

# MIMS – Diversified Passive Selection Fund

## Portfolio Management Team

Report – October 2025

### Fund description

The Passive Fund is composed by a number of Exchange Traded Funds selected by Minerva Investment Management Society, reflecting the output of the research of the Passive Portfolio Team. These ETFs aim to replicate as closely as possible the performance of a basket of securities with specific common properties, thus being effective instruments for investors who wish to express a certain view on industry sectors or economic trends while capturing as little idiosyncratic risk as possible. Each ETF was carefully chosen in line with the macroeconomic outlook. Our allocation is based on a diversification process achieved among geographies, asset classes and sectors.

### Adjustment

#### Reasoning

As a discretionary fund, rebalancing and adjusting fund allocation is essential for effective active management and capitalizing on market opportunities. This approach enables the Diversified Passive Selection Fund Fund to remain strategically aligned with market conditions while adhering to its investment goals. Rather than a one-time event, adjustments are made in response to genuine market opportunities and are implemented alongside the comprehensive semi-annual rebalancing report. This brief report serves as both a tracking measure and a bridge between the two standard semi-annual reports.

#### Actual Adjustments and Changes

We expect continued volatility in the US dollar, which may affect the performance of our dollar-denominated assets. Nonetheless, we remain constructive on US Treasuries, as labour market weakness supports the case for policy easing. To mitigate FX risk, we shifted our Treasury exposure into a euro-hedged ETF, aiming to benefit from potential yield declines despite the hedging cost. We also trimmed our exposure to the European energy sector amid a more stable geopolitical backdrop, and added a global semiconductor ETF to capture the data centers trend. Finally, we moved from long-dated to mid-maturity European government bonds to reduce duration and structural risks linked to ageing demographics and weaker growth.



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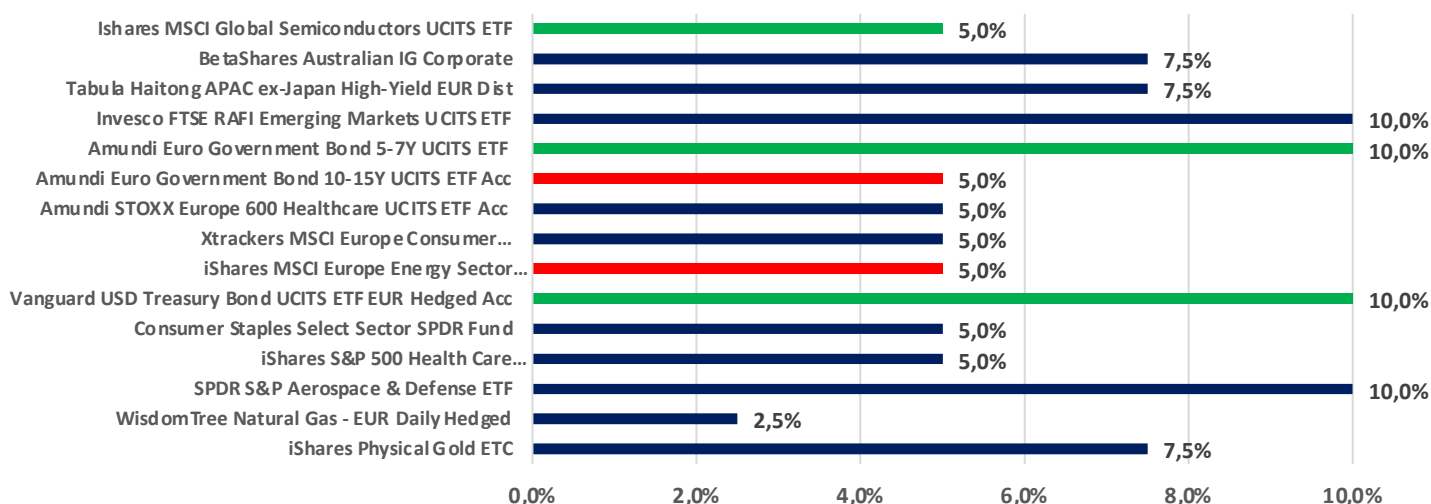
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## ETFs Resulting Breakdown



## WEIGHT REDUCTION

### iShares MSCI Europe Energy Sector UCITS ETF EUR (Acc)

Index: MSCI Europe Energy 20/35 Capped Index (EUR)

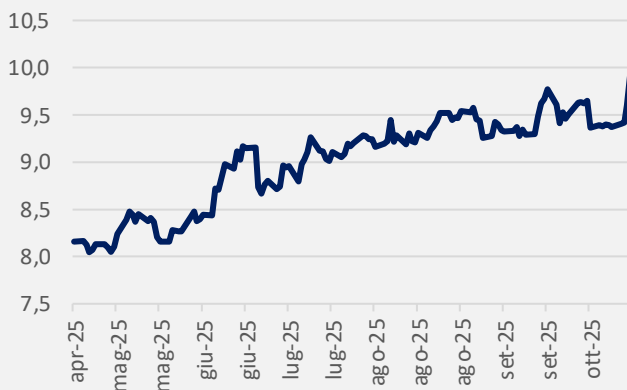
Expense Ratio: 0.18% Tracking Error Volatility: 0.2%

#### Overview

The iShares MSCI Europe Energy Sector UCITS ETF EUR (Acc) offers investors a focused exposure to some of Europe's leading energy companies, encompassing both the European Union and the United Kingdom. These companies produce and distribute energy for domestic consumption within Europe's integrated market.

#### Analysis

The ETF remains heavily concentrated in oil-related companies and is therefore closely linked to crude price dynamics. With a gradual easing of geopolitical tensions and signs of de-escalation in global conflicts, we expect downward pressure on energy prices, which could weigh on sector performance. Consequently, we reduced our allocation from 10% to 5%. However, given the sector's strong ties to domestic demand, it could still provide some resilience in case of renewed trade frictions, justifying a maintained, though smaller, position.



#### Conclusion

We reduced our exposure to a sector whose outlook is increasingly challenged by softer geopolitical risk and potentially lower energy prices, while retaining a modest allocation to preserve diversification and domestic demand exposure.

## ADDINGS

### iShares MSCI Global Semiconductors UCITS ETF

Index: MSCI ACWI IMI Semiconductors & Semiconductor Equipment Select ESG Screened Capped Index.

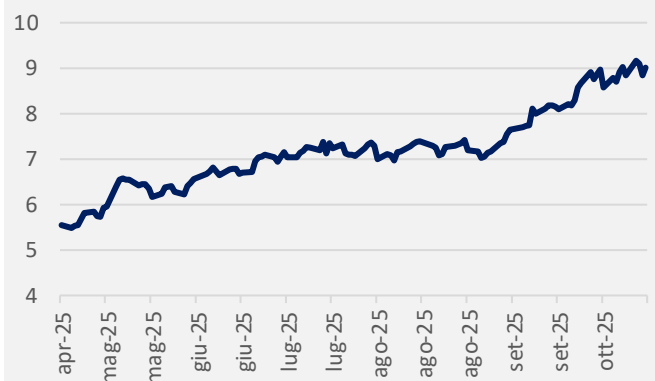
Expense Ratio: 0.35% Tracking Error Volatility: 0.15%

#### Overview

The ETF provides global exposure to companies involved in the design, manufacture, and supply of semiconductors. The index includes big tech companies such as NVIDIA, TSMC, ASML, Broadcom, and AMD which helps to capture both U.S. and Asian markets. The fund offers an efficient way to gain exposure to the ongoing AI and data-center investment cycle which has supported strong semiconductor demand in 2025.

#### Analysis

Firstly, there is strong earnings momentum as TSMC and NVIDIA recently raised guidance, signaling persistent strength in AI-related orders. Additionally, there is policy tailwind as the U.S. CHIPS Act and equivalent EU initiatives continue to direct capital toward local manufacturing, supporting revenue visibility. Short-term drivers such as NVIDIA's Q3 earnings (19 Nov) and year-end data-center spending updates are likely catalysts within the next two months. However, a risk is that any pause in AI spending or weaker guidance could trigger profit-taking after a +45% 12-month rally.



#### Conclusion

This investment aims to gain exposure to the ongoing expansion of the tech industry, particularly the data-center buildout driven by AI adoption and increasing computing demand.

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## WEIGHT REDUCTION

### Amundi Euro Government Bond 10-15Y UCITS ETF Acc

Index: Bloomberg Euro Treasury 50bn 10-15 Year Bond

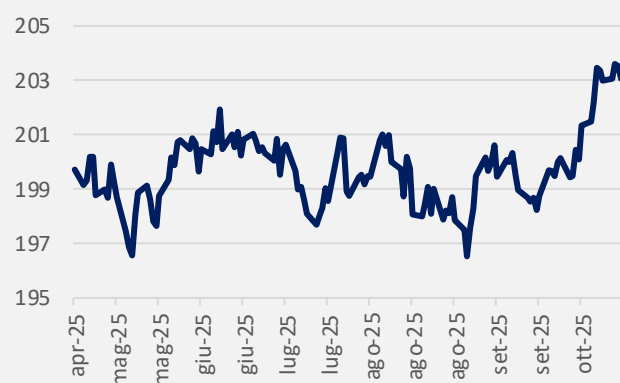
Expense Ratio: 0.15% Tracking Error Volatility: 0.04%

#### Overview

Amundi Euro Government Bond 10-15Y tracks the performance of 49 European Government Bond with maturities between 10 and 15 years. The fund is exposed to different economies such as France, Italy, Germany, Spain and Belgium.

#### Analysis

European sovereigns face long-term structural challenges driven by ageing populations, weaker potential growth, and rising fiscal pressures from pensions and healthcare. These dynamics could gradually erode debt sustainability, especially in countries with high public debt or political instability. While not implying imminent default risk, long-dated bonds are more exposed to such structural headwinds and to shifts in market perception of fiscal credibility. We therefore reduced exposure to longer maturities in favour of mid-term bonds to lower duration risk and limit sensitivity to long-term structural vulnerabilities.



#### Conclusion

We reduced duration risk within European government bonds to limit exposure to long-term structural challenges that could gradually weigh on sovereign credit fundamentals over time

## WEIGHT INCREASE

### Amundi Euro Government Bond 5-7Y UCITS ETF

Index: Bloomberg Euro Treasury 50bn 5-7 Year Bond.

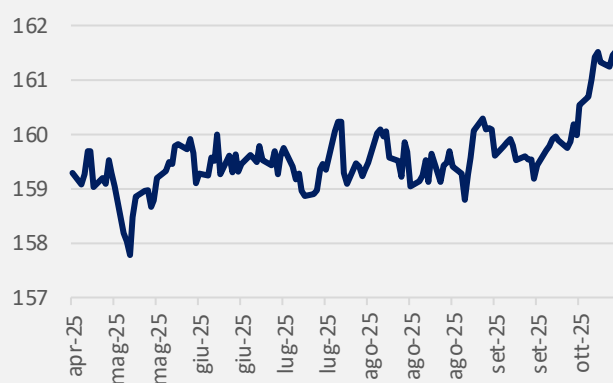
Expense Ratio: 0.15% Tracking Error Volatility: 0.02%

#### Overview

Amundi Euro Government Bond 5-7Y UCITS ETF Acc provides an opportunity to gain exposure to European government bonds within a medium-term maturity range, between five and seven years.

#### Analysis

This ETF strengthens our core fixed income allocation by focusing on the five-to-seven-year segment of the euro government bond curve, balancing yield and interest rate risk. It helps limit exposure to longer-term market trends while maintaining a moderate duration profile. The current yield environment provides a compelling carry opportunity, supporting portfolio income generation and offering a stable source of return with contained rate sensitivity.



#### Conclusion

We increased our exposure to mid-duration European government bonds to capture carry opportunities and strengthen the portfolio's core fixed income positioning.

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## REMOVALS

### iShares 1-3 Year Treasury Bond ETF

Index: ICE U.S. Treasury 1-3 Year Bond Index

Expense Ratio: 0.07% Tracking Error Volatility: 0.05%

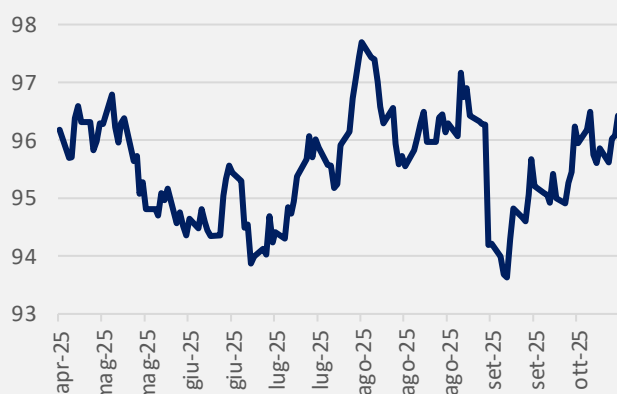
#### Overview

The iShares 1-3 Year Treasury Bond ETF seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years, having an effective duration of 1.82 years.

#### Analysis

Recent data point to a gradual weakening of the U.S. labour market, which increases the probability of Fed rate cuts in the coming months as the central bank aims to sustain employment and prevent an excessive slowdown in growth — even if this means tolerating slightly higher inflation for a time. Lower policy rates would typically support short-term Treasuries; however, the broader policy backdrop in the U.S. has introduced a degree of uncertainty for global investors that have contributed to higher volatility in the dollar.

At the same time, the prospect of further rate cuts could weaken the U.S. dollar against the euro, potentially eroding returns for unhedged euro-based investors. To mitigate this risk, we decided to exit our unhedged position in short-term Treasuries and reallocate into a euro-hedged ETF, allowing us to retain exposure to U.S. rates while limiting FX-driven performance swings.



#### Conclusion

We intend to switch to a similar euro-hedged ETF to maintain exposure to short-term U.S. Treasuries while reducing the portfolio's sensitivity to exchange-rate fluctuations..

## ADDINGS

### Vanguard USD Treasury Bond UCITS ETF - EUR Hedged Acc

Index: Bloomberg Global Aggregate US Treasury Float Adjusted Index hedged in EUR

Expense Ratio: 0.10% Tracking Error Volatility: 0.19%

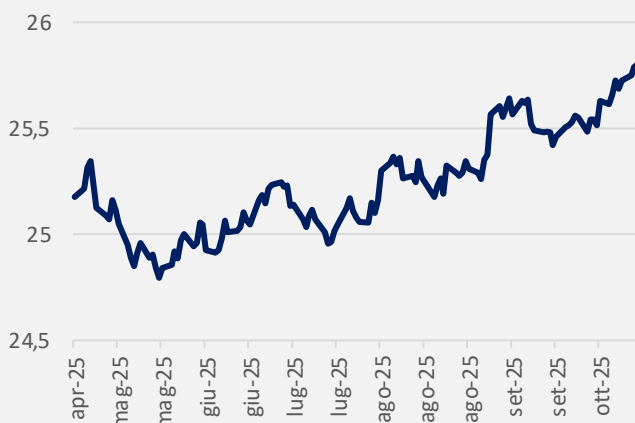
#### Overview

The Vanguard USD Treasury Bond ETF (EUR Hedged) provides diversified exposure to U.S. government bonds with maturities beyond one year and an average duration of approximately 5.8 years.

#### Analysis

This ETF provides an efficient way to benefit from a potential Fed easing cycle while mitigating exchange rate risk. Its medium-duration profile increases sensitivity to rate movements, allowing the fund to capture potential gains if yields decline as monetary policy turns more accommodative. The instrument also provides diversified exposure across the U.S. Treasury curve, offering a balanced combination of yield pickup and duration exposure.

Compared with euro sovereign bonds, the cost of hedging may weigh on returns, but we see value in maintaining exposure to U.S. rates given the weakening labor market and potential for rate cuts in the short term.



#### Conclusion

We maintain exposure to U.S. Treasuries through a euro-hedged vehicle to position for potential Fed rate cuts while limiting the portfolio's vulnerability to USD fluctuations.

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