ACT Multi Asset People & Planet Strategy

Impact Investing Market Set to More Than Double by 2030

- Volatile markets with mixed performance.
- Energy Transition themes (Energy Efficiency, Renewables) corrected, partly offset by Resource Scarcity, Social Inclusion, and impact bonds.
- Impact investing demand grows, driven by Millennials and Gen Z seeking positive social and environmental outcomes.

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What is happening?

Markets staged a broad-based rebound in May, despite ongoing macro and policy risks. In the U.S., uncertainty around Trump's agenda persisted, with a reversal on Chinese tariffs and a new tax bill proposal that could push the deficit near 8% of GDP. While the House approved the bill, Senate opposition remains. Inflation eased slightly to 2.3% y/y, offering no clear window for Fed cuts.

Economic data remained mixed, with manufacturing PMI at 48.5 and consumer spending up 0.2% in April. Inflation from tariffs is just beginning, keeping the Fed cautious. U.S. equities rallied, led by consumer and tech sectors. The S&P 500 gained 6.2%, lifting MSCI World by 5.6%.

In Europe, activity softened: services PMI dropped to 48.9, confidence stayed low, and 2025–26 growth forecasts were revised down. Inflation fell to 1.9%, core to 2.4%, supporting expectations of an ECB cut in June. The euro strengthened (1.12 vs. 1.04 in March), and equities rose, especially in Germany, Italy, and Spain. The Euro Stoxx added 4%.

The UK saw inflation rebound to 3.5% headline, 3.8% core, driven by water and airfare. The BoE cut rates by 25bps to 4.25% and signaled more easing. A new U.S. trade deal removed tariffs on some goods.

In China, growth slowed under trade tensions. April data showed weaker industrial and retail activity, and deflation persisted at -0.1%. In Japan, May marked the 11th month of manufacturing contraction (PMI 49.4), while Tokyo inflation rose to 3.6%, reinforcing BoJ tightening expectations.

Fixed income markets were stable. U.S. 10Y yields rose to 4.40%, Bunds to 2.50%, while Italian BTPs declined. Credit spreads tightened, especially in high yield.

Currencies were little changed. The dollar was stable (DXY -0.14%), down vs. euro and yen, up vs. others. Sterling and Swiss franc advanced. Commodities were mixed: oil and copper rose, nickel fell, gold was flat.

Despite May's rebound, headwinds remain. Political risks, diverging central bank paths, and weak growth continue to weigh on sentiment. Still, markets appear willing to look past short-term volatility.

Source: AXA IM as end of June 2025

Positioning and performance:

ACT MA PEOPLE & PLANET	Dec-24	Apr-25	May-25
Net Equity	*69,3%*	*60,5%*	61,8%
Equities	*69,3%*	63,7%	63,8%
Equities derivatives	*0,0%*	-3,2%	-2,0%
Risk Mitigation Strategies	***0,0%***	**0,0%**	**0,0%**
Fixed Income	***26,5%***	**28,6%**	**29,1%**
Govies	*6,9%*	8,2%	8,8%
Bond Derivatives	*16,8%*	14,1%	12,9%
High Yield Credit	*1,5%*	1,1%	1,2%
Investment Grade	*16,5%*	17,7%	17,6%
Emerging Debt	*1,5%*	1,5%	1,5%
Diversification	***0,0%***	**0,0%**	**0,0%**
Cash & Money Market	***4,1%***	**10,9%**	**9,1%**

Equity performance rebounded in May, led by a strong recovery in Planet-oriented themes. “Energy Transition” benefited from the rebound in clean infrastructure and industrial efficiency segments, contributing positively to portfolio performance. Notably, “Energy Efficiency” and “Sustainable Materials” reversed prior losses, supported by resilient industrial and materials names, while “Renewable Energy & Infrastructure” stabilized after April’s weakness.

People-oriented themes also posted improved performance. “Healthcare Solutions” and “Empowerment” regained ground after April's drag, with healthcare and digital names delivering stable returns. “Social Inclusion” and “Safety & Security” continued to contribute positively, consolidating their role as consistent return drivers. The combined effect of these themes brought total portfolio contribution to +3.34% in May, following a -4.11% decline in April, highlighting a meaningful turnaround.

On the fixed income side, the portfolio showed stabilization. The cash allocation remained steady around 7%, with negligible performance drag. Exposure to global currencies such as the Australian and Canadian dollars showed marginal positive contributions, contrasting with the slightly negative impact observed in April. The impact bond sleeve maintained a flat profile, neither adding nor detracting meaningfully from overall performance.

In May, we maintained our overweight to high-conviction equity themes while benefiting from a supportive macro backdrop. Falling rate volatility and steady earnings outlooks across sustainability-linked sectors provided a tailwind for thematic equity strategies. Meanwhile, we slightly adjusted FX exposures and continued to minimize cash drag, in line with our dynamic allocation philosophy.

Focus stock of the month:

Veeva: Veeva Systems is a U.S.-based cloud software company serving the global life sciences industry. Headquartered in California and operating globally, Veeva provides specialized software solutions that support pharmaceutical and biotechnology companies throughout the entire drug development and commercialization lifecycle.
Veeva contributes significantly to SDG 3 (Good Health & Well-being), particularly through:

- Reducing premature mortality from non-communicable diseases through accelerated research timelines, decentralized trials, and improved patient access.
- Supporting universal access to quality essential healthcare services by providing free digital tools to over 7,000 clinical trial sites worldwide.

Source: AXA IM as end of June 2025

- Enabling the development of vaccines and medicines especially in oncology, infectious diseases, and chronic illnesses by powering global clinical research infrastructure.

Veeva has been instrumental in transforming how life sciences companies develop, test, and deliver new therapies. Its solutions support faster and safer clinical trials, improved regulatory transparency, and more efficient supply chains. By offering scalable, compliant, and cloud-native platforms, Veeva contributes to improving global health outcomes. Additionally, as a Public Benefit Corporation, it embeds environmental and social commitments into its governance, reflecting a long-term vision aligned with stakeholder well-being and sustainable healthcare innovation.

Outlook:

The political noise coming out of Washington continues to drown out clear policy signals. While headlines focus on dramatic statements, real guidance on fiscal direction, trade policy, and inflation management remains elusive. This level of uncertainty is now arguably higher than at any point since President Trump's election, creating a particularly challenging environment for investors.

Despite this, financial markets have staged a strong recovery, helped by backpedalling from policymakers and hopes that worst-case scenarios might still be avoided. Risk appetite has returned quickly, even as the underlying policy and economic signals remain mixed. Whether this reflects confidence or simply fear of missing out is debatable but the shift in sentiment is evident. The AAII bull-bear index, for example, flipped into positive territory for the first time since January after a record streak of bearish readings, highlighting a rapid turnaround in investor positioning.

The U.S. economy continues to show resilience. Hard data particularly labour market strength and steady retail sales suggests stable underlying activity. However, much of this may have been front-loaded ahead of anticipated tariff changes. As this temporary boost fades, a moderation in growth appears likely. Meanwhile, soft survey data especially from small businesses remains weak and historically linked to employment trends. Notably, the gap between soft and hard data has narrowed somewhat over the past month.

Inflation remains sticky, and despite political pressure, the Federal Reserve has little room to cut rates preemptively. The tariff shift has yet to fully materialize in price data, leaving the Fed cautious, even as signs of demand fatigue emerge. The University of Michigan's consumer survey points to unanchored short-term inflation expectations, complicating the Fed's position further.

Elsewhere, financial signals are sending more mixed messages. The U.S. dollar, like oil prices, has failed to fully recover from April's turbulence potentially reflecting growing concern over U.S. fiscal sustainability and declining global demand for U.S. assets. Long-end Treasury yields have risen notably, steepening the curve and raising questions about the durability of the equity rally. The rise in term premium—while still moderate by historical standards suggests investors are demanding more compensation for holding long-dated U.S. debt.

This repricing is not limited to the U.S. In Japan, long-end yields have moved sharply higher, partly driven by waning demand from domestic insurers. Similarly, in the UK, gilt yields have shifted in tandem. The growing pressure on global duration assets could begin to erode the relative attractiveness of equities, especially if U.S. yields approach levels that historically marked a "danger zone" for risk assets. We're not there yet but we are getting close.

German Bunds remain one of the few safe havens left. With Germany's solid fiscal footing and the ECB expected to retain an easing bias, Bunds offer a more stable alternative though they lack the market depth of Treasuries. This asymmetry in the global bond market highlights the challenges of navigating a world where the traditional safe haven, the U.S. Treasury market, is under increasing scrutiny.

In short, while markets have rebounded strongly, underlying macro risks have not gone away. Uncertainty over U.S. fiscal and trade policy remains high, inflation is proving sticky, and key asset classes from the dollar to long bonds are still adjusting to the new reality. As the global cycle matures, the resilience of the U.S. economy is impressive, but may not be enough to fully insulate markets from the shifting tide beneath.

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