Red Stone Income Fund

Quarterly Report as at 30 September 2025

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a. General market development

The third quarter of 2025 was characterised by a remarkably strong and broad-based rally on the global financial markets.
rally on the global financial markets. After a period of uncertainty at the beginning of the year, investors found new courage, driven by a convergence of three key factors:

1. the noticeable easing of trade conflicts
2. unabated euphoria surrounding the topic of artificial intelligence (AI)
3. and, above all, expectations of an imminent interest rate turnaround by the US Federal Reserve.

This positive sentiment led to gains in most major asset classes.

Emerging markets were the clear winners on the stock markets.
The MSCI Emerging Markets Index recorded an impressive increase of 11.0%, significantly outperforming developed countries, whose MSCI World Index rose by 7.4%. This outperformance was largely due to the strong recovery of the Chinese markets. Within the investment styles
, growth stocks (+8.6%) continued their triumph over value stocks (+6.0%), underscoring the continued dominance of the technology sector
.

However, a key feature of the quarter was the expansion of
market leadership. While gains at the beginning of the year were heavily concentrated in a handful of mega-cap technology stocks, the rally broadened in the third quarter to include small caps, cyclical sectors and
international equities. This points to a shift in investor psychology – away from purely chasing momentum winners and towards
more selective, value-oriented allocation in a stabilising economic environment. This rotation was triggered directly by the Fed's interest rate cut

and easing trade tensions. Lower interest rates and reduced political uncertainty reduce the risk premium for smaller, more cyclical companies, increasing their
attractiveness and putting the rally on a broader and potentially more sustainable footing.

Bonds posted moderate gains, with the Bloomberg Global Aggregate Bond Index rising 0.6%, supported by the Fed's interest rate cut and a slight narrowing of credit spreads. The commodity market presented a
mixed picture: gold experienced a massive 17% surge to a
Record high of over USD 3,400 per ounce, driven by geopolitical
risks and strong demand from central banks. In contrast, the price of oil fell slightly by 0.8% due to expectations of a supply surplus.

USA

US stock markets continued their impressive rally in the third quarter, reaching new all-time highs. The SCP 500 Index gained 8.1%, while the technology-heavy Nasdaq Composite recorded an increase of 11.2%.
. The main drivers of this development were a solid
reporting season for the second quarter, the ongoing investment boom in artificial intelligence sector and, above all, the Federal Reserve's monetary policy shift.

However, the macroeconomic environment presented an increasingly contradictory picture. On the one hand, the economy showed remarkable resilience, as reflected in an upward revision of GDP growth to an annualised 3.8% for the second quarter. On the other hand
There were increasing signs of a significant slowdown in the labour market. Average monthly job growth slowed to just 29,000 in the three months to August, compared with 99,000 in the three
months to May. Even more significant was a massive downward revision of employment data by the Bureau of Labour Statistics (BLS), which reduced the number of new jobs created in the twelve months to March 2025 by 911,000
. This correction signalled that the US economy was significantly less

robust than previously assumed. Meanwhile, inflation remained stubborn, rising from 2.7% in July to 2.9% in August (year-on-year).

The Federal Reserve operated in this tense environment. The cooling labour market data gave it the necessary leeway to respond to the growing Economic risks. At its meeting in September, the Fed cut its key interest rate by 25 basis points – the first interest rate cut of the year. Fed Chairman Jerome Powell described this move as a "risk management measure aimed at preventing a potential slowdown in the labour market and signalled its willingness to ease further.

This development highlights a paradoxical market dynamic: bad economic news was interpreted as good news for the stock markets ("bad news is good news"). The cooling of the labour market was the decisive catalyst that prompted the Fed to cut interest rates, something investors had been longing for. The rally was thus less an expression of fundamental economic strength, but rather a direct reaction to expectation of a looser monetary policy. However, this high dependence on the Fed harbours risks. With a price-earnings ratio of around 23 for the SCP 500, which is well above the historical average, is already challenging. If inflation proves more persistent than expected and the Fed has to slow down its easing cycle, this could quickly undermine the rally.

Europe

European stock markets were unable to keep pace with the momentum in the US and Asia and lagged behind in global comparison. The MSCI Europe ex-UK Index posted a modest return of just 2.8% in the third quarter.

The weak overall performance was largely attributable to developments in Germany. As the eurozone's largest economy, Germany acted as a "braking block", with its stock market even falling slightly.
Persistent weakness in the manufacturing sector, high dependence on exports and the negative effects of global trade tensions weighed on the

German economy severely. The European Commission revised its growth forecast for the eurozone for 2025 from 1.3% to 0.9% due to US tariffs, with Germany experiencing a particularly sharp downgrade.

In contrast, other European markets showed remarkable resilience. The British FTSE All-Share Index rose by 6.9%. The British market benefited from its high international sales exposure – three quarters of sales are generated abroad – and a weaker pound sterling, which boosted the competitiveness of exporters. The French CAC 40 Index also rose by 3.3% despite domestic political turmoil that led to the resignation of Prime Minister François Bayrou after a vote of no confidence. The markets apparently viewed the political crisis as primarily a domestic issue with no immediate impact on the earnings power of the major French luxury and industrial groups.

The central banks in the region acted cautiously. Both the European Central Bank (ECB) and the Bank of England (BoE) kept their key interest rates stable. The reason for this was the continuing stubborn inflation in the service sector, which limited the scope for interest rate cuts despite the slowing economy. ECB President Christine Lagarde noted that although inflation risks were balanced, inflation was likely to be slightly above the 2% target again in September.

The varying developments within Europe highlight the structural differences across the continent. While the global orientation of the British market served as an advantage in an uncertain environment, the German economy's heavy dependence on global trade and manufacturing sector proved to be its Achilles heel. This underscores the need for investors to take a selective approach rather than betting across the board on a pan-European recovery.

Asia

Asian stock markets were the global leaders in the third quarter, driven by a strong recovery in China and robust performance in Japan. The MSCI Asia ex-Japan Index rose by 11.1%.

China: Chinese stock markets experienced an impressive rally, driven primarily by the technology sector. The Hang Seng Tech Index soared 22.1% and has gained 46.0% since the beginning of the year. This upswing was fuelled by a combination of positive political signals: the extension of the trade truce with the US, targeted government support programmes for the domestic semiconductor industry, and massive investments by leading Chinese technology companies in the field of artificial intelligence.

However, this market euphoria stood in sharp contrast to the continuing difficult fundamental situation of the Chinese economy. GDP growth slowed slightly to 4.6% in the third quarter. At the same time, the country continued to struggle with significant deflationary pressure – the GDP deflator was negative for the ninth consecutive quarter. The deep crisis in the real estate sector continued, with prices for new homes falling by 6.1% in September, and private consumption remained weak. The recovery of Chinese equities was thus less a sign of a fundamental economic turnaround, but rather a reaction to political signals and government intervention. This dependence makes the market extremely vulnerable to changes in sentiment and calls into question the sustainability of the rally as long as the structural problems remain unresolved.

Japan: The Japanese stock market also performed strongly, with the broader TOPIX index gaining 11.0%. Unlike China, this upturn was based on solid fundamentals. A weaker yen boosted exports, while a favourable trade agreement with the US, which reduced tariffs on almost all Japanese exports from 25% to 15%, provided additional tailwinds. Robust domestic data, stable consumer demand and ongoing corporate governance reforms further strengthened investor confidence. GDP

Growth for the second quarter was revised upwards to 0.5% in the quarter-on-quarter comparison. The only downside was the increasingly restrictive signals from the Bank of Japan (BoJ), which led to an increase in Japanese government bond (JGB) yields in September, causing this asset class to lag behind with a loss of 1.5%.

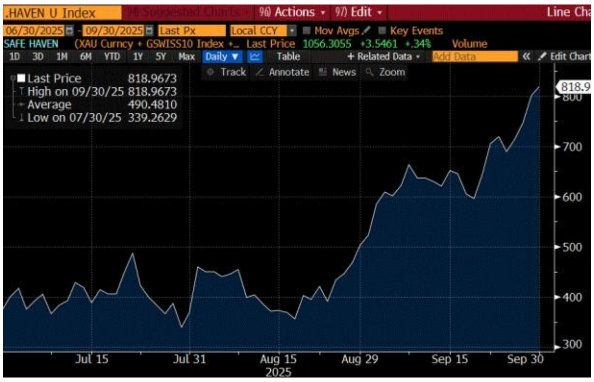
India: India presented itself as a beacon of stability and growth in the third quarter. The Reserve Bank of India (RBI) raised its GDP growth forecast for the current fiscal year (2025/26) from 6.5% to 6.8%.
after the economy recorded robust growth of 7.8% in the first quarter of the fiscal year (April to June). At the same time,
Inflation reached an eight-year low. Consumer prices rose by only 1.54% year-on-year in September
year-on- year, well below the RBI's target range of 2-6%. This favourable environment of strong growth and low inflation gave the central bank the leeway to maintain its growth-friendly policy
and leave the key interest rate unchanged at 5.50% for the quarter. India's strong, domestically driven growth makes it relatively insensitive to the direct turbulence of global trade, making the country
an attractive diversification option within emerging markets.

Geopolitical developments in the third quarter of 2025

The following two charts visually illustrate how the geopolitical environment changed during the third quarter of 2025.

Bloomberg Economics Global Trade Policy Uncertainty Index

Safe Haven Basket



In summary: uncertainties have continued to decline (left-hand chart). Nevertheless, the need to invest in safer assets has become more pronounced during the reporting period and remains at a high level (right-hand chart).

USA

The US geopolitical agenda in the third quarter was marked by a pragmatic shift in trade policy. After a period of heightened tensions at the beginning of the year, the Trump administration actively sought ways to de-escalate the situation in view of a cooling domestic economy. The threat of tariffs was used as an effective negotiating tool, leading to important framework agreements with the European Union and Japan. These provided for a reduction in US tariffs to a base rate of 15%. A temporary "truce" was also reached with China, averting the immediate threat of new tariffs and giving the markets a much-needed respite.

This easing of tensions on the trade front was the most important positive driver of global market sentiment in the quarter. It overshadowed the domestic political uncertainty caused by the hard-fought negotiations on the federal budget, which ultimately led to a government shutdown on 1 October
.

However, the administration's political approach once again revealed its purely transactional nature, which remains a source of constant uncertainty. The events at the beginning of October in dealings with China are a case in point:
a sharp escalation with the threat of 100% tariffs, conciliatory rhetoric followed within a few days, enabling the markets to make a U-turn. This pattern shows that agreements reached are not
final solutions, but can be renegotiated or called into question at any time. For the markets, this means that "political
uncertainty" has become a structural feature. The volatility triggered by political announcements remains a constant risk that must be priced into
risk premiums.

Europe

Europe remained under considerable geopolitical pressure in the third quarter pressure from two main fronts: the ongoing war in Ukraine and increasingly tense transatlantic relations.

The war in Ukraine entered a new phase. Russia continued its aggression but failed in its large-scale summer offensive.
with enormous losses in terms of human lives and material. In response, the European Union stepped up its support for Ukraine. A key element was the ambitious plan to mobilise a loan of EUR 140 billion
to be secured by the proceeds from frozen Russian
central bank assets. This step is intended to secure the financing of Ukraine's defence efforts for the next two to three years.

At the same time, concerns grew in European capitals about the
reliability of the US as a security partner under the Trump administration.

The expectation that Europe would have to take on more responsibility for its own security in the future solidified into a political consensus. This accelerated efforts to achieve "strategic autonomy", which manifested itself in the commitment by NATO members to increase defence spending to 5% of GDP by 2035.

In addition to these two main burdens, instability in the Middle East also had a direct impact on Europe, particularly due to concerns about new waves of refugees, for example from Lebanon, and risks to energy supplies caused by disruptions to global shipping routes. These external shocks are acting as a catalyst for a profound realignment. The realisation that the US security umbrella can no longer be taken for granted
is forcing greater integration in the areas of security and defence.
This creates a new, long-term demand sector that will require massive public investment over many years and open up new investment opportunities in the European defence and technology sector.

Asia

The geopolitical landscape in Asia was dominated in the third quarter by the volatile dynamics of US-China relations. While the quarter ended with a noticeable easing of tensions, the path to this point was marked by considerable uncertainty.

The conflict reached a new peak in early October when China announced export controls on rare earths and the US responded by threatening to impose 100% tariffs on Chinese imports. This escalation triggered a brief but sharp slump in global markets and highlighted the continuing fragility of economic relations. However, a rapid rhetorical U-turn by both sides, driven by the realisation of the unacceptable economic costs of a full-blown trade war, led to an equally rapid market recovery and paved the way for a temporary "truce".

Despite the willingness to avoid complete economic decoupling
, strategic rivalry remains, particularly in the technology sector

(AI, semiconductors). The de-escalation was less a sign of a fundamental rapprochement, but rather an act of economic necessity in a phase of global economic slowdown. Other regional hotspots, such as the unresolved water disputes between India and Pakistan and border skirmishes between Thailand and Cambodia continued, but took a back seat to the dominance of the Sino-American conflict. The relationship between the world's two largest economies is likely to continue to be characterised by this cycle of confrontation and pragmatic cooperation.

Middle East

The situation in the Middle East escalated dramatically in the third quarter, bringing the region to the brink of all-out war. The main lines of conflict were the direct military confrontation between Israel and Iran and the ongoing war in Gaza, which reached a new and devastating phase.

The simmering conflict between Israel and Iran escalated into direct military confrontation, which also involved direct intervention by the US . According to reports, the US carried out air strikes on Iranian nuclear facilities, prompting Iran to retaliate with strikes against a US military base in Qatar. Only through intensive diplomatic efforts that a fragile ceasefire was achieved, temporarily stabilising the situation.

At the same time, Israel launched a large-scale ground offensive on Gaza City in September to destroy the remaining structures of Hamas.
This operation led to a catastrophic humanitarian situation, which was exacerbated by officially classified as a famine by international organisations. Under massive international pressure, led by the USA, a ceasefire agreement was negotiated at the beginning of October. This provided for the release of the remaining Israeli hostages in exchange for Palestinian prisoners and the restoration of humanitarian access to Gaza.

The situation throughout the region remained extremely fragile. A tense ceasefire between Israel and Hezbollah in Lebanon held, but the activities of Iranian proxies in Syria, Iraq and Yemen remained a constant source of instability. The de-escalation efforts were primarily acts of damage control, driven by fears of an uncontrollable conflagration with devastating economic consequences. The underlying conflicts remain unresolved and could flare up again at any time, making the region a permanent powder keg.

Conclusion

Q3 saw a strong rally, driven by the Fed's interest rate turnaround and the easing of trade tensions. However, this market euphoria contrasts with a global economy that is showing signs of weakening and unresolved geopolitical crises. Investors should keep an eye on the discrepancy between optimistic market sentiment and fragile reality, as it represents a source of future volatility.

b. Asset manager commentary Stock

markets

At the global level, most asset classes posted strong positive returns in the third quarter, with emerging markets outperforming developed markets. Driven by a weaker US dollar and a strong rally in China, emerging market equities returned 11.0%, while developed market equities gained 7.4%. This development highlights the regional differences that characterised the quarter.

US stock markets (e.g. S&P 500, Nasdaq, Dow Jones)

US markets performed exceptionally well in the third quarter, with the Nasdaq Composite (+11.2%), the S&P 500 (+8.1%) and the Dow Jones Industrial Average (+5.2%) reaching new all-time highs. The rise in the S&P 500 was a sign of broad market strength.

The rally was strongly driven by the technology sector. The Nasdaq's outstanding performance was fuelled by the strength of the "Magnificent Seven" and other companies in the field of artificial intelligence, especially those that invested heavily in AI infrastructure. This trend led to the continued outperformance of growth stocks (Russell 1000 Growth +10.5%) over value stocks (Russell 1000 Value +5.3%). Technology and communication services were the best performing sectors in the SCP 500. The resilience of the market by robust corporate earnings. An impressive 81% of SCP 500 companies exceeded consensus estimates for earnings per share (EPS), the highest rate since the third quarter of 2023.

A key development was the dramatic turnaround in small caps. The Russell 2000 Index rose 12.4%, narrowly outperforming large caps. At the end of September, it reached an all-time high for the first time in over four years. This development was directly related to the Fed's shift towards a more accommodative monetary policy and the prospect of lower interest rates, which disproportionately benefits smaller, more domestically focused companies.

Despite the optimism, concerns about high valuations grew. The SCP 500 traded at 23 times expected earnings, well above the 10- and 20-year averages of 19.0 and 16.4, respectively.
In addition, a worrying increase in speculative behaviour was observed
, with unprofitable technology stocks and so-called "meme stocks" posting explosive price gains, drawing parallels with the bubbles of the late 1990s and early 2021. This combination of
fundamentally strong mega-caps and speculative exuberance in lower-quality stocks is a classic sign of a late bull market. Much of the market is not driven by discounted future cash flows, but by the fear of missing out on the dominant AI trend. Should this narrative falter, speculative
market segments could correct sharply.

The healthcare and energy sectors proved to be notable laggards
The healthcare sector gained only 3.8% and remained the only SCP 500 sector with a negative annual performance. This is due to
Challenges posed by drug price reforms, customs uncertainties and a significant rotation of capital away from defensive sectors towards
growth areas such as AI. The energy sector lagged behind due to falling oil prices.

European stock markets (e.g. Euro Stoxx 50, DAX, CAC 40)

European markets posted positive but much more modest gains compared to the US. The pan-European STOXX Europe 600 rose by only 1.0% in euro terms in August, while the EURO STOXX 50 gained 0.6%. The MSCI Europe ex-UK Index returned 2.8 % for the quarter, with performance weighed down by weakness in Germany. In
In contrast, the UK FTSE All-Share (+6.9%) and the French CAC 40 (+3.3%) showed greater resilience.

The biggest challenge for European equities was pressure on corporate earnings. Earnings forecasts for the STOXX 600 for the full year 2025 were revised downwards, with the consensus expecting a
decline of 1% for the year – a sharp reversal from the

growth of 8% forecast at the beginning of the year. A key factor was the stronger euro, which weighed on the profits of large, export-oriented companies.

There was a clear divergence in market dynamics between the US and Europe. While the US was dominated by growth stocks, in Europe value stocks and smaller companies outperformed the market performance. This points to a different investor focus, which may be more focused on economic cyclicality and less influenced by global mega-cap technology stocks. The outperformance of value stocks and small caps in Europe, coupled with the underperformance of large exporters due to a strong euro, signals a market that is pricing in a domestic, cyclical recovery rather than participating in the global technology and AI boom. The fate of the European market is thus more closely linked to the success of the ECB's policies and regional economic resilience.

The rally was led by the banking and defence sectors. For example, the STOXX Europe Total Market Defence, Space and Cybersecurity Innovation Index had gained 63% in 2025, reflecting geopolitical realities. Despite the challenges, European equities traded at a significant discount to their US counterparts, making them appear reasonably valued in relative terms.

Asian stock markets (e.g. Hang Seng, Shanghai Composite, Sensex)

The quarter was marked by impressive performance on the Chinese and Hong Kong markets. The Shanghai Composite Index rose by over 25% from its lows in April, reaching its highest level since 2015 in August. The Hang Seng Index also gained ground, reaching its highest level since October 2021. The Hang Seng Tech Index performed exceptionally well, rising by an incredible 22.1% during the quarter.

This development was driven by a powerful combination of three factors:

1. **Proactive government support:** Beijing took measures to support the market, including easing restrictions on home purchases in Shanghai, which boosted the property sector, and tightening control over the supply of rare earths.
2. **Abundant domestic liquidity:** A key driver was the flow of capital from maturing household savings deposits back into equities, driven by lower interest rates and growing market optimism. Turnover on the Shanghai and Shenzhen stock exchanges rose sharply, indicating high market enthusiasm.
3. **Easing geopolitical tensions:** Signs of détente in the trade dispute between the US and China ahead of a possible meeting between the two leaders gave sentiment a significant boost.

However, it is crucial to note that the rally was mainly driven by an expansion in valuations rather than fundamental earnings growth, as consensus estimates for MSCI China Index earnings for 2025 continued to decline. The rally in the Chinese market is thus a government-sponsored and liquidity-driven phenomenon aimed at boosting domestic confidence and offsetting economic weakness, particularly in the property sector. The fact it is taking place despite declining earnings forecasts suggests that it is fragile and heavily dependent on continued policy support and positive sentiment, rather than reflecting robust underlying economic growth.

Japanese stock markets (e.g. Nikkei 225, Topix)

Japanese equities experienced a historic quarter, with both the Nikkei 225 and the broader Topix index reaching new all-time highs. The Nikkei 225 surpassed its previous record set in July 2024, rising to 42,999.71 yen in August. The Topix index posted a strong return of 11.0% for the quarter.

The main catalysts for this development were:

1. **Favourable trade agreement with the US:** One of the main drivers was the resolution of the trade dispute with the US. The agreement, which revised the calculation of "reciprocal" US tariff to a lower effective rate of no more than 15%, removed a major source of uncertainty that had been weighing on the market.
2. **Continued yen weakness:** The weak yen, which traded at around 158 to the dollar, gave Japan's large export-oriented companies considerable tailwind and boosted their profits from abroad when repatriating yen.
3. **Improved corporate governance:** Ongoing improvements in corporate governance, including a rising volume of share buybacks, continued to attract foreign investment.

The Bank of Japan's decision to maintain its accommodative monetary policy created a supportive environment for equities by keeping borrowing costs low for companies. The Japanese market's surge to new all-time highs represents more than just a cyclical rally; it signals a potential structural change. The combination of the resolution of external trade risks and the tailwind from the Bank of Japan's accommodative monetary policy created a supportive environment for equities. market to new all-time highs represents more than just a cyclical rally; it signals a potential structural change. The combination of the resolution of external trade risks, currency tailwinds and crucial internal reforms has created a uniquely positive environment that could mark the end of decades of stagnation. This could make Japan a core allocation for global investors, rather than just a tactical trade.

Key macroeconomic drivers Monetary policy: A history

of divergence

- **U.S. Federal Reserve:** The Fed initiated a cycle of easing, cutting its key interest rate by 0.25% in July to a range of 4.00% to 4.25%. Fed Chair Powell described this as a "risk management cut" to pre-empt a weakening labour market, despite persistent inflation and strong GDP growth. The Fed forecast two further rate cuts by the end of the year, signalling a clear shift towards a more accommodative monetary policy and fuelling market optimism.
- **European Central Bank (ECB):** In stark contrast, the ECB remained silent in the third quarter, leaving its key interest rates unchanged at its meetings in July and September (deposit rate at 2.00%). The bank pursued a cautious, data-dependent "wait-and-see" approach and assessed its current monetary policy as appropriate, as inflation stabilised around its 2% target and growth risks appeared balanced.
- **Bank of Japan (BoJ):** The BoJ also remained silent and maintained its cautious stance after raising interest rates for the first time in 17 years at the beginning of the year
  years. The central bank found itself in a difficult balancing act between inflation that proved to be "far more persistent" than
  expected (core CPI at 3.7%) and an economy with a "less than reassuring" growth outlook.
- **People's Bank of China (PBoC):** The PBoC maintained a moderately accommodative stance, with expectations of steady interest rate cuts and ample liquidity to support an economy facing deflationary pressures and a fragile recovery.

Inflation: A mixed global picture

- **USA:** Inflation remained a key issue. Although it was still above the Fed's 2% target, it showed signs of easing and was moving in the right direction. The latest CPI figure was 2.9%. The
  The impact of tariffs on consumer prices has so far been less than originally feared, giving the Fed room to cut interest rates.

- **Eurozone:** Inflation stabilised around the ECB's target. The annual inflation rate stood at 2.0% in July and August before rising to 2.2% in September %. However, core inflation rose to 2.4% in September, indicating persistent underlying price pressures.
- **Japan:** Inflation remained stubbornly high and well above the BoJ's 2% target, with core CPI reaching 3.7% in May, driven by wage growth, tariffs and rising food prices.
- China**:** China had the opposite problem: deflation. CPI fell year-on-year in both August (-0.4%) and September (-0.3%). The producer price index (PPI) also remained in negative territory, although the decline slowed in August (-2.9%) and September (-2.3%), suggesting a certain stabilisation.

Trade policy: A new balance with higher tariffs

- **Solution and realignment:** In the third quarter, important trade negotiations were concluded, replacing deep uncertainty with a new, albeit more costly, status quo.
- **Agreement between the US and the EU:** The US and the EU agreed on a standardised tariff cap of 15% for most EU exports to the the US, including cars, pharmaceuticals and semiconductors. This was a reduction from the threatened 30%, but a significant increase from pre-2025 levels. Sectoral tariffs of 50% on steel and aluminium remained in place pending further negotiations.
- **Agreement between the US and Japan:** Similarly, the US and Japan agreed on a 15% tariff on most Japanese imports, including automotive products, instead of the threatened rate of 25%. %. The agreement included exemptions for civil aviation and commitments by Japan to purchase US agricultural and energy products.
- **Market reaction:** Markets interpreted the resolution of these disputes as a net positive. The removal of the "worst-case scenario" of escalating, unpredictable tariffs allowed companies to plan better

and unleashed investor optimism, contributing significantly to the quarter's rally.

The divergence in monetary policy between an accommodative Fed and a wait-and-see ECB/BoJ is the most important macroeconomic driver of global capital flows. This divergence is likely to exert sustained downward pressure on the US dollar and create strong tailwinds for non-US assets (especially emerging markets) and commodities such as gold.

Notable market movements and trends

The quarter was marked by several notable trends. There were record-breaking capital inflows into ETFs, with an increase of USD 377 billion
, almost double the recent quarterly average, indicating high investor exposure. Parallel to the stock rally
, fixed-income ETFs also saw record demand, with inflows of over USD 100 billion during the quarter. This was reinforced by expectations of
Fed cutting interest rates. It is noteworthy that actively managed
Bond funds accounted for 44% of these inflows, indicating demand for professional management in a complex interest rate environment.

A significant change in investor behaviour was observed in 2025
. In contrast to previous years, investors consistently increased their purchases of US equity ETFs after weeks of negative market returns, viewing declines as buying opportunities. Although mega-cap
technology stocks dominated much of the quarter, there were later signs of market broadening. Capital increasingly flowed into small- and mid-cap stocks, value stocks and international markets, suggesting a
possible shift away from the highly concentrated leadership of the "Magnificent Seven".

The simultaneous record inflows into equities and fixed-income securities are a contradictory signal that suggests a sophisticated investor base
hedging their bets. It suggests that investors are participating in the risk rally (equities) but are also actively preparing for a
prepare for a possible economic slowdown or market downturn

by securing higher yields (fixed-income securities) before interest rates fall further.

Finally, gold continued its impressive performance, gaining 16.8% during the quarter and exceeding the USD 3,400 per ounce mark. Since the beginning of the year, it had risen by over 31%, making it the best year since 1979. This was driven by geopolitical tensions, a weaker US dollar and strong purchases by central banks.

Conclusion

The third quarter of 2025 was marked by a strong rally in global equity markets, as enthusiasm for artificial intelligence and a shift by the US Federal Reserve towards a more accommodative monetary policy overshadowed signs of a cooling global economy. Record highs in the US and Japan were driven by the resolution of trade disputes and strong Corporate profits fuelled growth, while Chinese equities rose on the back of political incentives. The Fed's first interest rate cut this year signalled the start of a new easing cycle, which boosted small caps and fixed-income investments and put pressure on the US dollar. Despite this optimism, excessive valuations in the US technology sector and divergent central bank policies present a complex and potentially volatile outlook for the coming quarters.

Country	Index	ID	Change in % in local currencies
South Korea	Kospi	KOSPI	11.49
Japan	Nikkei 225	NKY	10.98
USA	SCP 500	SPX	7.79
Australia	SCP ASX 200	AS51	3.59
Germany	DAX	DAX	-0.12
England	Footsie 100	UKX	6.73
China	CSI 300	SHSZ300	17.90
France	CAC 40	CAC	3.0
Switzerland	SMI	SMI	1.58

Bond markets

Like other asset classes, the global credit market performed well in the third quarter of 2025. Credit spreads continued to narrow, reaching levels last seen in 2007. This development was supported by more moderate rhetoric in the Trade policy, solid corporate earnings in the second quarter, a well-anticipated interest rate cut by the Fed (the first in 2025) and a surprisingly robust US economy. Benefiting from investors' continued willingness to take risks, high-yield bonds continued to outperform investment-grade bonds.

Government bond markets performed unevenly in the third quarter. US Treasury yields fell, with the decline most pronounced at shorter maturities, reflecting the Fed's interest rate cut.
Yields on government bonds with longer maturities fell less sharply, reflecting concerns about the growing budget deficit and the independence of the Fed . As a result, the US yield curve steepened.

While US government bond yields fell, they rose in the eurozone. This was due to the clarification of trade uncertainties, confidence regarding increased fiscal spending in Germany, political turmoil and Fitch's downgrade of France's credit rating from AA- to A+.

Index	Currency	ID	Total Return	Credit spreads +/- Bps
Bloomberg Global Aggregate IG Bond Index Hedged	CHF	LGCPTRCH	1.05	-11
Bloomberg Global High Yield Bond Index Hedged	CHF	H00039CH	1.54	-24

Commodity markets

Summary

The third quarter of 2025 was a period of marked divergence on the global commodity markets. While precious metals, led by a historic rally in gold and silver, experienced an unprecedented upswing, signs of an impending supply surplus intensified in the energy sector. This put pressure on crude oil prices and slowed the overall performance of commodity indices. Industrial metals performed robustly, supported by supply-side bottlenecks and strong demand from the energy transition and the technology sector.

The broadly diversified Bloomberg Commodity Index (BCOM) recorded a solid increase of 4%, driven almost exclusively by precious metals
, while the heavily weighted energy sector acted as a drag.
Gold reached a new all-time high of over $4,000 per ounce shortly after the end of the quarter, its best annual performance since 1979. Silver outperformed this with a gain of 29%, its strongest quarterly performance in 15 years. In contrast, crude oil trended sideways to downwards, weighed down by forecasts of a supply surplus.

Key catalysts were the US Federal Reserve's first interest rate cut in nine months in September, which weakened the US dollar and reduced the opportunity costs of holding non-interest-bearing assets. Ongoing geopolitical tensions contributed to the demand for safe havens.

Macroeconomic conditions

The third quarter of 2025 was marked by macroeconomic events that acted as decisive catalysts for the commodity markets. A shift in the US Federal Reserve's monetary policy, the resulting weakness of the US dollar and an uncertain geopolitical environment created fertile ground for precious metals.

The global economy provided a solid foundation, with the IMF and OPEC forecasting global economic growth of 3.0% for 2025. At the same time, analysts warned of downside risks from higher tariffs and geopolitical tensions that could weigh on commodity demand.

The most notable event was the monetary policy shift by the US Federal Reserve (Fed), which cut its key interest rate in September. This led to a decline in bond yields, which reduced the opportunity cost of holding gold.
The easing also put considerable pressure on the US dollar, which experienced a significant period of weakness and thus acted as a strong tailwind for the

commodity markets. Ongoing geopolitical tensions involving Russia and Iran led to an increased risk premium in the energy sector and drove investors to safe havens such as gold.

Commodity index performance: a quarter of contrasts

The performance of the broad commodity indices painted a superficially positive picture, but revealed a deep sectoral divide. The Bloomberg Commodity Index (BCOM) recorded an increase of 4.0%. Similarly
, the SCP GSCI reported growth of 4.07% for the quarter.

However, the positive overall performance was the result of strongly opposing developments. The gains were almost exclusively driven by the outstanding performance of precious metals. The energy sector, which has a high weighting in indices such as the SCP GSCI, performed "relatively flat" and significantly slowed performance. The SCP GSCI Crude Oil Index fell by 3.94% in the third quarter. The quarter also marked a turning point in investor interest in commodities, which were increasingly sought after for diversification and as protection against inflation.

Analysis of the energy sector: flood of supply meets subdued demand

In the energy sector, signs of a fundamental supply surplus intensified. Brent crude oil prices fluctuated mostly between USD 65 and USD 70 per barrel and ended the quarter slightly lower. The price trend resembled a tug-of-war between the prospects of rising supply and geopolitical disruptions, with price volatility remaining at historically low levels.

The supply side was characterised by broad-based growth. OPEC+ continued to gradually roll back its production cuts, leading to an increase in crude oil production of 1.0 million barrels per day (mb/d) in September alone. At the same time, the dynamic growth in oil production outside OPEC+, led by the US, Brazil and Canada.

The demand side was characterised by a remarkable divergence in forecasts. The International Energy Agency (IEA) remained cautious, estimating global demand growth for 2025 at only around 700 kb/d. In contrast, OPEC stuck to its more optimistic forecast of growth of around 1.3 mb/d. Global oil inventories rose to a four-year high in August, confirming the picture of an increasingly oversupplied market. The price stability despite this surplus can be attributed largely to China's strategic stockpiling, which, according to estimates by the US Energy Information Administration (EIA), absorbed almost half of the global surplus, thus preventing a price collapse for the time being.

Analysis of the metal markets: Gold rush and industrial shortages

In sharp contrast to the energy sector, the metals markets experienced a period of extraordinary strength. Driven by a flood of investment capital and favourable macroeconomic conditions, precious metals staged a historic rally.

Gold continued its impressive bull run, reaching a new all-time high of over US$4,000 per ounce shortly after the end of the quarter on 8 October. The main drivers were the US Federal Reserve's interest rate cut, the
Weaker US dollar and ongoing geopolitical uncertainty. The rally was underpinned by massive capital inflows into gold ETFs, with September alone seeing a record inflow of US$17.3 billion. Central banks also continued their strategic gold purchases to diversify their reserves. Silver significantly outperformed gold, surging 29%, benefiting additionally from its crucial role as an industrial metal, particularly due to strong demand from the solar industry.

Industrial metals also performed strongly. The price of copper proved extremely robust, closing the quarter at over
US$10,300 per tonne towards the end of the quarter. A key indicator of market tightness was the continuous decline in LME inventories. The market was weighed down by supply disruptions in key producing countries, while fundamental demand remained strong, driven by megatrends such as the global energy transition, electrification and the boom in artificial intelligence (AI).

Outlook and possible strategic implications for Q4 2025 and beyond

The developments observed in the third quarter provide a clear basis for strategic considerations for the fourth quarter and beyond.

- Energy sector: The oil market is at a critical turning point. The
  The predicted massive supply surplus poses the greatest downside risk to prices. The key question is how long China's strategic stockpiling can continue to support the market. Any slowdown could trigger a significant price slump. The OPEC+ response to such a price decline will be crucial, while geopolitical risks remain the most important potential upside factor.
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- Precious metals: The sustainability of the gold rally depends on the continuation of supportive macroeconomic conditions. If the US Federal Reserve makes further interest rate cuts and the US dollar remains weak, this could support the upward trend. In the long term, strategic allocation by central banks and the search for safe havens should provide a solid basis of support.
- Industrial metals: The outlook for industrial metals such as copper remains constructive. Fundamentals are characterised by tight supply and robust, structurally driven demand. As long as supply-side bottlenecks persist and demand from the energy transition, electrification and technology sectors remains strong,
  The main risk is a sharper-than-expected global economic downturn.

Commodity	Currency	Change in %
Crude oil ICE Brent	USD	1.73
Copper LME	USD	4.05
Gold	USD	16.83
Silver	USD	29.18

Currencies

Currency pair	Change in %
USD versus EUR	0.46
USD versus CHF	0.42
USD versus JPY	2.69
EUR versus CHF	-0.03

Changes in currency pairs are always viewed from the perspective of the first currency in a currency pair. For example: USD versus EUR -5%, i.e. the US dollar has weakened by 5% against the EUR.

2. Evaluations

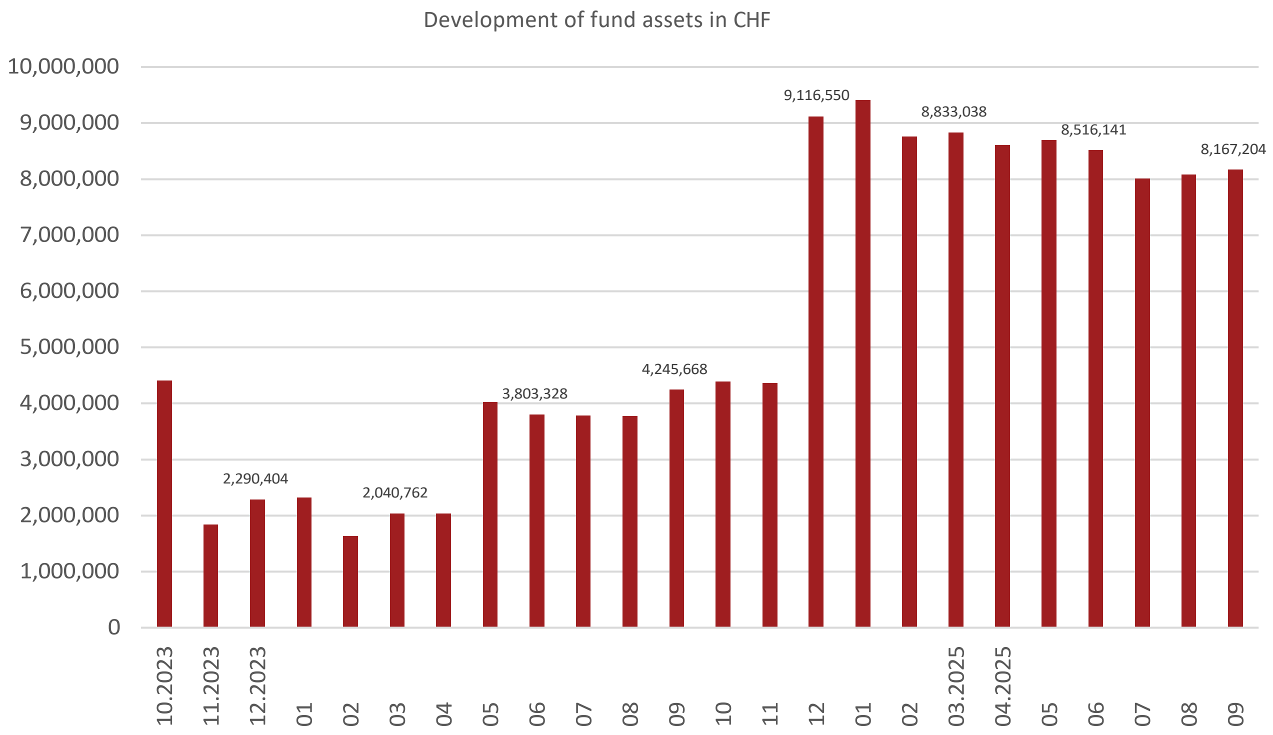
a. Net performance in %

Share class	Quarter	Current year	since inception	Reference date
Red Stone Income CHF*	0.08	2.49	2.09	30 September
Red Stone Income EUR	0.51	4.61	6.66	30.09
Red Stone Income USD**	0.99	6.16	5.19	30.09

*The CHF share class was launched on 30 May 2024.
**The USD share class was launched on 5 September 2024.

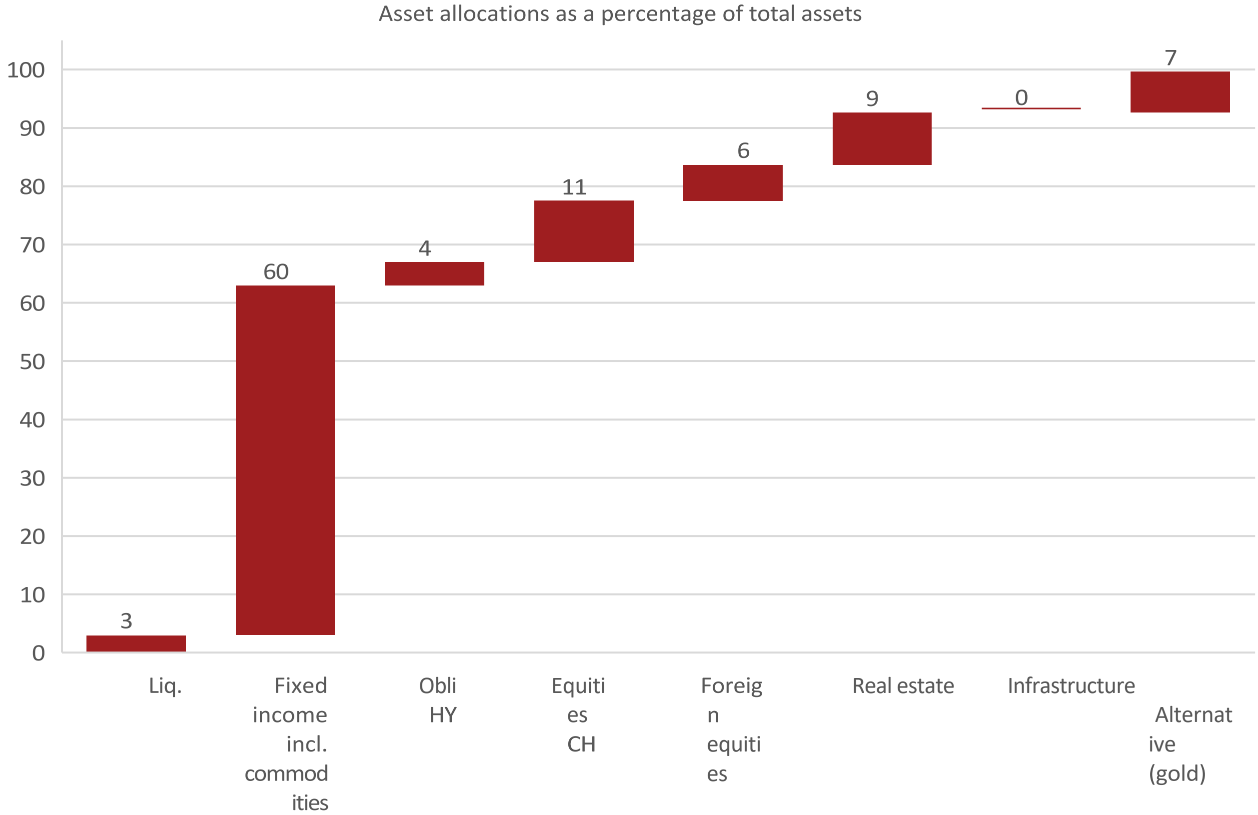
b. Fund asset performance

Taking into account performance, subscriptions and redemptions of share certificates, the fund assets changed from CHF 8,516,141 to CHF 8,167,204 during the reporting period, which corresponds to a decrease of 4%.



c. Asset allocation

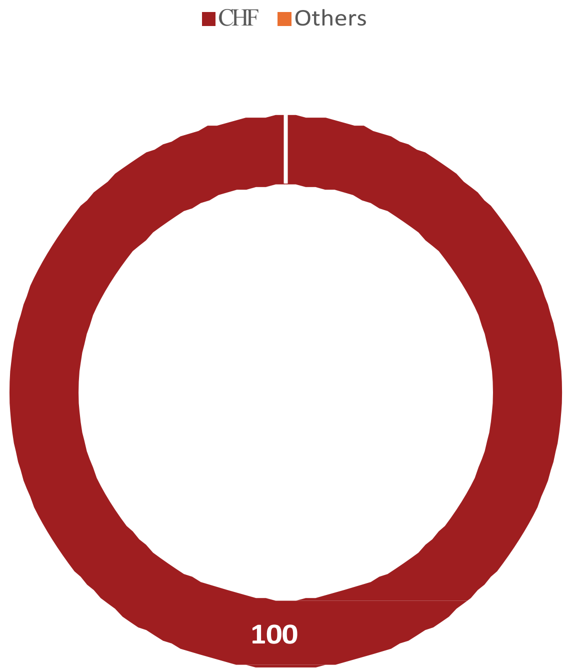
As at the reporting date, the asset allocations were as follows:



d. Overview of the 10 largest positions

	Designation	Asset class	As a % of total assets
1	Fundamenta Real Estate AG	Real estate	8.5
2	iShares Physical Gold ETC	Alternative investments (gold)	6.8
3	iShares MSCI World CHF Hedged	Foreign equities	6.2
4	Liquidity	Liquidity	1.6
5	1,375 Siemens 2030	Bonds Fw	1.1
6	0.423 Bank of America 2029	Bonds Fw	1.1
7	0.25 Citigroup 2029	Bonds Fw	1.1
8	1.625 Volkswagen 2030	Bonds Fw	1.1
9	0.20 Münchener Hypobank 2031	Bonds Fw	1.1
10	1.565 EdF	Bonds Fw	1.1

e. Currency allocations



3. Compliance

a. Target quota control in %

Asset class	of total assets	Target ratio	Delta Allocation target ratio
Liquidity	3	1	2
Foreign currency bonds (including WA)	60	55	5
Bonds HY	4	9	-
Swiss equities	11	10	1
Foreign equities	6	5	1
Real estate	9	10	-1
Infrastructure	0	5	-5
Alternative investments (gold)	7	5	2

b. Bandwidth control in %

Asset class	Lower Bandwidth in % of total area	Upper Range in % of total assets	Comment
Liquidity	0	45	Bandwidth maintained
Bonds FW (incl. WA)	0	65	Range maintained
High-yield bonds	0	19	Bandwidth maintained
Swiss equities	5	20	Range maintained
Foreign equities	0	15	Range maintained
Real estate	0	15	Bandwidth maintained
Infrastructure	0	10	Range maintained
Alternative investments (gold)	0	10	Bandwidth adhered to

c. Compliance with investment guidelines

All investment guidelines have been complied with as of the reporting date.

24 October 2025, Valex Capital AG