# AMUNDI FUNDS INCOME OPPORTUNITIES

## Monthly Portfolio Update 30/11/2025



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### Market Commentary

During the month of November, the MSCI All Countries World Index (ACWI) and the MSCI World Index returned -0.01% and 0.28%, respectively. In USD, U.S. stocks returned 0.25%, Japanese stocks were down just slightly returning -0.69%, European stocks returned 1.51% and emerging markets came under pressure returning -2.39%. Global bond returns were mixed as the Bloomberg Global Aggregate Index returned 0.23%, and the Bloomberg Global High Yield index returned 0.56%.

Equity markets experienced heightened volatility during the month, with pressure intensifying mid-month as investors grew concerned over elevated AI company valuations and reduced expectations for U.S. Federal Reserve rate cuts. As weaker-than-expected economic data emerged later in the month, rate cut expectations returned, reversing the selloff and leaving monthly returns near flat. However, given the concentrated pressure in technology, the NASDAQ finished slightly negative while the S&P 500 posted modest gains.

European markets finished positive amid a more favorable economic environment. Business activity expanded during the month while inflation data remained aligned with European Central Bank targets. Although manufacturing PMI declined, services PMI reached an 18-month high and consumer confidence increased, boosting investor sentiment. Japanese equity markets were shaped by several forces including yen weakness that followed the government's ¥21.3 trillion stimulus package, mounting speculation about a December Bank of Japan rate hike that pushed bond yields to 17-year highs, and broader global tech sector volatility. While yen depreciation benefited export stocks in local terms, it weighed on USD-denominated returns.

### Performance Review

During this period of equity market volatility, the portfolio's performance was primarily driven by its equity allocation, which generated both the strongest contributions and most significant detractors. Top Contributors emerged from several key areas. Financial sector holdings, particularly European banking positions, delivered meaningful outperformance during the period. Individual equity names including Barrick Mining and Pfizer also provided notable positive contributions to overall returns. While securitized credit positions within the fixed income allocation contributed positively to returns, their impact remained modest relative to the more pronounced effects from equity holdings.

Performance headwinds came from a diversified set of equity positions across multiple sectors. Industrial holdings such as Hensoldt, utility positions including Eversource Energy, and information technology names like Samsung Electronics each weighed on portfolio performance during this volatile environment.

### Outlook and Positioning

Current capital markets reflect a delicate balance between multiple competing forces. On the constructive side, corporate earnings have demonstrated resilience across many sectors, consumer spending patterns remain relatively stable despite economic headwinds, and technological innovation continues to drive productivity gains in key industries. However, this optimism operates against a backdrop of persistent uncertainties around monetary policy trajectories, geopolitical tensions that create periodic volatility spikes, and valuation concerns in certain high-growth sectors.

The portfolio's equity positioning reflects our disciplined valuation methodology, evidenced by a price-to-earnings multiple of 12.6x compared to the broader global equity market's 21.0x multiple. The U.S. equity allocation was increased during the month to take advantage of idiosyncratic opportunities across a variety of sectors such as financials, consumer discretionary and information technology. In addition, current U.S. equity positions are set to capitalize on tax policies designed to encourage "reshoring"—potentially benefiting manufacturing, energy production, and broader economic growth.

We maintain the largest equity sector overweight in financial services, with concentrated exposure to traditional banking institutions that demonstrate attractive capital allocation policies through share repurchase programs and dividend distributions. Over recent months, the apportionment to sectors that are strategically positioned for multi-year growth driven by Germany's fiscal expansion has been increased. These government initiatives include substantial infrastructure and defense commitments, benefiting companies in transportation infrastructure, energy systems, and construction.

This defensive posture has also been reinforced within the fixed income allocation that reflects a strategic emphasis on credit quality enhancement through reduced corporate credit exposure. However, during the period we took advantage of some spread widening and marginally added a small position to investment grade credit. Instead, agency mortgage-backed securities constitute a core component of our quality-focused approach, selected for their favorable yield characteristics, extended weighted average life, minimal credit risk profile, and inherent liquidity that facilitates tactical repositioning as market conditions evolve. To enhance portfolio resilience, we maintain dedicated exposure to U.S. Treasury securities to complement agency holdings while providing both portfolio stability and income generation.

Equity-linked notes continue to serve as a primary income generation vehicle, functioning as an effective substitute for traditional credit risk exposure given current credit spread levels. We maintain a consistent 53-week maturity structure, focusing on single-name equity securities rather than an index-based approach to optimize yield generation opportunities. In response to equity markets reaching historical valuation peaks and due to a more significant exposure to the equity-linked notes we have maintained portfolio equity hedge levels during the period (-18%), reinforcing our risk management framework and defensive positioning within the current market environment.



**Investment objective**: Seeks to increase the value of your investment (mainly through income) over the recommended holding period, while achieving an ESG score greater than that of its investment universe. **Benchmark**: ICE BofA US 3-Month Treasury Bill Index. Used for performance comparison.

**Recommended holding period** 4 years.

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Date of publication: 09/12/2025

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