

AMUNDI FUNDS ABSOLUTE RETURN MULTI-STRATEGY

Monthly
Portfolio
Update

31/10/2025

Meet the Team



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Market Review:

October was a good month for financial markets, with most asset classes recording strong gains, and those asset classes that did suffer losses were coming off elevated levels anyway. Tariffs and trade continued to be a concern for markets, but other factors also impacted returns but on a more geographic or sectoral level. Another surprise President Trump announcement of additional 100% tariffs on China around October 10 caused a significant sell-off in equity markets, but almost immediately Trump backed down, allowing markets to recover their poise. There were also significant concerns about private credit and US regional banks that caused a temporary widening in credit spreads, but again this was deemed to be an idiosyncratic risk and well contained. Japan elected a new Prime Minister who has signalled her support for fiscal stimulus and helped the Nikkei 225 to rally over 16% during October – it's strongest month since October 1990. Towards the end of the month, the Fed cut rates but signalled that another rate cut in December wasn't a foregone conclusion.

Looking in more detail at the equity side, the MSCI World Equity Index appreciated +2.0% in USD terms, and the S&P 500 outperformed slightly, rising +2.3%. The Euro Stoxx 50 did well with a gain of +2.5%, benefitting from good returns from the French CAC40 (+2.9%) and Spanish IBEX (+3.6%) indices. The UK's FTSE 100 was a notable outperformer, delivering a return of +4.1%. Japan's TOPIX index was the big winner during October, gaining +6.2%, but lagging the Nikkei 225 which returned +16.7%. Another strong market during October was the MSCI Emerging Markets Equity Index, appreciating an impressive +4.2%.

Global bond markets delivered positive returns but it was a case of what could have been, as although the Fed delivered a 25bps rate cut as expected towards month end, they did dampen expectations for a December cut. That sparked a rise in bond yields meaning returns, while good, could have been better. In Europe, the ECB are firmly on the side lines in terms of rate cuts, whilst Germany's plans to increase both infrastructure and defence should start to be implemented during Q4 2025. Overall, the ICE BoA Euro Government Bond Index returned +0.9% for the month, whilst the ICE BoA US Government Bond Index slightly underperformed, gaining 0.6%. The UK Gilt index had a great month and appreciated +2.9% and 10-year Japanese yields were almost unchanged, finishing October at 1.66% from 1.65% at end-September. The JPM EMBI Composite index was an out-performer, rising +1.7%.

On the credit side, it was a fairly quiet month with performance being driven by the underlying government and swap markets. The Itraxx Main credit index finished the month slightly tighter at +55bps from last month's close of +56bps. High Yield spreads widened slightly and the Itraxx Crossover index has Euro High Yield spreads at +266bps, slightly higher than the +262bps level at end-September. Overall, the Bloomberg Euro Agg Corporate Index was +0.7% for the month in performance terms, whilst the Bloomberg US Agg Corporate index slightly underperformed, recording a +0.4% return for the month. In the High Yield space, the Bank of America US High Yield Index recorded a small gain of +0.2%, almost matched by its Euro counterpart (Bank of America Euro High Yield Index) which generated a +0.1% gain.

Turning to currencies, the US Dollar, having stabilised in September, rallied strongly in October and the US Dollar Index appreciated +2.1% for the month, but is still down 8% this year. The Euro lost +1.7% against the Dollar, but appreciated +0.5% against the British Pound and rose +2.4% against the Japanese Yen. EM currencies gave up some ground as expectations of further US rate cuts waned and the JPM Emerging Markets Currency index depreciated -0.3% in October.

Finally, on the Commodity side, it was again a positive month overall but with a significant dispersion in performance. Gold yet again performed strongly, recording a +3.7% gain despite a sell-off late in the month, with copper also doing well and rising +6.3%. Oil continued to have a difficult time, with WTI losing -2.2%, but Brent actually losing -4%. Generally, the Precious Metals index recorded a gain of +3.5%, the Industrials Metals index appreciated +6.2% and the Agricultural Index rose +3.1%. Overall, the Bloomberg Commodity index returned +2.9% during October.

Portfolio Review:

Overall, the Portfolio delivered a strong positive return in October driven by our Macro ideas with additional contributions from our Relative Value positions. Our Hedging positions detracted slightly from overall performance and the Selection Pillar had flat returns.

Our Macro strategies pillar benefitted from the good performance of nearly all asset classes. Despite a late-month sell-off in Gold, it's near-4% rally meant that our long Gold position was again the best-performer of our Macro positions. Our wider long Commodity position was another strong gainer whilst our long US Equity and long European Duration positions were the second and third-best performers respectively. Other good performers were our EM Spread; Euro Equity and Euro ex-EMU Equity positions. On the downside, our worst performers had only very minor negative performance and included our Non-EUR Duration position and our Global Inflation position.

Our Hedging pillar incurred some small negative returns for the month. Given the strong performance of most asset classes during October, losses were to be expected, but in fact the losses were smaller than anticipated. The biggest detractor were our Equity hedges – no surprise really considering the good returns that the major equity markets delivered in September. The losses in this strategy were mainly concentrated in our US equity hedges. Our FX hedges also lost a small amount of money, primarily on our short USD / long EUR positions. Most other hedges were flat for the month.

Our Relative Value positions recorded good gains in October, with positive performance from the Spread; Equity and Interest Rates areas, flat returns from the FX sub-pillar and small negative returns from the Commodity; Inflation & Volatility sub-pillar as well as the Quant sub-pillar. On the Spread side, most of our strategies benefitted from good carry but the High Yield strategy suffered from a minor widening of credit spreads. Our Equity sub-pillar performance was driven by some short-term trading positions in equity indices, notably a long position in the Japanese Nikkei 225. We also benefitted from long positions in the US Biotech and Technology sectors. On the Interest Rates side, long positioning in both 10yr German Bunds and 10yr US Treasuries proved to be a good idea and both generated positive returns for our EUR Duration & USD Duration strategies. Our FX strategies were all generally flat in performance terms, whilst the Commodity; Inflation & Volatility sub-pillar incurred some small losses due to losses on a couple of volatility positions – we were positioned for an increase in volatility that didn't happen. Finally, on the Quant side the underperformance was driven almost entirely by our Equity Factors model which has exposure to both Euro and US Value and Momentum factors – we are long single stocks vs the index. In October, these stocks underperformed their relevant indices.

Our Selection pillar recorded flat returns this month as we have reduced the risk exposure to this pillar.

AMUNDI FUNDS ABSOLUTE RETURN MULTI-STRATEGY

Monthly
Portfolio
Update

31/10/2025

In terms of portfolio activity, our equity exposure decreased from +22.4% at the end of September to +18.2% by end-October. The decrease in exposure was spread across most markets with only Japan seeing an increase, moving from +0.4% to +3.8%. Our Europe EMU exposure decreased from +3.3% to +1.6%, whilst we also cut our Europe ex-EMU exposure from +5.3% to +2.2%. The US weighting again fell slightly from 9.2% to 8.8%, as did our Asia Pacific exposure which fell from -1.6% to -1.8%. We also reduced our EM allocation from 5.8% to 3.5%. Our overall duration stance was increased during October from 4.1yrs to 4.5yrs. We still have a strong bias towards European bonds and increased our weighting from 3.6yrs to 3.9yrs whilst our US exposure also increased from 0.6yrs to 0.9yrs.

Our spread duration decreased slightly from 5.5yrs to 5.4yrs as we balance the tightness of spreads vs the ongoing strong demand for credit from end-investors. We reduced our corporate exposure and balanced this by increasing our peripheral exposure. Our overall Commodity exposure was decreased from +9.2% to +6.6%. Our largest exposure is now to our Equal-Weighted Commodity ex-Agriculture ETF which increased from 3.1% to 3.7%, while we took some profits on our Gold position by reducing it from 4.6% to 1.9%. In terms of currencies, our US Dollar exposure increased from 6.1% to 12.1%, but we still remain wary of the US dollar's prospects against a backdrop of the US administration actively seeking a weaker dollar. Our second biggest exposure remains the Swiss Franc at 7.6% whilst the Japanese Yen exposure fell slightly to 3.3%. We are still short the Canadian Dollar & Singapore Dollar, as well as other Asian & Eastern Europe EM currencies.

Outlook

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US economic activity is likely to slow into the end of 2025 market review and outlook due to weak consumption, which is a dominant part of the economy. We also expect some resilience in inflation in the near term. Even in the UK, the Central Bank is grappling with an uptick in price pressures. In Europe, however, the environment is slightly different in the sense that inflation is under control for now. On risk assets, while valuations are high in some segments, we maintain a slightly positive risk stance (without bold calls) led by fundamentals and earnings potential. At the other end, we reiterate the need for hedges on equities and other portfolio diversifiers/stabilisers such as gold.

AMUNDI FUNDS ABSOLUTE RETURN MULTI-STRATEGY

Monthly
Portfolio
Update

31/10/2025

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AMUNDI FUNDS ABSOLUTE RETURN MULTI-STRATEGY

Monthly
Portfolio
Update

31/10/2025

Important information

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AMUNDI FUNDS ABSOLUTE RETURN MULTI-STRATEGY

Monthly
Portfolio
Update

31/10/2025

Important information

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