APRICUS FINANCE

WEALTH MANAGEMENT

October 2025

Another Month Of AI Frenzy

Global equity markets continued reaching new record highs in September and early October, as AI enthusiasm, resilient earnings growth, and a rate cut from the US Federal Reserve outweighed the typically weak seasonal patterns and broader macroeconomic concerns.

The deal between the Trump administration and Pfizer, whereby the company would sell prescription medications to Medicaid at 'most favored nation prices', in exchange for a 3-year truce on tariffs, was widely seen as a clear victory for Big Pharma. It triggered an aggressive rotation back into the sector, leading names such as Pfizer, Merck, AstraZeneca or Roche gained between 11 and 15% in just two days.

The raft of announcements in the AI space, ranging from joint ventures, direct stock investments, and future equipment purchases, with OpenAI and Nvidia at front and center, sparked both a rally in AI names and as well as concerns about its economic soundness and circularity.

The AI euphoria spread to China and Korea, where Baidu announced a new in-house AI chip venture, Alibaba increased its AI spending beyond 50 billion USD, and OpenAI tapped Samsung and SK Hynix for chips.

While the rally was led once again by the mega caps, the correlated rally in speculative non-profitable tech, (some would call it 'low-quality junk'), as well as names with a high short interest, was even more impressive: since the end of August, they collectively rallied 30%.

For all the fears about stretched technology shares, many of those companies are hugely profitable ones, with extremely solid balance sheets. As highlighted last month a bump in their earnings, for example due to lower-than-expected monetization, or a lower return on investment, as part of the AI transition, will surely dent their multiples and likely cause a market retracement.

It is the smaller players we are concerned about, particularly in the private equity space, where just mentioning AI is enough to bring you to unicorn status, (a billion-dollar market capitalization), and where massive amounts of private capital are flowing. KKR estimates that 63% of US venture capital funding is going to AI and Large Language Model players.

Companies are spending hundreds of billions of dollars on data centers, and hardly a day goes by without another multi-billion-dollar investment being announced, however they have been slower to show how they will pull in revenue to cover those investments.

The consulting firm Bain & Co is estimating the shortfall could be larger than previously estimated. By their calculations by 2030 AI companies will need 2 trillion dollars in combined annual revenue to fund the computing power needed to meet projected demand. However, their revenue is likely to fall short by 800 billion as efforts to monetize its services trail the spending requirements. Under this scenario only the largest and healthiest players are likely to survive.

The frothiness in the stock market can especially be observed in AI related energy stocks. A group of non-revenue-generating energy companies have collectively ballooned in value, in hopes that technology companies will one day pay for their yet-to-be-built power.

The posterchild of these companies is certainly OpenAI CEO Sam Altman-backed nuclear startup Oklo, whose shares have risen by over 700% year to date. The company now has a market cap of roughly

$27 billion, making it the biggest US public company that generated no revenue in the past 12 months. Oklo is developing small modular nuclear reactors that use a non-water coolant and an enriched type of uranium fuel that is in limited supply. It doesn't yet have a license from the U.S. Nuclear Regulatory Commission or binding contracts with power purchasers. Analysts don't expect the company to generate any revenue until 2028 at the earliest, if ever.

If the AI bubble ever deflates, these energy companies with no revenue, and no cushion have the farthest to fall. That would just remind us of what happened to energy companies riding the hydrogen hype over 20 years ago.

On a maybe not so side note, political turmoil in France weighed on markets early in the month, with the French National Assembly voting to oust Prime Minister F. Bayrou in a confidence vote aimed at ending the political impasse over the country's deepening financial crisis. French President Macron named close ally Lecornu as the new PM, who shortly thereafter resigned only to be reappointed. Similarly to what happened in the summer of last year, these events are likely to have a contained effect on French listed companies with an international exposure. It could be different, though, for those with a heavy domestic dependence. On the fixed income side, French government bonds are somewhat 'sandwiched' by the other Eurozone countries, and are thus unlikely to experience a scenario like the UK during the catastrophic 'Liz Truss moment' in 2022, when long term yields spun out of control, rising over a two-months period from 1.85% to 4.5%.

Precious Metals

We cannot overlook the exceptional and accelerating, performance of gold and other precious metals. Our readers know that we advocated years ago for an allocation to Gold, increased it during the pandemic, and further increased it after the invasion of Ukraine and the unprecedented move to freeze Russian foreign exchange reserves. Since then, we have managed the position in our portfolio, keeping it close to a 5% allocation across profiles.

While central banks, particularly those from developing nations, have been stepping up their purchases of Gold since 2022, looking at flows into physically backed ETFs, it is apparent that asset managers and private investors have been divesting Gold since October 2020, (Gold had peaked at just above 2000 USD back then). In 2024, flows stabilized and started to increase. In February 2025, inflows into Gold accelerated, and we saw scores of asset managers and private banks starting to add Gold to their asset allocation, along with private individuals. In June, flows towards the metal accelerated, and since August the price progression of Gold has gone hyperbolic: in just two months the price of Gold advanced 27%.

To us it is obvious that other investors had entered the asset class: as Gold became the best performing asset class in 2025 even ahead of cryptocurrencies, it landed on the radar of alternative fund managers such as CTAs and momentum-driven funds. Goldman Sachs estimates that only about 70% of Gold's recent rise can be attributed to asset managers and individual investors.

Looking at the price action over the last two or three months of 'minor' precious metals, such as Silver, Palladium and Platinum it seems evident that these new 'investors' had entered the race, leading to greater intraday volatility in the sector, (1-year Gold volatility has now reached 19%. This compares to just 7% for the Euro-dollar pair).

It doesn't take a lot to move the price of these metals. While Gold itself is a lot less liquid than 20 years ago, (less trading desks and brokers), Silver's liquidity is estimated to be only one-tenth that of the Gold and it is even less for Palladium and Platinum. Volatility and an ability to move the prices: an ideal playground for alternative funds.

As an example, just look at the recent behavior of Silver: just a few days ago the premium on Silver quoted in London, as compared to the one quoted in New York, reached 3 dollars an ounce (around 6%). Similarly to what happened to Gold earlier in the year, (on fears of Trump tariffs on the metal), but this time in the opposite direction, traders were quick to book cargo space to airlift Silver from New York to London to pocket the difference, despite the costs of air-shipping it.

The point we are making, is that as long as the price-momentum of gold moves up and volatility stays high, these new 'investors' will keep their skin in the game, but do not be surprised if they suddenly decide to go somewhere else, and the price drops quickly by 10%. We will stay invested for the long-term, managing our 5% allocation.

The Debasement Trade

From a historical point of view the Roman emperor Nero 'debased' gold and silver coins with cheaper metals such as copper. King Henry VII of England did the same.

The term describes a strategy investors use to protect themselves from the erosion in the value of money or other assets. It involves selling currencies and securities vulnerable to political or fiscal shocks and shifting into haven assets such as Gold or even cryptocurrencies.

Some investors are indeed concerned about heavily indebted countries and their currencies, such as Japan, the UK, the US or France, and have been diversifying into Gold. We think some debasing is possibly taking place albeit not on a large scale: fiat currencies still dominate international trade and reserves, and global investors are still holding large amounts of government bonds.

Regarding cryptocurrencies, the recent crash observed just days ago, especially in so-called altcoins, tells us that the asset class is probably not yet ready to handle large amounts of directional flows, and hence, debasement.

Global Trade Is Doing Fine Without the US

US tariffs policy is distorting non-US trade. Modern supply chains are complex. If US demand for finished goods from China has been distorted, that is, as an example likely to distort China's demand for components imported from South Korea.

This year, global trade patterns have also been distorted by unusual US inventory cycles ahead of the tariffs and during the first batch of them in April. US wholesalers rushed to stockpile imported goods in anticipation of tariffs. This stockpiling pattern was uneven across sectors, creating different import waves for specific products.

And while the US has put in place trade barriers with the rest of the world, the rest of the world has largely avoided imposing barriers on one another—in fact, quite the opposite. According to CPB Netherlands, world merchandise trade has been stable to higher this year, despite the US tariffs. Recent data from China indicated that exports were up 8%: down 27% to the US and up close to 15% to the rest of the world.

The new contours of global commerce are starting to emerge as governments redraw trade alliances and companies seek other markets to avoid the highest US tariffs since the 1930s.

Canada now imports more cars from Mexico than from the US. China has snubbed American soybean farmers at harvest time and is buying from South American growers instead. India and China are resuming direct flights between the two countries and trading rare earths, ending years of frozen relations.

Smaller economies are also adapting to a world where US consumers and companies are costlier to reach. Peru is seeking buyers in Asia for its blueberries, and Lesotho, a textile producer, is pivoting to Asia, Europe and the rest of Africa. A group of 14 countries including New Zealand, Singapore, Switzerland, and the United Arab Emirates, has formed a partnership to boost trade and investment.

Nonetheless, putting aside trade with the US, export values for China, the EU, Japan, and South Korea are all close to the highs of the post-pandemic trade boom.

In brief: while we do not know the extent of 'transshipment', (shipping first to a country that has a lower tariff and then to the US), international trade is holding up: the rest of the world is playing quite nicely together.

The US Economy

Please note that because of the shutdown, no official economic data has been released over the last two weeks. Nevertheless, the US Federal Reserve has its own sources of data, and it is meeting at the end of the month. The market is essentially discounting a 100% chance of a rate cut, as the central bank has clearly indicated it is now prioritizing a worsening labor market over sticky and above target inflation.

Strategy

Last month we twice reduced our positive equity market bias back to neutral. The second time we did so we decided to separate ourselves from our long-held theme of Health Improving Technologies and Services. Despite our continued fascination with how healthcare improving technology can progress the health and the living conditions of many people, the theme over the last couple of years has lagged global indices. It was hit by the introduction of the GLP-1 weight loss drugs by the likes of Novo Nordisk and Eli Lilly a couple of years ago, (most of its underlying companies were geared toward obesity and diabetes treatments), however it is quite clear that the sector doesn't enjoy the interest of investors it once did. We might revisit the theme if conditions change.

During the month we also added some partial downside protections on equities, as volatility was particularly cheap, maturing in March of next year.

Summing up:

- Global backdrop: Without retaliation and avoiding worst-case tariff scenarios, the damage caused by tariffs appears to be less severe than anticipated, as trade reroutes and businesses adapt. Nevertheless, global economic momentum is set to slow in the coming quarters.

- US: The erratic politics surrounding tariffs creates growth headwinds and spurs inflation. Against the backdrop of a slowing economy, the inflationary impact of tariffs will remain temporary, enabling the Fed to resume its rate-cutting cycle and reduce policy restraint. The issue of stubbornly high inflation of essentials and the impact of tariffs on the lower and middle classes, is more of a social and political issue. If the top 10% earners keep spending, the economy will not experience any severe downturn.

- Eurozone: US policy, both in terms of tariffs as well as geopolitics, (Ukraine), is a wake-up call for Europe. The willingness to respond to external growth headwinds by increasing public spending and taking on debt has risen. With inflation on target and growth recovering, the ECB could possibly ease rates one more time.

We continue to be moderately positive for equity markets, albeit slightly less so than just a few months ago in view of the recent markets' performance: since June the MSCI world (hedged) is up over 10%.

Equity

We are neutral. We keep an overweight in Eurozone and Asian ex Japan equities versus the US ex. Mega Caps.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt.

Foreign Exchange

The US Dollar and the Japanese YEN exposure is entirely hedged.

Gold

We keep our allocation to Gold.

Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, JPY and US Dollars hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Overweight S&P 500 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD. Long US inflation linker.

Thematic Fixed Income

Long Hybrids, Long Subordinated Financial Credit.

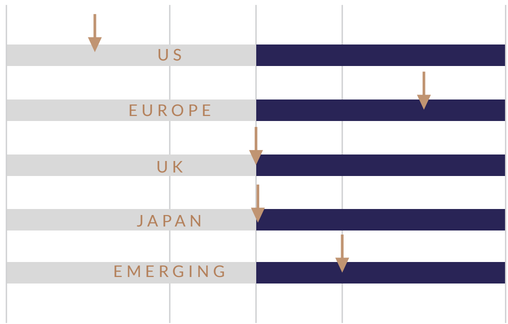
Currencies: Non USD-referenced portfolios are fully hedged against USD and YEN. USD-referenced portfolios are long EUR.

Commodities: Overweight

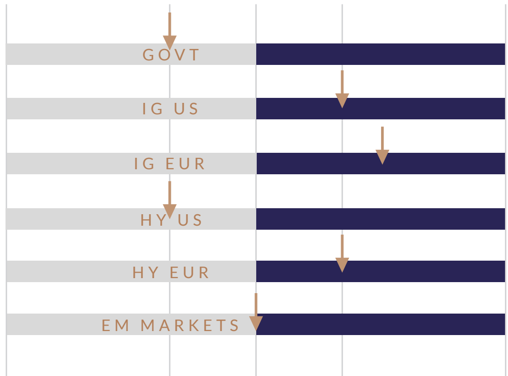
Long Gold.

Conviction thermometer

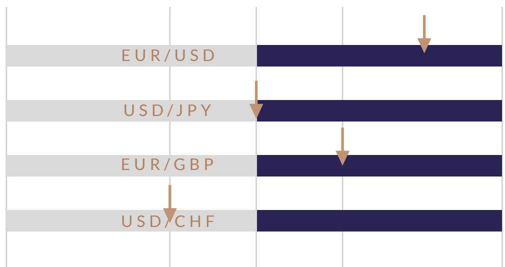
Equities



Bonds



Currencies



Commodities

Negative view   Positive view

Market overview as of 30th September 2025

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED USD	2 356,61	0,45%	3,28%	15,00%
US S&P500	6 688,46	0,49%	3,64%	14,81%
MAGNIFICENT 7 (CAP WEIGT.)	200,44	0,89%	6,81%	18,67%
NASDAQ 100	24 679,99	0,41%	5,47%	18,10%
EUROPE EURO STOXX 50	5 529,96	1,12%	3,42%	16,15%
GERMANY DAX	23 880,72	1,14%	-0,09%	19,95%
FRANCE CAC40	7 895,94	0,46%	2,66%	10,29%
BELGIUM BEL20	4 820,57	2,57%	0,46%	16,15%
SWISS MARKET INDEX	12 109,42	0,06%	-0,50%	7,73%
UK FTSE100	9 350,43	1,39%	1,83%	17,67%
RUSSELL 2000	2 436,48	-0,80%	3,11%	10,38%
JAPAN TOPIX	3 137,60	0,08%	2,95%	15,26%
MSCI EMERGING	1 346	-0,01%	7,17%	28,17%
MEXICO MEXBOL	62 915,57	0,88%	7,37%	30,58%
HONG KONG HANG SENG	26 855,56	2,68%	7,64%	38,18%
CHINA CSI 300	4 640,69	2,73%	3,34%	20,71%
INDIA SENSEX	80 267,62	-2,23%	0,59%	3,92%
KOREA KOSPI	3 424,60	-1,76%	7,50%	44,92%
HANG SENG TECH	6 465,66	4,84%	13,99%	46,13%
AUSTRALIA ALL-SHARE	5 061,73	1,40%	1,86%	16,52%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	422,60	-2,23%	5,60%	24,51%
CONSUMER DISCRETIONARY	1 917,97	0,66%	3,22%	5,30%
CONSUMER STAPLES	871,10	-0,14%	-1,56%	3,89%
ENERGY	682,82	0,05%	-0,43%	7,04%
FINANCIALS	896,86	0,25%	0,14%	12,70%
HEALTH CARE	1 623,95	1,68%	1,78%	2,61%
INDUSTRIALS	1 306,11	0,83%	1,84%	18,25%
INFORMATION TECHNOLOGY	5 612,00	1,07%	7,25%	22,31%
MATERIALS	570,71	-0,77%	-2,08%	9,32%
REAL ESTATE	264,79	0,40%	0,49%	6,19%
UTILITIES	443,18	1,86%	4,15%	17,69%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	2 762,26	2,27%	3,03%	3,72%
CONSUMER GOODS	3 745,13	0,96%	-3,76%	2,42%
CONSUMER SERVICES	1 433,05	0,06%	1,70%	-4,71%
FINANCIALS	1 413,59	1,00%	2,22%	34,89%
HEALTH CARE	3 435,27	-0,72%	-1,71%	-3,16%
INDUSTRIALS	5 008,71	0,72%	3,65%	22,48%
OIL & GAS	1 546,41	-0,04%	-1,14%	13,87%
TECHNOLOGY	2 068,10	1,09%	10,48%	8,41%
TELECOMS	657,82	1,36%	-2,79%	11,10%
UTILITIES	2 357,04	2,42%	2,58%	23,24%

Market overview as of 30th September 2025

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	217,85	0,05%	0,08%	2,28%
Euro Aggregate	246,22	0,24%	0,36%	1,01%
Pan-Euro HY Hedged Eur	474,42	-0,04%	0,48%	4,61%
Global Inflation hedged EUR	237,95	-0,06%	0,59%	2,11%
US Corp High Yield	2 264,90	-0,17%	0,82%	7,22%
EM USD Aggregate TR	1 260,87	-0,32%	1,11%	8,51%
EM Aggregate TR Local Ccy	159,94	-0,52%	0,18%	7,49%
EUR Banks CoCo Tier 1	172,47	0,03%	1,22%	7,84%
EU GOVT HEDGED EUR	214,40	0,22%	0,45%	0,38%
Global Aggregate Hedged EUR	2 554,99	-0,03%	0,54%	2,42%

Commodities	Level	5D	MTD	YTD
GOLD	3 858,96	2,52%	17,30%	47,04%
COPPER	485,65	5,93%	11,53%	20,61%
OIL WTI	62,37	-1,64%	-9,95%	-13,04%
OIL BRENT	67,02	-0,90%	-7,60%	-10,21%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,1734	-0,69%	2,79%	13,33%
GBPUSD	1,3446	-0,59%	1,81%	7,43%
USDJPY	147,9000	0,18%	-1,89%	-5,92%
USDCHF	0,7964	0,63%	-1,96%	-12,23%
AUDUSD	0,6613	0,21%	2,93%	6,87%
EURCHF	0,9345	-0,04%	0,77%	-0,59%
USDCNY	7,1224	0,13%	-1,08%	-2,42%
USDKRW	1 471,95	1,64%	0,75%	
USDBRL	6,1774	1,76%	3,45%	-7,55%
USDTRY	41,5883	0,44%	2,36%	17,63%
BITCOIN	114 640,81	2,34%	-1,59%	22,33%

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