPS of the companies in the STOXX Europe 600 index grew by 14% in the first half of the year.

Bond market news

Markets were shaped by rising bond yields and by the growing activity of bond speculators. During the month the 10 year US bond yield rose to 4.7% and the 30 year yield to 5.3%, a peak not seen for a decade. The rise in US bond yields was caused by large government bond issuance needs and by inflation shocks (the pace of consumer price increases measured in July was still relatively high), and in response the Treasury launched a bond buyback programme of 4 billion dollars aimed at improving liquidity and stabilising yields. Within the Fed the “hawks” who support tighter monetary policy are urging a rate hike in September, while the “owls” who prefer to wait support keeping rates on hold, citing the July inflation data. Expectations treat both alternatives as conceivable, and US government securities, which have become more attractive thanks to higher dollar rates, are creating serious competition for the bonds of almost every nation. The dollar bond market is enormous in size, so its global impact is significant as well: it accounts for close to half of the entire global bond market, estimated at 150 trillion dollars.

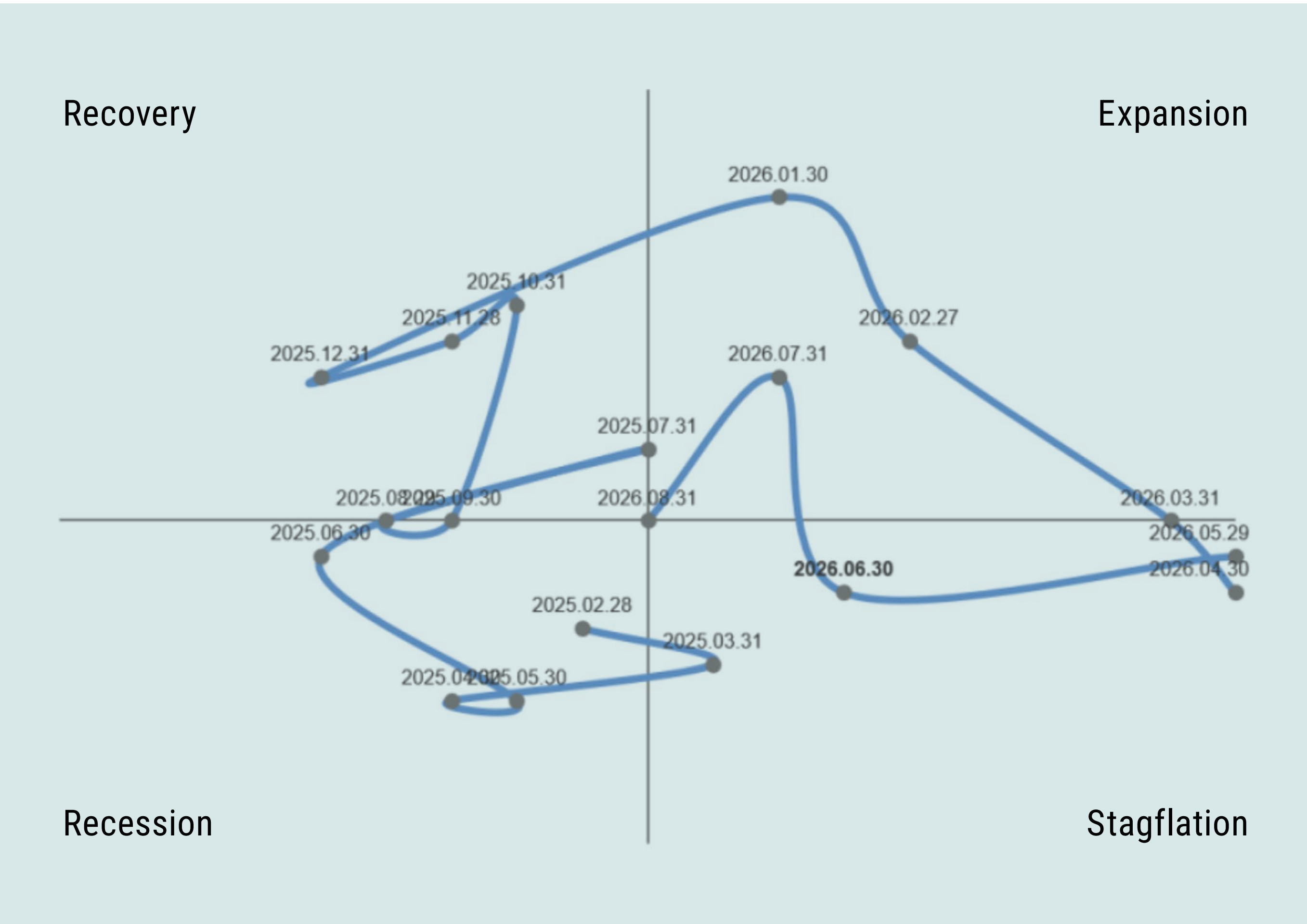
Alternative investments news

The commodity markets took a decisive direction in August. The price of gold and silver benefited from the loss of confidence in the US dollar and from the concerns surrounding the high debt burden of the United States, and the precious metal regarded as a “financial safe haven” became roughly 10% more expensive in a single month. The price of copper rose by about 4% and reached an all time high (14,300 dollars per tonne), driven above all by the growing demand of the Chinese IT sector, by the production problems of Codelco, the Chilean national copper group, and by the smelter shutdowns in Indonesia. The change in the oil price was held at a relatively high level of around 90 dollars per barrel (159 litres) by geopolitical tensions and by concerns about the closure of the Strait of Hormuz, through which close to a quarter of global oil and gas trade passes. The rise in the price was moderated, however, by the emergence of evidence that Iran no longer has the military capacity to close the Strait of Hormuz effectively.

What can we expect in the coming period?

Investment clock

The VIG Global Investment Clock, which forecasts economic cycles with indicators and rests on scientific foundations, does not show a uniform picture for the coming months. The main reason for this uncertainty is that the three defining economic regions of the world (America, Europe and China) are in completely different phases and are moving along entirely separate paths. For America it signals recovery over a one month horizon, stagflation over three months and overheat over six months. Across the Atlantic the pace of economic growth is slowing somewhat, which reinforces fears of stagflation and of recession. In Europe, on the basis of relative sector performance, a clear and consistent recovery phase can be seen over both the one month and the three month horizon. As the third element of the global picture, China is currently experiencing a noticeable economic slowdown.



Source: VIG Asset Management

Tactical Asset Allocation

In the tactical asset allocation for September we set a more cautious and more risk averse direction than before, one that is nevertheless decidedly active and tactically positioned at certain points. Within this framework significant changes were made both at the level of the global asset classes and in the specific model portfolios.

Easier with bonds

One of the most important arguments in favour of developed market and US government bonds is the currently extremely negative market sentiment, which from a contrarian point of view may signal an attractive buying opportunity. Contrarian investors typically look for situations in which the prevailing market view has led to mispricing. From a fundamental angle the visible slowdown in US economic activity and in the labour market provides serious support, as it reduces inflationary pressure and with it the probability of a rate hike. In valuation terms real interest rates are decidedly high, so they provide a stable yield environment for investors (the real interest rate of 2.3% offered by long US bonds is exceptionally attractive and a historic entry point).

Emerging Asian equities in the crosshairs

The extremely low prices that emerged after the summer correction and the steadily improving earnings expectations of the semiconductor sector (especially in Korea and Taiwan) offer an excellent entry point for buying into the global AI boom, which continues unbroken. At the same time we still keep a slight underweight in developed market equity markets (primarily the US), which carry greater risk because prices are close to their peaks and September is a seasonally weak month. We have also scaled back Central European equities and bonds: our earlier optimistic stance has been replaced by a more cautious approach because of the possible escalation of the war in Ukraine and the fear of Russian sabotage operations (something the visit of the CIA director to Moscow further amplified), while after the rise of the recent period the regional markets can no longer be called cheap relative to the emerging market average.

Monthly asset allocation (September 2026)

Asset class	H UW	UW	S UW	N	S OW	OW	H OW	Since Aug.
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

VIG MoneyMaxx Emerging Markets Absolute Return Investment Fund

In the current market environment the Fund is a decidedly smart and tactical choice in several respects. By its nature it is not strictly tied to a single asset class or geographical region, which allows the portfolio managers to reallocate capital dynamically between bonds, equities and currency positions in response to market changes. Ahead of the seasonally weaker equity market period of September the portfolio managers took a more cautious stance and reduced the weight of equities to approximately 50 to 60%. This allocation lowers risk in the event of a downturn while preserving the potential for gains. The Fund is characterised by tactical and focused equity purchases: taking advantage of the summer corrections it bought South Korean equities at low price levels (and also local currencies that look undervalued, such as the Indonesian rupiah). It also maintains a narrower exposure to quality US software and technology, and it holds investments in the gaming sector as well. Strict risk management and profit taking are typical of it: when geopolitical and war related risks intensified in Central and Eastern Europe, the fund managers did not hesitate and halved the regional equity exposure from the earlier 20%, successfully realising the handsome profit achieved up to that point and reducing the vulnerability of the fund. On the bond side they increased developed market interest rate risk by buying longer maturity paper, preparing for changes in the global yield environment.

We expect the fund of the month (based on tactical asset allocation) to outperform in the near future.

ESG theme of the month

The price of a future-proof economy: climate adaptation

Over the past few months, we have all experienced first-hand that climate change and global warming are no longer distant problems affecting future generations – they have already become part of our everyday lives. In other words, if we hope to live long and secure lives, the time has clearly come to learn how to coexist with changing climatic conditions over the long term.

Record-breaking heat

According to **data** from the **Copernicus Climate Change Service** (C3S), June 2026 was the second-warmest June ever recorded globally, surpassed only by June 2024. Moreover, due to the intense heatwaves affecting the continent, Western Europe experienced its hottest June on record this year, with average temperatures 3.06°C above the 1991–2020 average. A **report** by the European Commission also warns that heatwaves are becoming more frequent, longer lasting and deadlier. The situation is further exacerbated by the increasing occurrence of tropical nights, when temperatures do not fall below 20°C. This prevents the body from recovering properly overnight and poses serious health risks. High humidity can make matters even worse, as it inhibits perspiration, further reducing the body's ability to cool itself.

Despite this alarming trend, the future is not set in stone: effective adaptation strategies and nature-based solutions can help reduce the climate-related risks we face.

When climate change starts to affect GDP

Many believe that the first and simplest step in addressing the problem is the use of air conditioning. While air-conditioning systems can indeed form part of the solution, their use can also create a vicious cycle: they increase greenhouse gas emissions and may lead to extremely high electricity consumption, which – as **Hungary also experienced during the summer of 2026** – places additional strain on power grids that are already under significant pressure.

Extreme heat is no longer merely an infrastructure challenge; it has also become a serious macroeconomic issue. According to **The Guardian**, the 2026 European heatwaves are estimated to potentially reduce EU GDP by as much as EUR 180 billion due to declining productivity, lost tourism revenues and power plant shutdowns.

A comprehensive report by the **UK Climate Change Committee (CCC)** similarly warns that delaying action is far more costly than prevention: proactive adaptation by governments and markets is essential to preserving macroeconomic stability. Adapting to climate change therefore goes far beyond considerations of individual comfort; entire economies, national markets and the financial sector need to fundamentally prepare for managing physical climate risks.

Putting a price on climate adaptation

Avoiding the economic damage caused by global climate change is therefore no longer a theoretical issue – it represents a very real and quantifiable investment requirement. According to a comprehensive **report** by the UK Climate Change Committee (CCC), building a future-proof economy capable of successfully adapting to global warming would require at least GBP 11 billion in additional annual investment in the United Kingdom alone – with estimates ranging from approximately GBP 7 billion to GBP 22 billion per year – through to the 2050s.

Moreover, this is not solely a task for the public sector. According to the report, nearly half of the required capital would need to be provided by the private sector and financial markets. The study estimates that around two-thirds of the financing requirement would be concentrated in three main areas:

- developing active and passive cooling systems;
- smart water management and infrastructure;
- flood protection and sustainable water drainage.

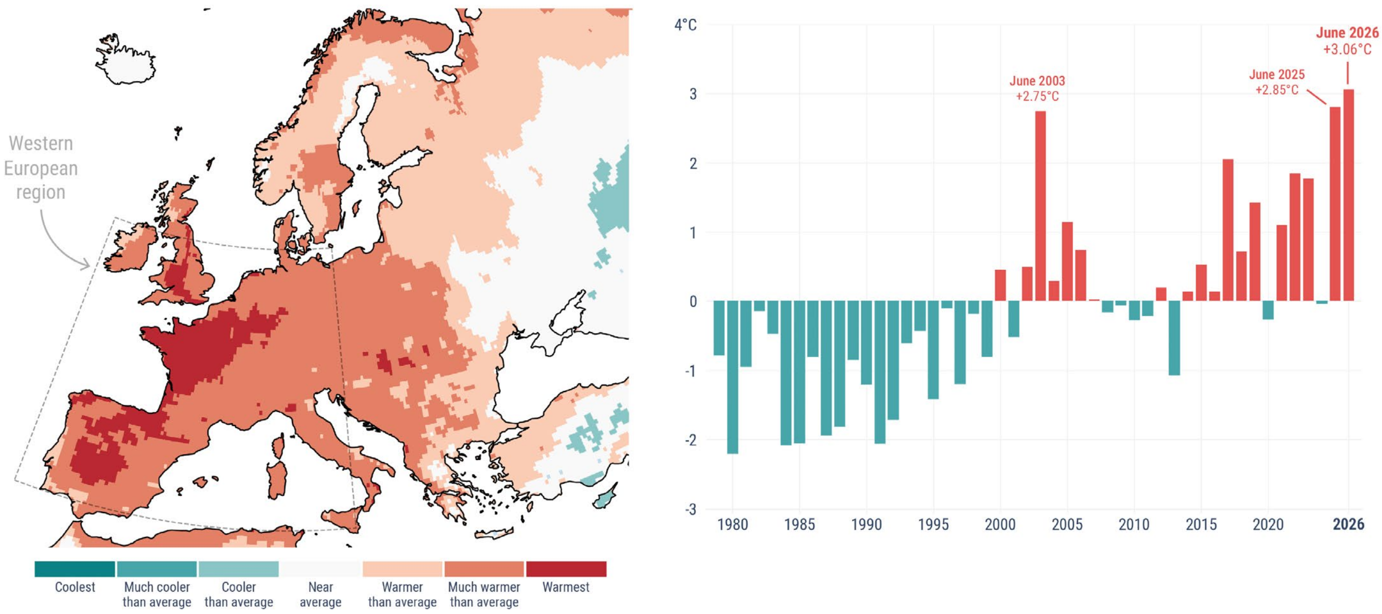
From mitigation to adaptation: a new direction for ESG?

From an investor's perspective, the growing need to adapt to global warming – which is already affecting our daily lives – could lead to a significant reshaping of markets. Companies and investment funds at the forefront of technologies required for climate adaptation could become some of the most sought-after participants in the economy of the future.
In the world of sustainable investing (ESG), the focus may therefore increasingly shift from emissions reduction (mitigation), which has long been at the centre of attention, towards adaptation to more intense heatwaves and other physical consequences of climate change.
In practice, however, investment funds are currently still able to exert an impact primarily through mitigation, largely because of the lack of reported adaptation-related metrics. Nevertheless, genuine adaptation is likely to become unavoidable in building a future-proof economy. The first step towards this shift will therefore be to develop appropriate methodologies and ensure the availability of relevant corporate data.

June 2026 was the warmest June on record for western Europe

Data: ERA5 • Reference period: 1991–2020 • Credit: C3S/ECMWF

Anomalies and extremes in surface air temperature for June 2026 | **Surface air temperature anomalies in June averaged over western Europe**



Colour categories refer to the percentiles of the temperature distributions for the 1991–2020 reference period. The "coolest" and "warmest" categories are based on June rankings for the period 1979–2026. The western European region outlined in the map and used for the time series covers all land area within 11°W–15°E, 37°–55°N.

PROGRAMME OF THE EUROPEAN UNION · Copernicus Europe's eyes on Earth · Climate Change Service · IMPLEMENTED BY ECMWF

Source: Copernicus Climate Change Service • https://climate.copernicus.eu/surface-air-temperature-june-2026

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