Quarterly Investment Letter

Q3 2025

ameliora WEALTH-MANAGEMENT

Review – Smooth road into new Highs

The past three months were marked by an unusually subdued level of volatility across financial markets, coupled with a steady and uninterrupted advance in U.S. equities. The S&P 500 gained a further 7%, while the Nasdaq Composite surged by almost 11%, with both indices not only extending their year-to-date rallies but also reaching fresh all-time highs - a testament to the resilience of investor sentiment despite lingering macroeconomic and geopolitical uncertainties.

At the same time, the U.S. economy has continued to demonstrate notable resilience in the face of import tariffs and other trade frictions. Inflation edged only slightly higher, yet the labor market has begun to reveal signs of cooling. This combination of moderate inflation and softening employment conditions prompted the Federal Reserve to cut its benchmark federal funds rate by 25 basis points at its September 17 meeting, signaling a more accommodative policy stance.

While broader economic indicators remain mixed, consumer spending appears healthy, supported by rising household wealth, and the housing market retains its stability - factors that together lay a constructive foundation for the upcoming holiday season.

Geopolitics

On the geopolitical front, tensions continue to intensify as Russia increasingly tests the patience of its Western neighbors through provocative drone incursions into the airspace of Denmark, Poland, Romania, and Lithuania. These maneuvers place NATO's unity and resolve under considerable strain.

Adding to this uncertainty, President Trump's address to the United Nations General Assembly on September 23, alongside his shifting posture toward Russia, underscores a broader U.S. retrenchment from international alliances - an approach that appears to embolden adversarial actors to exploit the current geopolitical vacuum.

Equity and Fixed Income

European equities have outperformed their U.S. counterparts since the beginning of 2025, particularly when measured in U.S. dollar terms. This relative strength has been driven by more attractive valuations as well as Germany's significant fiscal stimulus and defense-related spending program.

A notable feature of this year's market dynamics has been sector rotation: whereas the U.S. equity rally in recent years was dominated by technology, European financials and industrials have staged a robust recovery in 2025. These themes are well reflected in our portfolio allocations.

Fixed income markets, meanwhile, have delivered strong performance year-to-date, buoyed by a dovish turn in rhetoric from Fed Chair Jerome Powell, who has signaled a willingness to maintain a more accommodative stance on interest rates in the coming quarters.

Commodities and Currencies

The standout asset class this year has been precious metals, with gold advancing by 14% in U.S. dollar terms over the past quarter and gaining 45% since January 1. Gold remains our largest position across discretionary mandates, and we initiated a complementary allocation to silver as well on September 25.

Market Data

in USD as per September 30, 2025

Equities		YTD%
World		+18.7
USA 500		+14.8
USA 500 Equal Weighted		+9.9
Europe 50		+31.9
Swiss 30		+22.7
Asia 50		+40.9
Japan		+20.5
Bonds		**YTD%**
Global Aggregate (unhedged)		+7.9
U.S. Aggregate		+6.1
Pan Euro Aggregate (EUR)		+0.6
Global High Yield		+9.6
Interest Rates		**in %**
U.S. 3 months		3.9
U.S. 10 years		4.2
Euroland 3 months		2.0
Euroland 10 years		2.7
Commodities		**YTD%**
BB Commodity Index		+5.9
Gold oz		+46.8
WTI Crude Oil		-4.2
Copper		+17.1
Currencies		**YTD%**
EUR in USD	1.1734	+13.3
CHF in USD	1.2556	+13.9
GBP in USD	1.3446	+7.4
JPY in USD	147.90	+6.3

Economies

GDP Growth Estimate	2025%
USA	1.8
Euroland	1.3
Global	2.9
Inflation	**12M%**
USA	2.9
Euroland	2.2
Switzerland	0.2

Both metals continue to benefit from heightened uncertainty around monetary policy, persistent concerns over sovereign debt trajectories, and the absence of political will - both in Europe and the United States - to address rising debt burdens. These factors, in our view, should continue to provide a supportive backdrop for further gains.

Portfolio Updates and Themes

Our current equity stance is broadly neutral, reflecting the substantial gains already realized in many markets this year. Nonetheless, we have selectively added exposure to thematic areas that we believe offer structural tailwinds.

With global defense spending expected to rise, we established a position in SHLD, an ETF with significant exposure to U.S. and European defense contractors. In addition, we added exposure to gold miners via GDX, a sector benefiting from favorable cost structures, elevated margins, and robust demand for physical gold.

Technology remains an important theme, supported by the accelerating adoption of artificial intelligence and the vast capital expenditures required for new data center infrastructure. However, we remain highly selective, mindful that not all companies will emerge as sustainable beneficiaries of this transformational trend.

Outlook 4th quarter and beyond

Looking ahead, we maintain a cautious stance as valuations across equity markets appear increasingly stretched. Rising long-term yields could present a headwind for risk assets, even as short-term rates trend lower.

Notably, Rajiv Jain - former Vontobel portfolio manager and now founder of GQC Partners - recently published a research piece entitled Dot-com on Steroids, drawing parallels between the current AI-driven rally and the late 1990s technology bubble. We share some aspects of his skepticism and are instead emphasizing diversification also in more durable investment themes such as gold, silver, defense, and select European equities, with a particular focus on German corporates.

The late-1990s experience serves as a powerful reminder that while many firms can appear to prosper during periods of exuberance, only a handful ultimately succeed in monetizing their heavy investments. Accordingly, our investment process remains anchored in discipline: we are concentrating on companies with robust balance sheets, strong free cash flow generation, and compelling valuations, while deliberately avoiding exposure to high-flying names trading at unsustainable multiples.

Within fixed income, we expect short-term rates to decline further, a view reflected in our bond positioning. However, we remain cautious on longer-dated maturities, which we see as vulnerable given that inflation continues to run above the Federal Reserve’s 2% target and shows little sign of abating in the near term.

We wish our readers golden autumn days filled with joy and inspiration. As always, please don't hesitate to contact us with any questions you may have.

Ameliora Wealth Management Ltd.

Investment Office