MARKET OUTLOOK DISCRETIONARY MANAGEMENT

SOCIALLY RESPONSIBLE FUNDS MANDATE

MAY 2025

BANQUE DE LUXEMBOURG

1 MACROECONOMIC ENVIRONMENT

Moody's decided to downgrade the US debt rating by one notch, from AAA to AA+, due to the sharp deterioration in the nation's public finances. It was the last of the three major rating agencies to maintain the highest rating for US debt. Fitch had lowered its rating in 2023 and S&P in 2011.

The downgrade has slightly increased the cost of US debt, with the 10-year yield rising from 4.16% to 4.40% over the month. On this side of the Atlantic, the Germany 10-year bond yield rose less sharply, from 2.44% to 2.5%.

OPEC+ again decided to increase its production by 411,000 barrels per day in July, having already taken the same decision for production in May and June. This time, unlike in previous increases, some members including Russia expressed their disagreement with the decision. By increasing production, OPEC+ hopes to gain market share by undercutting producers with the highest break-even prices, particularly US shale producers. The price of Brent crude, which was still close to $75 at the end of March, was below $64 at the end of May. Lower oil prices are good news not only for households and businesses, which will see their energy bills fall over the coming months, but also for central banks through continuing disinflation.

Buoyed by strong quarterly results and the de-escalation of the trade war between China and the United States, equity markets rebounded in May. In euros, the global market gained 5.9% over the month, limiting its year-to-date decline to 3.9%. All regions benefited, with performances ranging from 3.9% for Europe to 6.5% for the US markets. However, despite May's strong rally, the US markets are still down by nearly 8% in euros since the start of the year.

In terms of sectors, technology – notably driven by strong results from Nvidia and Microsoft – gained more than 10% in euros, followed by communications, up 9%. In contrast, pharmaceuticals (-3.8%) ended the month on a negative note, mainly due to the publication of an action plan to reduce the price of prescription drugs in the United States. Defensive sectors as a whole trailed the field last month as appetite for risk gained traction.

Risk appetite was also evident in the bond markets, boosting high-yield and corporate bonds. In contrast, government bonds ended the month with near-neutral performance as higher yields offset much of the carry.

2 PERFORMANCE OF THE MANAGEMENT SOLUTION AT 31/05/2025

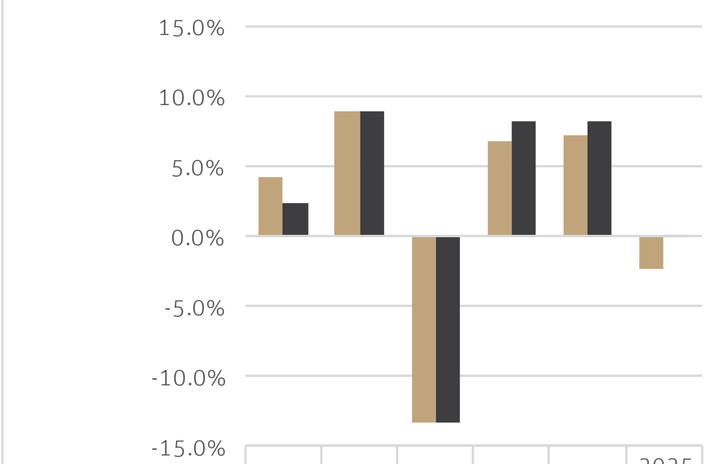
The management solution generated positive performance in May, up 2.43%.

This compares with a rise of 2.87% for the benchmark index, **Morningstar EUR Moderate Allocation**.

Since the beginning of the year, the management solution has returned -2.37%.

The benchmark index has risen by 0.06%.

Performance: balanced investment strategy



	2020	2021	2022	2023	2024	2025 YTD
SRI Funds	4.3%	8.9%	-13.4%	6.7%	7.2%	-2.4%
Benchmark index	2.3%	9.0%	-13.4%	8.3%	8.2%	0.1%

Our balanced portfolio gained 2.43% in May, limiting its year-to-date decline to -2.37%.

Our equity portfolio ended the month in positive territory, buoyed by strong quarterly results and the de-escalation of the trade war between China and the United States. The thematic and European segments contributed most to performance.

Of the thematic funds, **Robeco Capital Growth Smart Energy** (10.4%) and **CM AM Global Climate Change** (9%) benefited most from the renewed interest in cleantech. In contrast, **Polar Capital Biotechnology** (-4.9%) suffered from the publication of an action plan to cut prescription drug prices in the United States.

In the European segment, the **DNCA Invest Beyond Semperosa** fund (4.49%) had a strong month, benefiting partly from good performances in the more cyclical sectors (automotive, industrial and technology stocks) and partly from excellent stock-picking in healthcare despite the sector's ongoing challenges. The **Carmignac Grande Europe** fund (3.6%) continued its recovery after a difficult first quarter. On the other side of the Atlantic, the **ABN AMRO Parnassus US ESG Equities** (5.2%) and **FFG BLI American Impact Equities** (5.2%) funds benefited from renewed appetite for US assets. In Japan, the **Alma Capital Investment Eikoh Japan Large Cap** fund (4.6%) regained some ground thanks to its blend bias, which enabled it to benefit from the strong performance of the technology, automotive and financial sectors.

The bond portfolio also made a positive contribution to performance, benefiting in particular from carry and risk premium compression, against a backdrop of slightly rising interest rates. The **Goldman Sachs III Green Bond Short Duration** (0.6%) and **iShares II Euro Corp Bond ESG SRI** (0.6%) funds performed well thanks to moderate duration and significant carry. Conversely, the **Franklin Templeton Sustainable Euro Green Sovereign** fund (-0.1%) was the worst performer due to its greater sensitivity to interest rates.

	SRI	Benchmark index[1]
Cash	-0.49%	
Equities	-2.02%	
EU	*0.17%*	
US	*-1.24%*	
Japan	*0.03%*	
Emerging markets	*-0.08%*	
Global funds	*-0.90%*	
Bonds	0.14%	
Developed countries	*0.13%*	
Emerging markets	*0.01%*	
	-2.37%	0.06%

[1] Benchmark index: Morningstar EUR Moderate Allocation

3 ASSET ALLOCATION AT 31/05/2025

Transactions since the last update in a balanced portfolio:

No changes were made to the portfolio in May.

Assets by class

	%
Equities	**50.5**
Global equities	0.3
European equities	21.4
North American equities	18.8
Japanese equities	4.7
South Pacific equities	0.1
Emerging market equities	5.2
Developed country equities	0.2
Developed country bonds	**46.6**
Bonds via funds	**0.5**
Cash	**2.5**

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