

l'oeilpert

MARKET OUTLOOK DISCRETIONARY MANAGEMENT

SRI FUNDS MANDATE

FEBRUARY 2025

 **BANQUE DE
LUXEMBOURG**

1 MACROECONOMIC ENVIRONMENT

Donald Trump's pronouncements continue to blow hot and cold on the markets. Uncertainty surrounding the imposition of tariffs is slowly but surely starting to affect American consumer and business confidence. In this environment, the latest macroeconomic news from the United States has tended to fall short of market expectations.

Lack of clarity regarding Donald Trump's future economic policies is also worrying Fed members. With persistent inflation being closely scrutinised, they are likely to adopt a cautious approach and maintain a more restrictive monetary policy until the fog lifts.

There are relatively similar concerns in the eurozone. However, a few disagreements are gradually emerging regarding the course of future monetary policy. In a context of economic slowdown and decelerating inflation, some members are advocating a further reduction in key interest rates, while others appear to favour a more cautious approach.

Equity markets fell slightly in February, impacted by political uncertainties and fears of a new trade war. The global market lost 0.6% in euros over the month, but is still 2.3% higher since the beginning of the year. European markets (+3.1%) continued their rally on the back of good corporate results. They have returned over 10% since the beginning of January. In contrast, the US markets (-1.7%) declined in February, particularly impacted by recent weak macroeconomic data and growing competition from Chinese artificial intelligence models, and have only gained 0.9% since the start of the year.

MARKET OUTLOOK

In terms of sectors, those with a US mega-cap component suffered over the month: consumer discretionary (Amazon, Tesla) -4.9%, communication services (Alphabet, Meta) -3.7%, and technology (Apple, Nvidia, Microsoft) -2%. Six of the magnificent seven have now posted a negative return since the beginning of the year. Meta is the only one in positive territory so far this year. In light of the prevailing uncertainties, investors preferred to invest in more defensive sectors in February. The consumer staples sector headed the leader board, with an increase of more than 4%. The banking sector (1.7%) came second, buoyed by good earnings releases and the announcement of share buybacks.

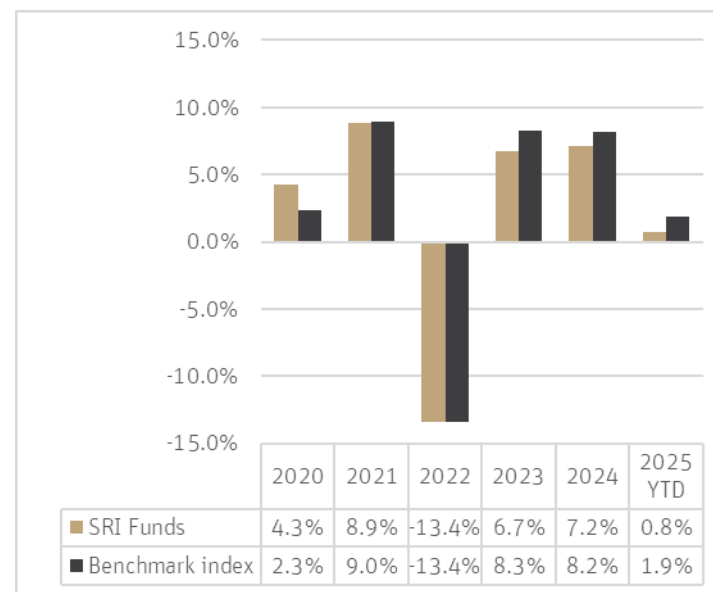
On the bond markets, investors turned to quality assets. German and US 10-year bond yields fell by 5 and 23 basis points, ending the month at 2.41% and 4.21% respectively. In this context, US Treasuries led the field at the end of the month, gaining 3.7% in euros. At the bottom end of the scale were bonds from periphery countries, posting an increase of 0.6%.

2 PERFORMANCE OF THE MANAGEMENT SOLUTION AT 28/02/2025

Year-to-date, the management solution has generated a positive return of 0.76%.

This compares to a rise of 1.87% for the benchmark index, **Morningstar EUR Moderate Allocation**.

Performance: balanced investment strategy



Our balanced portfolio fell by 0.59% in February, limiting its year-to-date return to 0.76%.

The equity component ended the month in negative territory, mainly due to thematic funds which are suffering from a very marked sector bias and their high exposure to small and medium capitalisations. In addition, Trump's policies are creating a strong headwind for the SRI style and other sub-segments have also been penalised. The US markets have been hit hardest by the general turmoil caused by Trump's agenda. Japan was alone in coming out relatively unscathed thanks to the currency effect, which has more than offset the correction in the Japanese market. There was better news for our exposures in the **Xtrackers (IE) MSCI Global SDGs** index fund (1.7%) which benefited from its bias in the real estate and healthcare sectors, the **DNCA Invest Beyond Semperosa** fund (0.6%) which also benefited from its more defensive bias through its investments in the healthcare sector, and finally the **Mirova Global Sustainable Equity USD** fund (0.4%) which profited not only from its bias in the healthcare sector but also from successful stock picks, particularly in the banking sector.

In contrast, **Robeco Capital Growth Sustainable Water** (-4.9%), **Triodos I Pioneer Impact** (-4.3%) and **FFG BLI American Impact Equities** (-3.7%) were all impacted by the substantial presence of small and mid caps in their stock selection. These funds are more affected by American consumers' loss of confidence and the deteriorating economic outlook on fears of a new trade war.

The bond component made a positive contribution to the portfolio's performance, deriving particular benefit from falling yields in the final days of the month. Despite a particularly volatile month, the **Multi Units Luxembourg Amundi Global Aggregate Green Bond** fund (+1.1%) was helped by its greater sensitivity to interest rates. Our position in the **BNY Mellon Global Responsible Horizons Euro Impact Bond** fund (0.8%) also did well thanks to its good selection of securities.

	SRI funds	Benchmark index ⁽¹⁾
Cash	-0.29%	
Equities	0.63%	
<i>EU</i>	<i>0.42%</i>	
<i>US</i>	<i>0.02%</i>	
<i>Japan</i>	<i>0.09%</i>	
<i>Emerging markets</i>	<i>0.00%</i>	
<i>Themed funds</i>	<i>0.10%</i>	
Bonds	0.42%	
<i>Developed countries</i>	<i>0.41%</i>	
<i>Emerging markets</i>	<i>0.01%</i>	
	0.76%	1.87%

⁽¹⁾ Benchmark index: Morningstar EUR Moderate Allocation

3 ASSET ALLOCATION AT 28/02/2025

Transactions since the last update in a balanced portfolio:

There were no movements in the portfolio in February.

Assets by class

	%
Equities	51.6
Global equities	1.9
European equities	16.7
North American equities	23.2
Japanese equities	4.2
South Pacific equities	0.1
Emerging market equities	5.5
Developed country equities	0.2
Developed country bonds	44.9
Bonds via funds	0.5
Cash	2.9

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