

« You can't have it all in life... especially when you start wanting everything. »

Karl Lagerfeld, who was born on 10 September 1933 in Hamburg and died on 19 February 2019 in Neuilly-sur-Seine, was a leading German fashion designer and stylist, as well as a photographer, illustrator, designer, film director and publisher.



## Libre ECO

### Can we really entrust our investment portfolio to a piece of software?

Some funds are managed by algorithms. This is known as quantitative management. Is this a black box or an effective tool? Analysis.

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La Libre Eco

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Although algorithms are carefully designed by men and women in the investment management industry, they nevertheless instil a certain amount of fear among investors. ©Copyright (c) 2024 Who is Danny/ Shutterstock. No use without permission.

In some SICAVs, the investment process is based on the analysis and processing of data using algorithms. These models are often developed by fund managers in asset management firms.

« Setting up such a model requires research spanning several years, involving tests and simulations in a variety of market scenarios. These funds aim to outperform the markets over the long term » explains Charles Bok, Chief Executive at Createra Finance.

Is a rebound on the horizon for US small and mid caps?

#### Eliminating emotional biases

Although these algorithms are carefully designed by men and women in the investment management sector, they nevertheless instil a certain amount of fear among investors. Entrusting their money to

a mathematical system whose workings they do not understand can be daunting for many people.

« However, we should not forget that these algorithms are indeed designed by people with a sound knowledge of mathematics and finance. Automating certain decisions also helps to eliminate emotional biases » explains Charles Bok.

« The quantitative approach therefore allows investors to take a step back from short-term events. »

Charles Bok, Chief Executive at Createra Finance

There are three types of bias. Firstly, there are emotional biases, where investors become overly attached to a stock and lose sight of its financial reality. Secondly, there are geographical biases. People often tend to favour their home region when making investment choices. Thirdly, certain sector biases can influence investment decisions, as is currently the case with the technology sector, which is enjoying a degree of success.

Investments: how to counter the negative influence of cognitive biases

« The quantitative approach therefore allows investors to take a step back from short-term events. However, we do not recommend investing the entire portfolio in this type of fund. In fact, this is more of a tool for diversifying investment strategies that can account for 25 to 30% of an equity portfolio » according to Charles Bok.

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**« Management teams have defined in advance the exceptional circumstances in which human intervention may be required, by deciding not to apply whatever the mathematical model has determined. »**

The algorithms generate buy or sell orders, which are then processed by a “human” team. Management teams have defined in advance the exceptional circumstances in which a human decision-maker may decide not to apply whatever the mathematical model has determined. This is the case, for example, when it is known that the company has committed fraud.

### Risk smoothing

Furthermore, these funds determine the maximum level of risk that can be taken. The fund therefore automatically smooths out risks in line with the level of volatility initially set by the fund managers.

**« The aim of these funds is also to minimise the impact of random events. »**

Companies are analysed using a bottom-up approach, i.e. by starting with an analysis of the companies themselves rather than macroeconomic fundamentals.

The aim of these funds is also to minimise the impact of random events. *« Generally speaking, three types*

*of strategy are used in this type of fund. There is price momentum, which involves identifying the stocks that will perform best in the future. Next, the system analyses corporate earnings, which is known as earnings momentum. Lastly, thanks to AI, a combination of the first two strategies is achieved, which allows for a quick screening of stocks »* emphasises Charles Bok.

**« While such funds are admittedly less responsive in the short term, they have demonstrated their ability to generate performance over the long term. »**

In this type of model, some use a “value” strategy, which is based on the company’s valuation. Others focus more on quality, while some take several factors into account (multi-factor).

**Europe is working towards greater transparency in sustainable funds**

Such funds are subject to the same requirements as traditional funds in terms of transparency and disclosure. While they are admittedly less responsive in the short term, they have demonstrated their ability to generate performance over the long term. They are aimed more at experienced investors.

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## Economy – Markets – Strategy: trends

**Fabien PLANCQ**

**Senior Wealth Manager**

**Charles BOK**

**Chief Executive Officer**

The second quarter of 2026 was characterised by a rapid succession of events, including geopolitical tensions, renewed inflationary fears, a hawkish stance from central banks and resilient equity markets. With the start of the quarter marked by the war in the Middle East and the *de facto* closure of the Strait of Hormuz, investors had to contend with major energy-related risks. This vital shipping route for the global supply of oil and gas quickly became one of the key market indicators.

Rising energy prices reignited concerns about inflation, while the US economy remained strong, buoyed by a robust job market and resilient consumer spending. This strength is boosting corporate earnings but making things more difficult for the US Federal Reserve (Fed). In late May, Kevin Warsh’s arrival at the helm of the Fed therefore took place in a challenging environment. As expected, the US central bank kept its key rates unchanged at its June meeting, while leaving the door open to a future rate hike if inflation were to remain too high.

In Europe, the European Central Bank (ECB) raised its key rates by 0.25%, bringing the deposit rate to 2.25%. This was the first rate hike in more than two and a half years. This decision, which had been widely anticipated, did not trigger any major reaction in the markets but sent an important monetary signal. The ECB also revised its 2026 inflation forecast to 3%, up from 2.6% previously, while markets are anticipating a possible second rate hike in the second half of the year.

A major turning point came in mid-June with the signing of the memorandum of understanding between the US and Iran, spearheaded by US President Donald Trump. This agreement provides for the cessation of hostilities, the lifting of the US blockade of Iranian ports and the gradual reopening of the Strait of Hormuz. This development led to a marked easing of tensions in energy markets, as investors expected oil flows to gradually return to normal. However, a return to normal will not happen straight away: restoring infrastructure, export logistics and restocking will take time.

Despite this turbulent environment, equity markets bounced back sharply from their correction at end-March, going on to hit new record highs in both the US and Europe. In the US, Wall Street continued to benefit from strong corporate earnings and enthusiasm for artificial





intelligence (AI). Technology stocks, digital infrastructure, data centres and certain energy distribution companies continued to perform well. This momentum remains strong, as demonstrated once again by some solid earnings in the semiconductor sector; however, high valuations, the scale of investment in AI – sometimes financed by debt – and the prospect of persistently high interest rates are making investors more discerning. The end-of-quarter volatility in technology, mega-caps and semiconductors serves as a reminder that the markets can quickly punish the most high-profile stocks when they fail to meet expectations.

In Europe, more reasonable valuations than in the US also provided support for stock market indices. However, the rise was selective: luxury goods, European automotive, defence and several interest-rate-sensitive sectors struggled.

In terms of commodities, oil remained the asset most directly linked to developments in the Iran crisis. Despite falling since the agreement between the US and Iran, Brent crude prices are still up in 2026 (+19.8%). Gold, which is

usually buoyed by international tensions, fell towards the end of the quarter (down 7.2% since the start of the year), weighed down by profit-taking, the prospect of persistently higher interest rates and the stronger dollar, which makes it more expensive for foreign buyers. The dollar has regained some support during periods of risk aversion, while remaining vulnerable in the medium term due to US fiscal imbalances (up 2.8% in 2026).

This quarter serves as a reminder of just how quickly markets can shift from concern to relief, but also from relief to caution. Equities continue to be underpinned by solid fundamentals, thanks to corporate earnings, technological innovation and the resilience of the economy. However, high valuations, central banks being less accommodative than hoped for, technology stock volatility and the as-yet-unconfirmed viability of the Middle East agreement mean that investors should remain selective. In this environment, discipline, diversification and the quality of the assets held remain investors' best allies.

### Recommended asset allocation for a MEDIUM risk investor in EUR

Asset allocation		Currency exposure	
<b>Total individual equities and equity funds (including real estate)</b>	<b>47%</b>	<b>EUR</b>	<b>81%</b>
European equities	21%	<b>USD</b>	<b>16%</b>
US equities	21%	<b>Other</b>	<b>3%</b>
Emerging market and Japanese equities	5%		
<b>Bonds and bond funds</b>	<b>33%</b>		
<b>AIFs</b>	<b>8%</b>		
<b>Miscellaneous (gold and other commodities)</b>	<b>5%</b>		
<b>Cash and money market funds</b>	<b>7%</b>		
	<b>100 %</b>		<b>100 %</b>

Guidelines for our in-house policy. For many reasons, differences, sometimes substantial, may exist between different portfolios. Drafting completed on 02/07/2026

## Indexes

EQUITIES	2026 Q2	2026 YTD
EURO STOXX 50	13,62%	9,27%
STOXX Europe 600	10,05%	8,37%
BEL 20	13,37%	13,25%
S&P 500	14,87%	9,55%
S&P 500 Equal Weight	10,90%	11,11%
NASDAQ 100	27,53%	19,91%
NIKKEI 225	37,21%	39,18%
HANG SENG	-7,69%	-10,73%
MSCI EMERGING	23,31%	22,68%
MSCI WORLD	13,32%	8,92%

COMMODITIES (in USD)	Gold	Oil (BRENT)	Bloomberg Agriculture
As at 31/12/25	4.319,37	60,85	53,44
As at 30/06/26	4.008,02	72,92	54,95
%	-7,21%	19,84%	2,83%

BONDS	2026 Q2	2026 YTD
Bloomberg Barclays Euro Aggregate Total Return Index	1,95%	1,30%
Bloomberg Barclays US Aggregate Total Return Index	0,67%	0,62%
Bloomberg Barclays EM USD Aggregate Total Return Index	3,42%	2,03%

CURRENCIES	USD	GBP	CHF	JPY
As at 31/12/25	1,1746	0,8717	0,9307	184,0100
As at 30/06/26	1,1422	0,8613	0,9232	185,6800
%	2,76%	1,19%	0,81%	-0,91%



# Investment school: what is an ETF ?

**Martin T'KINT DE ROODENBEKE**

**Junior Portfolio Manager**

There is one asset class we keep hearing about time and again, namely ETFs (Exchange-Traded Funds). As their name suggests, these are simply investment funds which are quoted in real time on stock exchanges and are therefore traded continuously. This sets them apart from traditional actively managed funds, whose valuation is generally calculated and published with a certain time lag.

## **But what exactly is it?**

The first ETF as we know it today was launched in 1993 in the United States. It was the SPDR S&P 500. It tracks the S&P 500, the well-known Standard & Poor's index comprising the 500 largest US companies, whose weighting in the index is proportional to their market capitalisation.

With its emergence, we saw the rise of passive management through index-tracking ETFs that replicate major global indices such as the S&P 500, the STOXX Europe 600 and the MSCI World.

When you buy shares in these index-tracking ETFs, mechanisms are in place to automatically replicate the composition of the index, without any human intervention or decision-making, unlike traditional actively managed funds. This allows investors to hold a share of the « market » while benefiting from generally low fees.

## **What are the lesser-known risks?**

By 2023, more than half of the capital invested in US equity funds was held in index funds – a first in the history of financial markets.

Today, the ten largest stocks in the main US index, the S&P 500, account for nearly 40 per cent of its total weighting.

Therefore, investors who believe they are exposed to 500 different companies will actually find that a significant proportion of their portfolio depends on just a handful of companies. Given that these indices are market-capitalisation-weighted, the substantial volumes of assets held by index-tracking ETFs could influence the valuations of the largest companies by market capitalisation.

Under normal circumstances, active management is based on fundamental analysis to determine the fair value of assets. With the widespread shift towards index-based management, some theories suggest that the markets could become less efficient.

The large volumes held by ETFs can also give rise to certain technical effects. When an index is revised, index-tracking funds must adjust their positions simultaneously, which may temporarily affect prices even though there is no fundamental change to justify such movements.

## **Miracle remedy or dangerous product?**

The answer isn't that simple. It is important to put the debate into perspective. Thanks to their competitive fees and diversification, index-tracking ETFs are a remarkable investment tool, and we do not believe there is any reason to avoid them.

However, we firmly believe that in the current environment, characterised by a high degree of index concentration, active management continues to play a vital role in a diversified portfolio. We believe it makes sense to diversify equity exposure by combining active and passive management. Such an approach allows portfolios to include companies that are less reliant on passive inflows and potentially less affected by the imbalances that this growing index concentration might cause.

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