# CIO Office
# Monthly Investment Update

بنك الإمارات دبي الوطني
Emirates NBD

February 2025

# Executive Summary

## Macro & Policy

From an economic perspective, 2025 starts reasonably well. Global growth is gently slowing but still at a solid level, inflation is not out of control, and the earnings season had a good start.

Uncertainty is elsewhere. The new US administration took office and immediately kicked-off the implementation of the disruptive platform it was elected for. Uncertainty prevails on trade, international relations and potentially US inflation.

We see an overall constructive picture for the year, but macro uncertainty and divergences should be much higher than what most projections suggest, potentially for the year and undoubtedly for the medium term.

## Asset Allocation

We have started the year fully invested, due to an overall supportive fundamental picture, with only limited active positions against our strategic allocation.

We overweight government bonds, are fully invested in equities with a preference for developed markets and are slightly overweight on cash. We are neutral on gold and underweight hedge funds.

We are prepared for an active year, with most probably many opportunities to adjust exposure as markets may overreact to the “Winds of Change” that start with policies and extend to trade and to the balance of power.

## Fixed Income

We are overweight government bonds and are fully invested (neutral) within the corporate spectrum, including High-Yield issuers. We are also neutral yet selective on emerging debt.

We actively manage duration, having recently lengthened our positioning to 7-10 years.

## Equity

We are fully invested, with a slight preference for developed markets over emerging regions.

The US remains our preferred developed market due to the strength of its economy and earnings growth. Within EM, we have reduced our position on India to Neutral, still favor the UAE, and are underweight on Latam.

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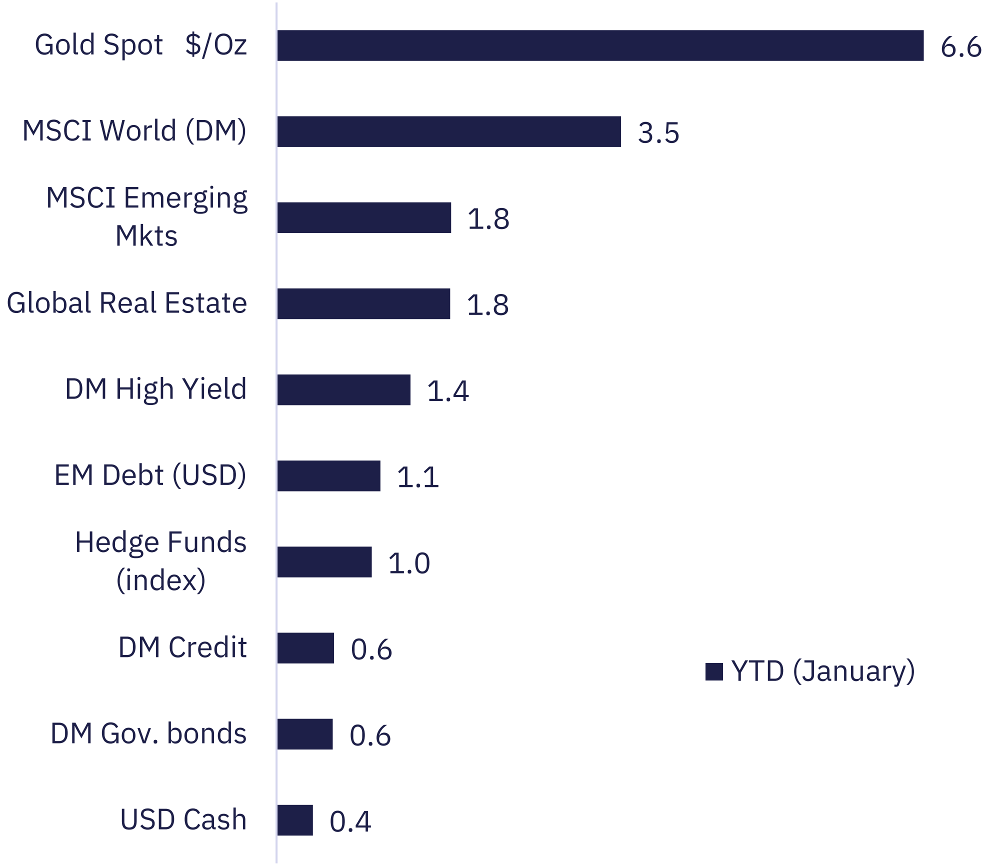
# Asset Class Performance

**A volatile yet positive start to the year**

All asset classes were in the green in January, but at the price of material volatility.

US Treasury yields went through a rollercoaster, starting with concerns about the potential inflationary impact of the “America First” platform, before falling as there was no immediate tariff implementation among the first Presidential executive orders. The dollar followed a similar trajectory to end the month slightly weaker. Global stocks were overall supported by risk appetite, with an outperformance of non-US regions, as US tech was negatively affected by the shock of Chinese DeepSeek AI model.

The month ended with several welcome “non-events”: the Fed held rates unchanged, the ECB cut 25 basis points and US core PCE inflation did not alarm markets. On the macro side, US GDP for Q4 came in a bit lower than expected but with a strong consumption component.




Source: Bloomberg, as of January 31st, 2025

# Macro and Policy Backdrop

**From Emirates NBD Research**

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# Global Macro and Policy Backdrop from ENBD Research (February 2025)

- The Federal Reserve kept interest rates unchanged at its first FOMC meeting of the year, holding the Fed Funds rate at 4.5% on the upper bound. The accompanying statement to the decision was largely unchanged though the FOMC did drop a line from previous messages that "inflation had made progress toward the Committee's 2% objective" and instead said that "inflation remains somewhat elevated."
- In his press conference that followed the unanimous decision, Fed Chair Jerome Powell stressed that the Fed was not "in a hurry" to adjust rates lower in 2025 and that the FOMC was "very much in the mode of waiting" to assess the impact of the policies of the new Trump administration on inflation.
- The University of Michigan sentiment index in February showed a sharp jump in year-ahead inflation expectations, from 3.2% to 4.2%, suggesting that tariffs are already having a meaningful impact. The tariff situation remains highly fluid with those on Canada and Mexico paused while those on China were scheduled to begin on 10 February, with a 25% tariff on aluminum and steel imports also announced by President Trump.
- Both the BoE and the ECB cut their benchmark interest rates by 25bps at their first meetings of 2025. The ECB took the deposit facility rate down to 2.75%, noting that while the regional economy was "still facing headwinds" while it was "well on track" to getting inflation close to target levels.
- The BoE took the bank rate to 4.5%, although two of the 9-member committee were in favour of a larger 50bps cut to 4.25%.

| US | 2024e | 2025f | 2026f |
|---|---|---|---|
| Real GDP % | 2.8 | 2.2 | 2.0 |
| Current A/C % GDP | -3.7 | -3.8 | -3.6 |
| Budget Balance % GDP | -6.9 | -6.5 | -6.6 |
| CPI % | 3.0 | 2.6 | 2.5 |
| **Eurozone** | **2024e** | **2025f** | **2026f** |
| Real GDP % | 0.7 | 1.0 | 1.2 |
| Current A/C % GDP | 2.8 | 2.4 | 2.5 |
| Budget Balance % GDP | -3.1 | -330 | -2.8 |
| CPI % | 2.4 | 2.1 | 1.9 |
| **UK** | **2024e** | **2025f** | **2026f** |
| Real GDP % | 0.8 | 1.2 | 1.4 |
| Current A/C % GDP | -2.7 | -2.8 | -2.8 |
| Budget Balance % GDP | -4.5 | -3.8 | -3.3 |
| CPI % | 2.5 | 2.6 | 2.2 |
| **Japan** | **2024e** | **2025f** | **2026f** |
| Real GDP % | -0.2 | 1.2 | 0.9 |
| Current A/C % GDP | 4.5 | 4.2 | 4.0 |
| Budget Balance % GDP | -2.4 | -3.8 | -3.4 |
| CPI % | 2.7 | 2.2 | 1.8 |
| **China** | **2024e** | **2025f** | **2026f** |
| Real GDP % | 5.0 | 4.5 | 4.2 |
| Current A/C % GDP | 1.8 | 1.3 | 1.0 |
| Budget Balance % GDP | -7.3 | -5.5 | -5.7 |
| CPI % | 0.2 | 0.8 | 1.3 |
| **India** | **2024e** | **2025f** | **2026f** |
| Real GDP % | 8.2 | 6.3 | 6.5 |
| Current A/C % GDP | -1.2 | -1.1 | -1.1 |
| Budget Balance % GDP | -4.9 | -4.9 | -4.5 |
| CPI % | 5.0 | 4.8 | 4.3 |

Source: Emirates NBD Research

# GCC Outlook from ENBD Research (February 2025)

- Oil markets have struggled for direction in 2025 as the anxiety of a global trade war weighs on markets. The risks of wide-scale trade disruptions will be a drag on oil prices with negative consequences for physical demand if there is a major change to global trading patterns.
- At the same time geopolitical risks remain elevated. During the final weeks of the Biden administration the US imposed new sanctions on shipments of Russian oil while in the first weeks of the Trump administration new sanctions have hit the movement of Iranian oil.
- We expect OPEC+ to stick to its plan to ease production back into markets this year which will ultimately push prices lower by the end of 2025.
- Dubai GDP rose 3.1% y/y in the first nine months of 2024. The transport and storage sector made a particularly grew 5.3% y/y, with a weight of over 12% in GDP. Other industries which saw notable growth over the period include financial services which gained 4.5% and the ICT sector which grew 4.1%.
- Dubai CPI inflation slowed to 2.9% y/y in December, down from 3.0% in November. This puts the 2024 average at 3.3%, unchanged from 2023 and compared with 4.7% in 2023.
- Saudi Arabia recorded real GDP growth of 1.3% in 2024 according to the flash estimate. With oil production curbs still firmly in place through 2024, growth was driven by a 4.3% expansion in non-oil activity while oil GDP shrank by 4.5%. Government activities recorded 2.6% growth. In 2025 we forecast headline GDP growth of 3.3% with both the oil and non-oil sectors driving the expansion.

| UAE | 2024e | 2025f | 2026f |
|---|---|---|---|
| Real GDP YoY% | 3.7 | 5.0 | 4.6 |
| Oil Sector Growth | 0.0 | 5.0 | 5.0 |
| Non-Oil Sector Growth | 5.0 | 5.0 | 5.0 |
| Budget Balance (% GDP) | 3.4 | 2.7 | 1.8 |
| **KSA** | **2024e** | **2025f** | **2026f** |
| Real GDP YoY% | 1.3 | 3.3 | 4.5 |
| Oil Sector Growth | -4.5 | 2.5 | 7.0 |
| Non-Oil Sector Growth | 4.3 | 4.5 | 4.5 |
| Budget Balance (% GDP) | -4.9 | -5.6 | -6.0 |
| **Kuwait** | **2024e** | **2025f** | **2026f** |
| Real GDP YoY% | -2.3 | 1.3 | 3.3 |
| Budget Balance (% GDP) | -7.9 | -9.6 | -9.9 |
| **Oman** | **2024e** | **2025f** | **2026f** |
| Real GDP YoY% | 1.5 | 2.8 | 2.8 |
| Budget Balance (% GDP) | 1.1 | -0.9 | -1.1 |
| **Bahrain** | **2024e** | **2025f** | **2026f** |
| Real GDP YoY% | 2.7 | 3.2 | 3.1 |
| Budget Balance (% GDP) | -4.0 | -4.7 | -5.0 |
| **Qatar** | **2024e** | **2025f** | **2026f** |
| Real GDP YoY% | 1.7 | 2.6 | 4.8 |
| Budget Balance (% GDP) | 3.6 | 3.2 | 4.3 |

Source: Emirates NBD Research

# Asset Allocation

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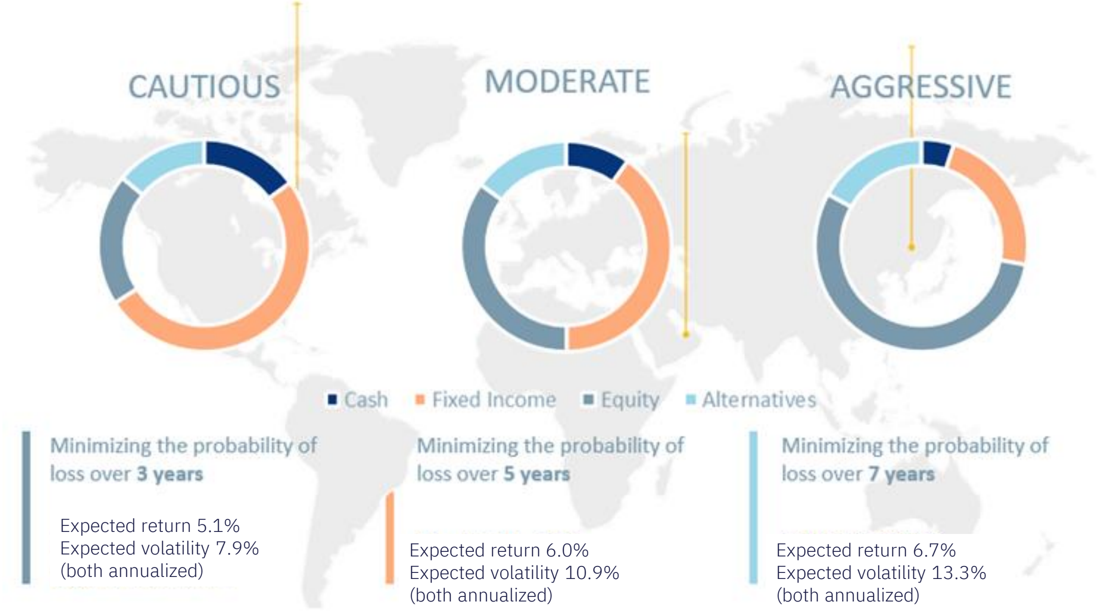
# Strategic Asset Allocation: Investment for the Decade

**A solid portfolio backbone, tailored to your time horizon**

- Built on capital preservation on a given horizon
- Highly diversified, realistic on returns and risks

Our Strategic Asset Allocation, expected returns and risks have been refreshed and recalibrated at the end of December 2023. It is reviewed annually and adjusted to major changes in the investment landscape, such as the holistic drop of last year.




Source: CIO Office

# Tactical Asset Allocation: key market drivers

### Backdrop (=/+)

Strong consensus for a "happy late cycle" global configuration, between rebooted US exceptionalism and China's stimulus. US policies details are key for the growth/inflation mix and consequences (Fed, trade, FX...)

The current state of the global economy is supportive. We however expect significant macro uncertainty, driven by policy changes and their rapid evolution.

### Valuation (=)

No major asset class is cheap but under our (consensual) scenario of late cycle without drama, bonds should return ~their coupons while stocks show high single-digits upside potential on average.

We continue to consider that long-term quality bonds are compelling and see an overall benign picture for fixed income. Equities also show some upside potential, conditioned to earnings continuing to at least meet expectations.

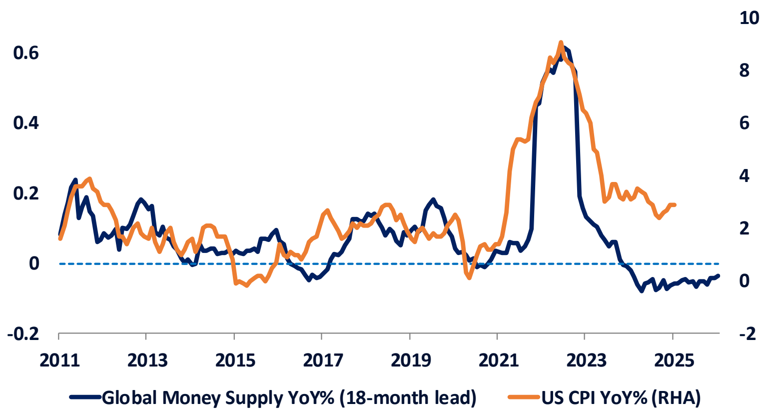
### Behavioral factors (=)

Contradicting messages between a very consensual positive view for 2025 (from all yearly outlooks), a probably pro risk positioning, but quite soft sentiment surveys. Clarity on US policies is definitely needed

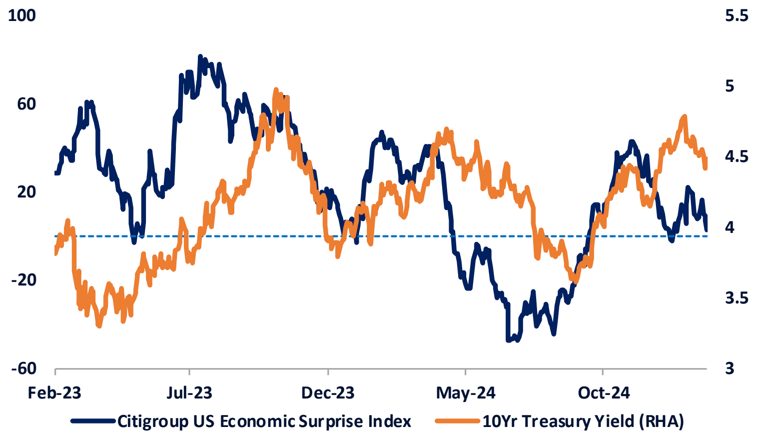
We see overall confidence in both investors' sentiment and positioning, but no euphoria at this stage. Still, the levels of implied volatility could be a bit complacent given macro uncertainty. There is no actionable signal from behavioral factors yet, but we expect volatility.

# Asset Allocation: Charts That Matter

Global liquidity suggests no inflation drama next few months

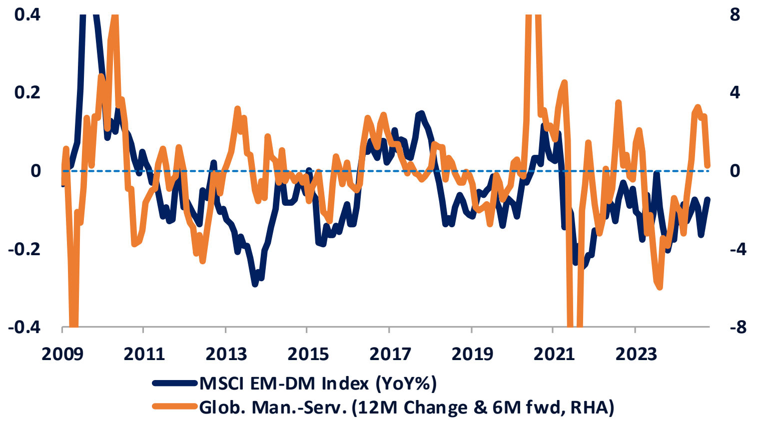



US economy slowing down as per economic surprises and yields




The time for smaller companies may have come


Global manufacturing picking up positive for EM risk assets




Source: Bloomberg unless otherwise mentioned

# Tactical Asset Allocation: recommended positioning

**We are fully invested, with only minor active positions.**

Our positioning is fully invested and close to neutrality.

We carry a slight overweight in cash and in government bonds, with a long duration. We are close to neutral on stocks with a preference for developed markets. Within alternatives, we underweight hedge funds, are neutral on gold and slightly underweight in real estate.

Average beta is .98 while relative risk is contained.

We are prepared to identify and seize opportunities to adjust exposure, which will certainly emerge with policy uncertainty and potential macro surprises.

| 2/7/2025 | CAUTIOUS | | | MODERATE | | | AGGRESSIVE | | |
|---|---|---|---|---|---|---|---|---|---|
| | TAA | SAA | Rel. | TAA | SAA | Rel. | TAA | SAA | Rel. |
| **Cash** | **10.5** | **9.9** | ***0.7*** | **5.5** | **4.9** | ***0.6*** | **3.0** | **2.4** | ***0.6*** |
| US Dollar cash | 10.5 | 9.9 | *0.7* | 5.5 | 4.9 | *0.6* | 3.0 | 2.4 | *0.6* |
| **Fixed Income** | **53.7** | **52.6** | ***1.1*** | **33.1** | **31.6** | ***1.5*** | **21.5** | **19.7** | ***1.8*** |
| DM Government | 30.8 | 29.8 | *1.1* | 6.6 | 4.9 | *1.7* | 1.8 | 0.0 | *1.8* |
| DM Investment Grade | 14.7 | 14.8 | *(0.1)* | 14.5 | 14.8 | *(0.3)* | 4.8 | 4.9 | *(0.1)* |
| DM High Yield | 4.1 | 4.0 | *0.1* | 5.1 | 4.9 | *0.1* | 5.0 | 4.9 | *0.1* |
| EM Debt | 4.0 | 4.0 | *0.1* | 7.0 | 6.9 | *0.0* | 9.9 | 9.8 | *0.0* |
| **Equity** | **22.7** | **22.3** | ***0.3*** | **42.6** | **42.3** | ***0.2*** | **60.3** | **60.2** | ***0.1*** |
| Developed Markets | 17.8 | 17.2 | *0.6* | 35.0 | 34.3 | *0.7* | 48.5 | 47.7 | *0.8* |
| Emerging Markets | 4.8 | 5.1 | *(0.2)* | 7.6 | 8.1 | *(0.5)* | 11.8 | 12.5 | *(0.7)* |
| **Alternatives** | **13.1** | **15.3** | ***(2.1)*** | **18.8** | **21.2** | ***(2.4)*** | **15.2** | **17.7** | ***(2.4)*** |
| Gold | 4.4 | 4.3 | *0.1* | 5.4 | 5.3 | *0.1* | 5.4 | 5.3 | *0.1* |
| Hedge Funds | 5.0 | 7.0 | *(2.0)* | 8.7 | 10.9 | *(2.1)* | 5.3 | 7.4 | *(2.1)* |
| Global Listed Real Estate | 3.8 | 4.0 | *(0.3)* | 4.6 | 5.0 | *(0.4)* | 4.6 | 5.0 | *(0.4)* |

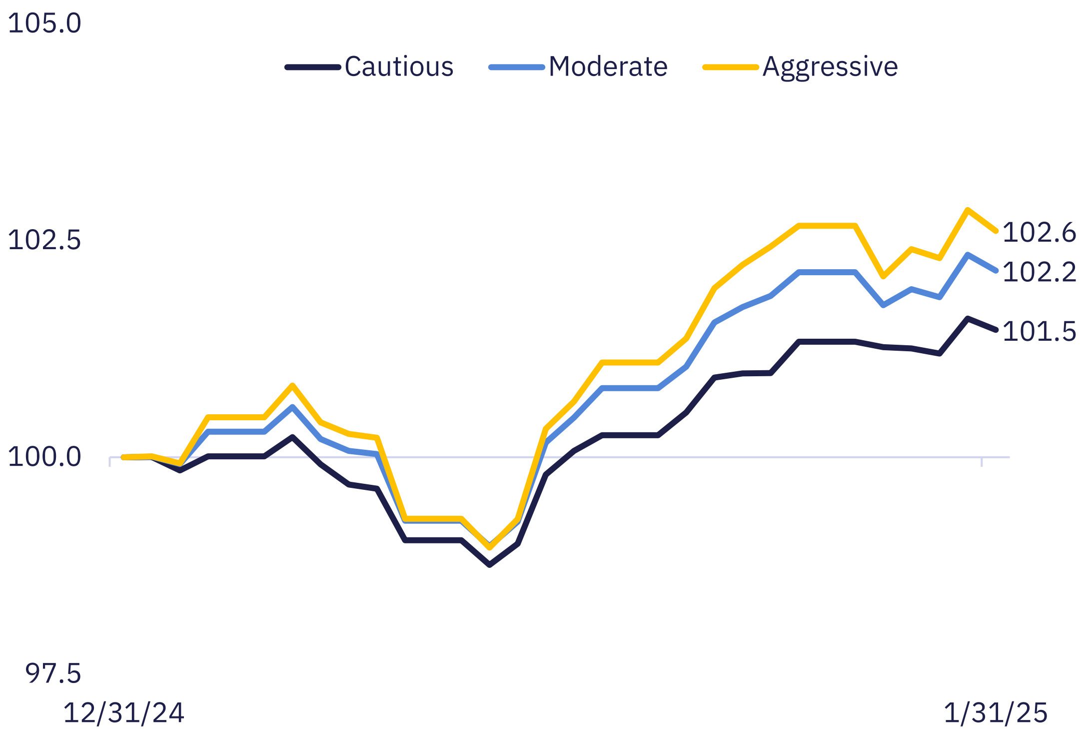
Source: CIO Office

# Asset Allocation: TAA Performance

**A positive month for multi asset portfolios.**

| | January 2025 | | | Full year 2024 | | |
|---|---|---|---|---|---|---|
| | TAA | SAA | Mstar | TAA | SAA | Mstar |
| Cautious | **1.5%** | **1.5%** | **1.3%** | **5.2%** | **5.1%** | **5.2%** |
| Moderate | **2.2%** | **2.2%** | **2.1%** | **9.8%** | **10.0%** | **7.5%** |
| Aggressive | **2.6%** | **2.6%** | **2.9%** | **12.7%** | **12.9%** | **10.6%** |

Our three profiles had a positive month, consistent with their risk profile., close to their respective SAA and global peers.




Source: CIO Office, Bloomberg, as of January 31st, 2025

# Fixed Income

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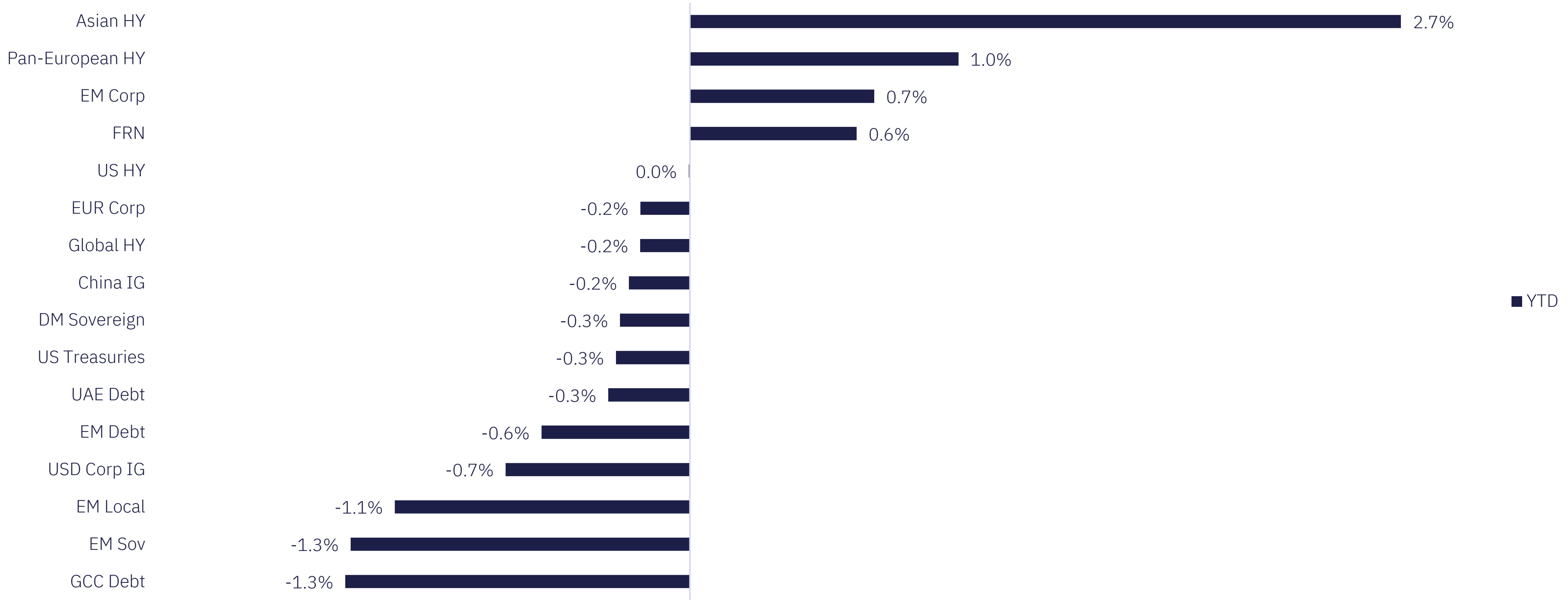
# Fixed Income – Fair Values and Key Views

- The long-end of the curve has rallied in January as investors grew more accustomed to the first few weeks of policy uncertainties. More recently, the US Treasury has announced its treasury refunding levels which remain unchanged. Moreover, Secretary Bessent added that the Treasury is well-funded till Q3 this year and that President Trump wants the long-end yields to stay down rather than focusing on the policy rates. These comments helped ease concerns surrounding the Fed's independence and the potential for near-term changes to issuance plans. January NFP report should signal the Fed to be on pause for the moment. Markets now predict only a 7% chance of rate cut in March and a total of 35 bps of rate cuts in 2025
- Credit spreads continue to be range bound as technical and fundamentals both support the credit markets. HY and EM Debt YTD returns have crossed 1.4%. Valuations remain quite expensive in light of all the uncertainties. IG maturity is set to surge as a record $790 bn were issued between March and May 2020. According to JPM estimates, there will be $325bn of maturing IG bonds during March to May of this year reducing the Net issuance by double digits and keeping a firm ceiling on the spreads. The tariff impact on spreads would be minimal unless we see significant EU tariffs or a surge in inflation that changes Fed's current stance towards more hawkish.
- Emerging Market Debt continues to be volatile with tariff threats impacting currencies. MXN has already had eight moves greater than 2% in either direction this year. The Chinese tariffs have come into effect along with retribution. However, as of now tariffs are seen more as a rhetoric than an actual risk. Thus, EM Debt returns have been steady. GCC credit has returned 1% with issuance tracking last January and KSA leading the bandwagon. The planned 25% tariff on Aluminum and Steel does not impact the GCC issuers which have outstanding bonds.

| YEAR-END FAIR VALUE ESTIMATES 2025 | | | |
|---|---|---|---|
| | **Current Yield** | **Current Spread (Bps)** | **New Yield/Spread estimates** |
| US 10Y TREASURY BOND | **4.54%** | **-** | **4.3%** |
| GLOBAL INVESTMENT GRADE | **4.58%** | **78** | **75-100 bps** |
| GLOBAL HIGH YIELD | **7.25%** | **307** | **350-375 bps** |
| EMERGING MARKETS DEBT (USD) | **6.58%** | **208** | **225-250 bps** |
| GCC Debt | **5.52%** | **101** | **100-125 bps** |

Source: CIO Office, Bloomberg, as of January 31st, 2025

# Fixed Income – Market Data




Source: CIO Office, Bloomberg, as of January 31st, 2025

# Fixed Income Regional Model – DM Government Bonds

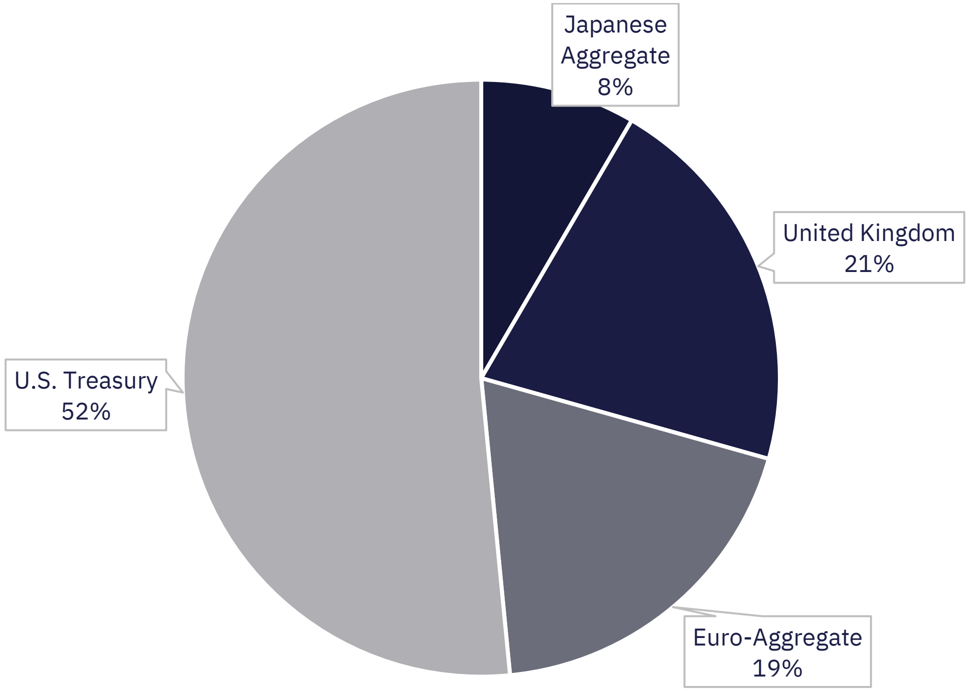
**Overweight US Treasuries**

The DM Portfolio underperformed the benchmark by 17 bps in Jan 2025.

The biggest driver for our underperformance was FX in January which contributed -37 bps whereas Security selection and asset allocation had +20 bps contribution.

The biggest detractors were the 10-year JGBs and long-end Euro government bonds. At the same time UK Gilts and Mid-duration US Treasuries were the top positive contributors.

**DM Government Bonds Regional Allocation**




Source: CIO Office, Bloomberg, as of February 6th, 2025

# Fixed Income Regional Model – Emerging Market Debt

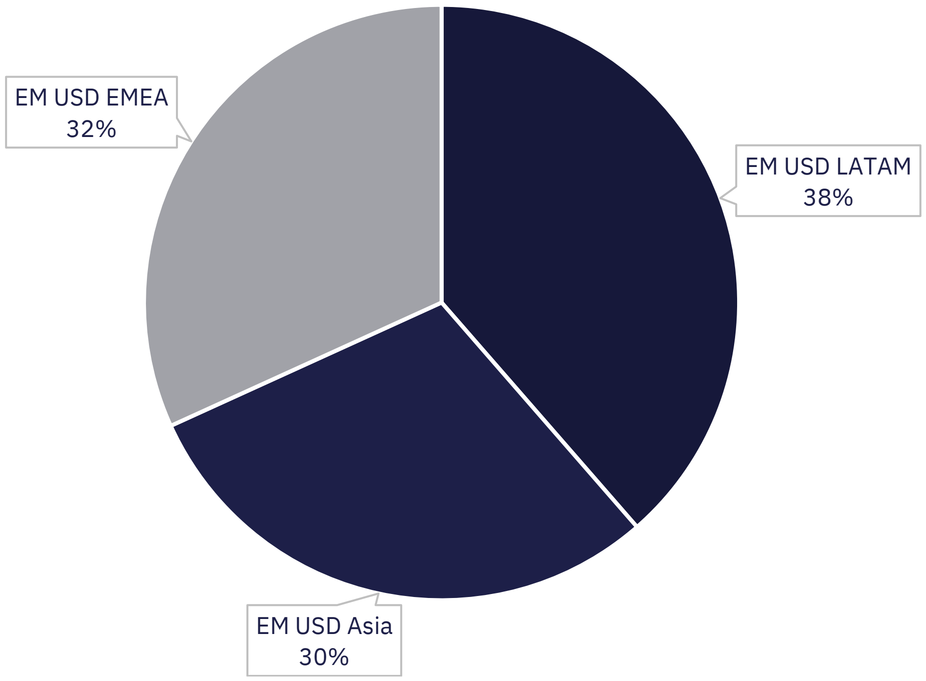
**Overweight LatAm**

The EM Portfolio was flat against the benchmark in Jan 2025.

LatAm spreads compressed by the maximum amount last month. As a result, the top contributors were LatAm HY sovereign bonds from Ecuador and Argentina. Whereas, long duration IG bonds from EMEA as well as LatAm were the top detractors.

We maintain our asset allocation due to the low vol nature of the segment.

**EM Government Bonds Regional Allocation**




Source: CIO Office, Bloomberg, as of February 6th, 2025

# Equity

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# Equity – Fair Values and Key Views

## Preferences for the asset class

2025 started on a positive note with global equities rising 3.4% driven primarily by developed markets with Europe and the UK leading the way. Emerging markets also ended higher, though saw smaller relative gains at 1.4%. Markets managed to look past the turbulence caused by DeepSeek, shrugging off short-term disruptions as overall growth trajectory remained intact. We are currently halfway through the earnings season and companies have delivered solid results. 62% reported so far and earnings growth in aggregate is 16.4% for the quarter versus estimates of 12%. Amongst major indices, India is lagging after a strong year in 2024. Indian equities are seeing a correction as it's the most expensive market globally; the sentiment warrants caution as corporate earnings growth has slowed in recent quarter due to a weak demand environment. Europe on the flip side, is the largest gainer year to date as markets seized company valuation gaps, as well as hopes of easing geopolitical tensions in the region. Globally, volatility is here to stay, with trade news making daily headlines.

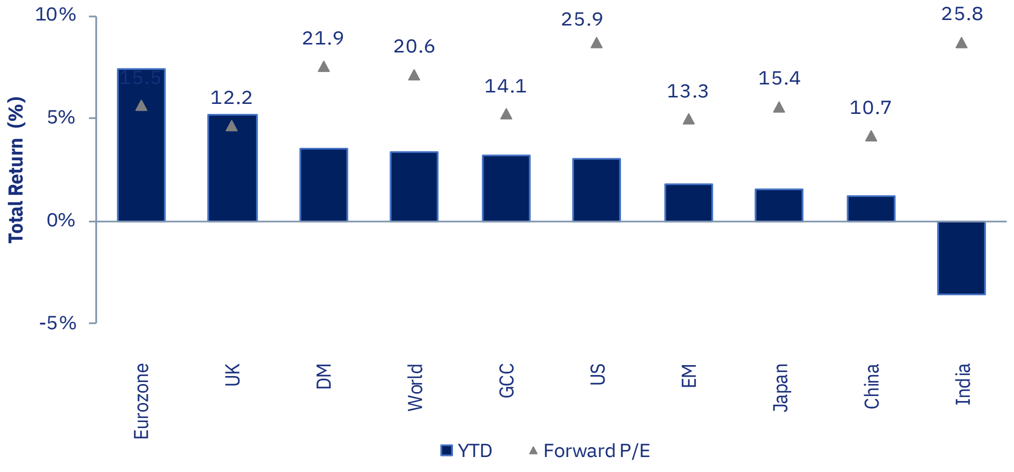
We are constructive on equity gains in 2025 as revenue/earning/ margin growth looks healthy with a broadening away from tech especially in the US. Multiples are elevated for the US and India, the cap-weighted S&P had an equal performance to the equal weighted in Jan, a positive sign for breadth. 2025 is all about earnings growth and expect c.10% return for equities with valuation multiples expected to stay at current levels. Growth will stay in focus: AI (positive but lower returns), Higher valuation multiples necessitate continued screening for quality. We tactically lower India from overweight to neutral.

| Index | US:S&P 500 | MSCI Europe | Japan: Topix | UK: FTSE | MSCI EM | MSCI China | MSCI India | MSCI GCC |
|---|---|---|---|---|---|---|---|---|
| **Currency** | USD | EUR | JPY | GBP | USD | HKD | INR | USD |
| **2024 Performance** | 25.0% | 9.2% | 20.4% | 9.6% | 8.0% | 19.0% | 15.7% | 4.1% |
| **Index 31 Jan 25** | 6041 | 181 | 2733 | 8673 | 1093 | 65 | 2772 | 745 |
| **YTD Performance** | 2.8% | 7.1% | 0.1% | 6.9% | 1.5% | 1.0% | -2.4% | 3.4% |
| | **CIO Office YE 2025 Estimates** | | | | | | | |
| **EPS Growth** | 12.0% | 4.0% | 6.0% | 5.0% | 12.0% | 7.0% | 15.0% | 6.0% |
| **Price/ Earnings** | 23.8 | 13.6 | 15.4 | 12.0 | 12.8 | 11.0 | 24.5 | 15.0 |
| **Index Fair Value** | **6450** | **170** | **3000** | **8600** | **1170** | **70** | **3175** | **770** |
| **Index upside expected** | 9.7% | 0.1% | 7.7% | 5.2% | 9.3% | 8.2% | 11.6% | 6.5% |
| **Dividend Yield** | 1.2% | 3.3% | 2.2% | 3.8% | 2.7% | 2.9% | 1.1% | 3.8% |
| **2025 Expected Return** | **10.9%** | **3.4%** | **10.0%** | **9.0%** | **12.0%** | **11.1%** | **12.7%** | **10.3%** |

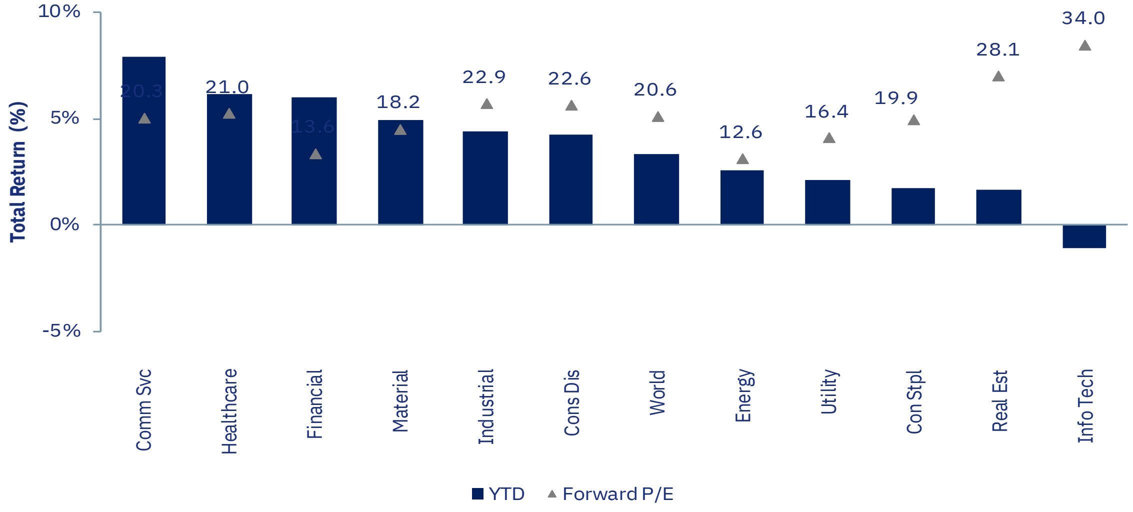
Source: CIO Office, as of January 31st, 2025

# Equity – Market Data

## Regions – performance and valuation

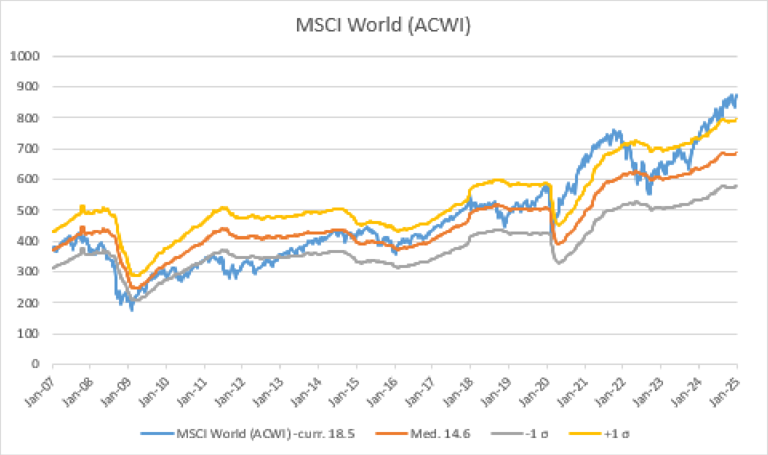


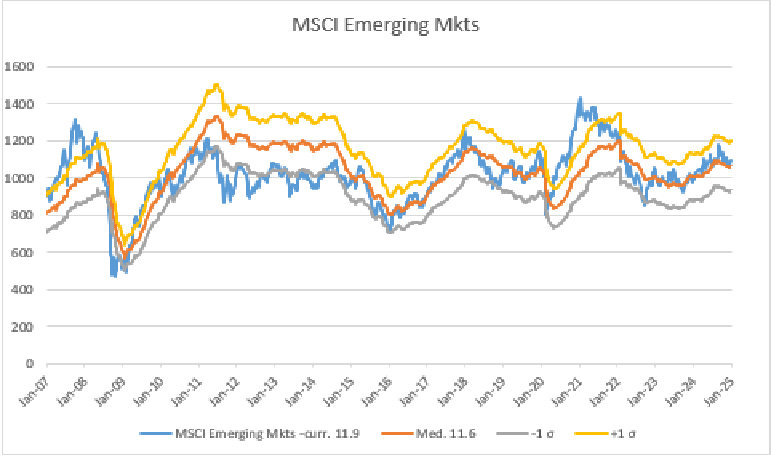

## Global sectors – performance and valuation

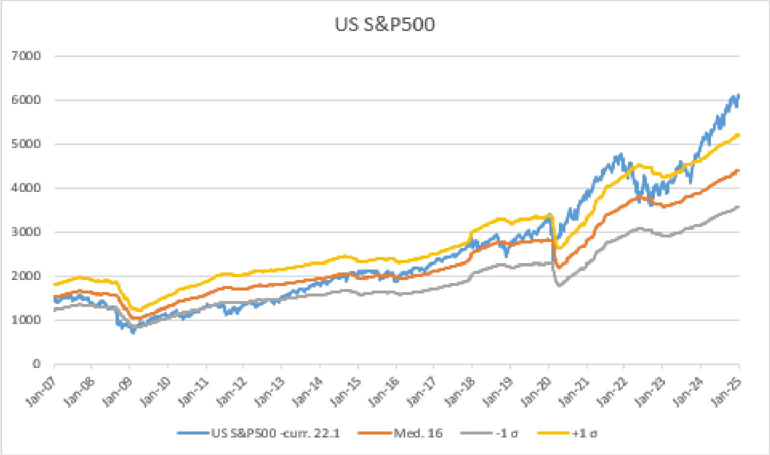


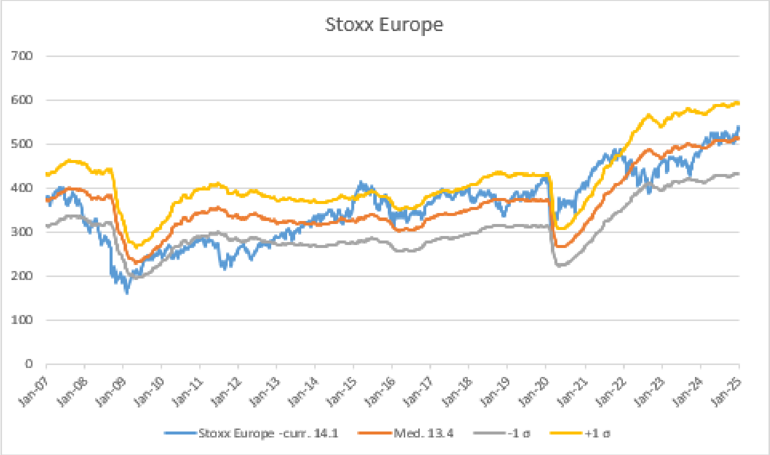

Source: Bloomberg, as of January 31st, 2025

# Equity: Charts That Matter – FWD12M P/E Valuation – DM & EM



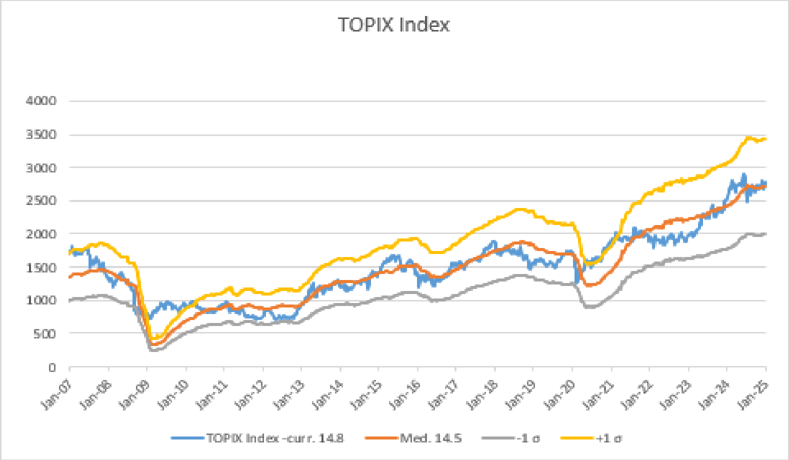



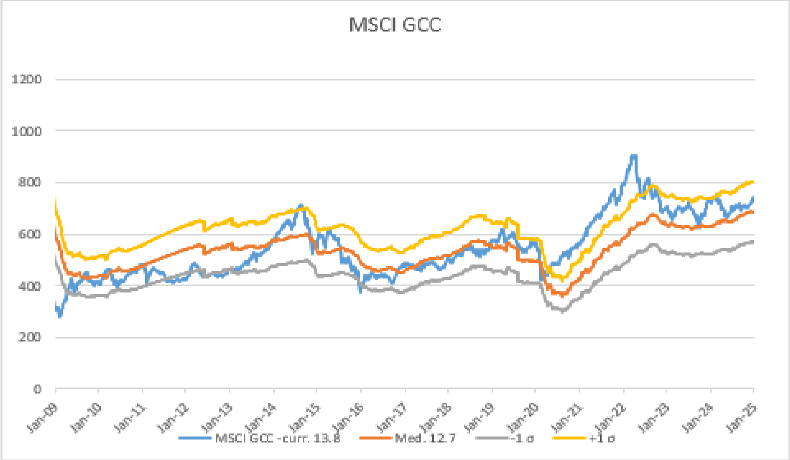



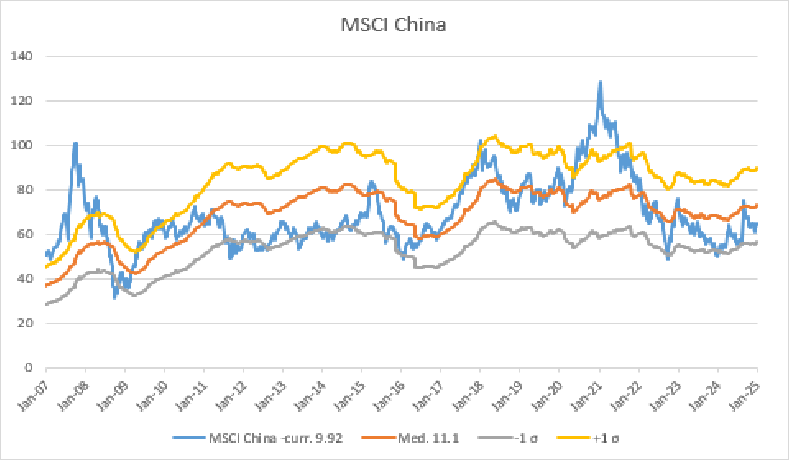



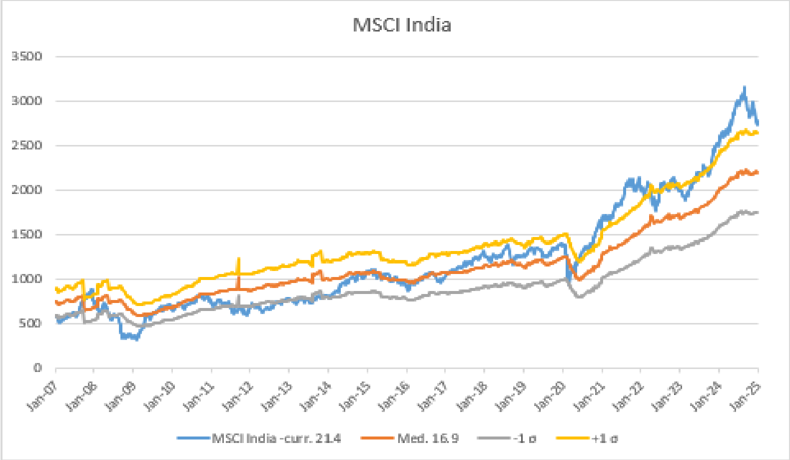

Source: Bloomberg, as of January 31st, 2025

# Equity: Charts That Matter – FWD12M P/E Valuation – DM & EM




Source: Bloomberg, as of January 31st, 2025

# Equity Regional Model – Developed Markets

## OW US/ Japan, Neutral UK , UW Eurozone

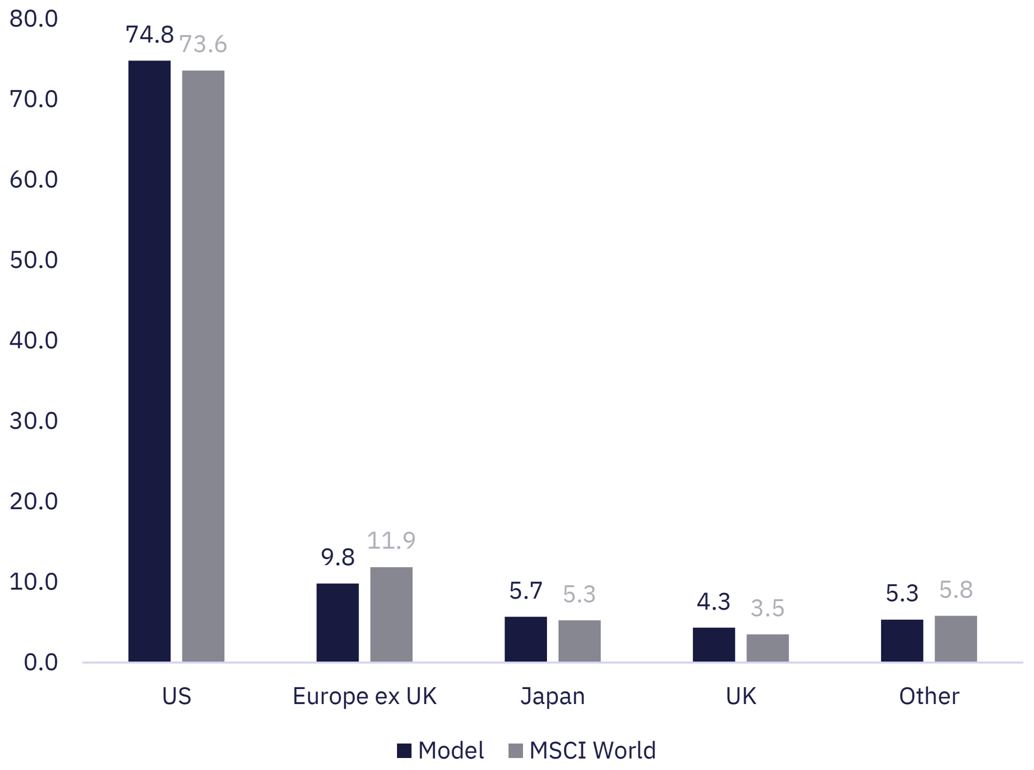
US: Strong and accelerating earnings growth, resilient margins, a new presidential cycle, buybacks, monetary easing and the AI tailwind should continue supporting US equities and mitigate to some extent the higher valuation multiple (22X one year forward earnings). The outlook for big tech remains good, double the earnings growth of the S&P 500. Concentration risk continues as MAG7 is 30% of the S &P 500 and 50% of the performance. A Republican President implies lower taxes and higher growth. However inflationary impact from higher tariffs, stringent immigration and labour policies could affect corporate earnings. As of now economic growth is resilient, corporate earnings are robust. Fiscal policy needs clearance from the House and Senate so not a unilateral decision. "Make in America" will support midcaps as lower tax rate expected from 21 to 20% with 15% for companies that produce in the US. We expect broadening within the AI value chain, with growth to extend to AI enablers :data centers, renewable energy providers) and adopters in sectors like software and industrials. Deregulation - a driver for increased capital market activity, innovation and M&A activity with relaxed antitrust regulation.

UK: FTSE Companies are more global-than local ia and declining earnings expectations, with the resulting drag on equities outweighing the boost frcommodity, oil and consumer concentrations – and policy stability post election plus rate cut path looks positive for market performance. High dividend yields, low valuation and mid single digit earnings growth. Continued easing and supportive fundamentals, high terminal value compelling for financials (heaviest weight in FTSE)

Japan: Focus on ROE and CAPEX continues as Japan transforms its capital market strategy. Earnings yield at 5% (dvd yield + buybacks) is attractive. Ongoing reform push by the TSE. Largest player in robotics globally, sector expected to thrive and benefit from AI adoption going forward. Higher wages supportive of consumption.

Eurozone: Weakening growth momentum leads to rising equity risk premom a lower discount rate with dovish ECB on the back of fading inflation. Trade policy from new US administration poses risks to major industries in the Eurozone, and falling China demand affects the luxury sector.

## DM Regional Allocation




Source: CIO Office, Bloomberg, as of February 6th, 2025

# Equity Regional Model – Emerging Markets

### Overweight UAE, Neutral China/India LATAM, UW EMEA

India: Indian equities are seeing a correction as it's the most expensive market globally; the sentiment warrants caution as corporate earnings growth has slowed in recent quarters due to a weak demand environment. Strategically: A continued long runway for growth led by infra build-up and consumption story. We expect India's outperformance to continue in the long term, and short-term corrections are warranted not being cheap at 26x earnings and 4.0x book value, a large valuation premium, but strong economic and corporate growth metrics supporting future returns. A multi-year buildup in domestic saving into equities has many more years to go. Lower correlation with major markets and one of the least exposed to global trade disruptions as low US exports.

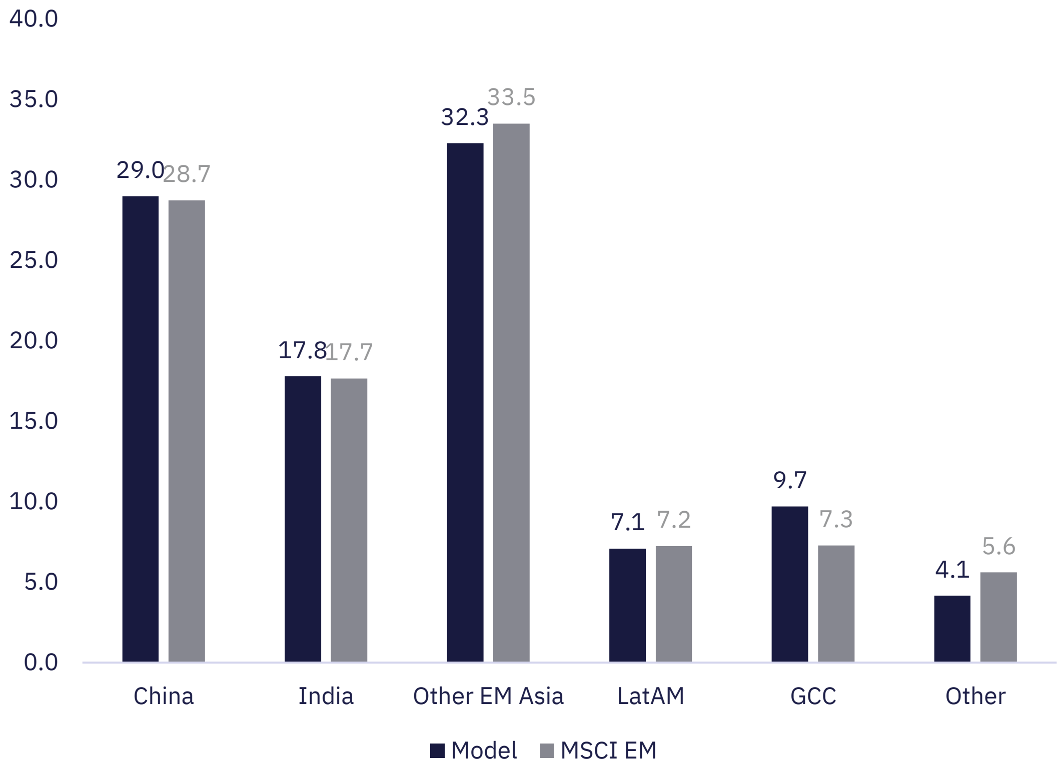
GCC: Oil prices lower but still supportive of government spend and GDP growth. We favour the UAE for strong dividend yields and broadening of the market. Strong reforms on expat residency, loosening of investment rules for foreign entities. Robust capital market issuance.

China: China's intent to further stimulate the economy, including easing monetary policy and supporting property and equity markets, initially triggered a strong equity rally, which has now petered out. 2025 will be crucial as the new US administration targets China primarily on relatively high tariffs. Key factors to monitor including the deployment of fiscal stimulus in order to protect growth from the implications of trade tensions. Debt overhang within property remains a drag, and policy follow through will need to restore consumer confidence as 2/3 of household wealth is placed in property. Valuations though remain attractive as the forward P/E is 11.3x, below the historical average.

EMEA: Eastern Europe economic growth is lagging reflecting on market performance.

LATAM: Politics weighing on markets as unstable policy and inflation continue to weigh.

### EM Regional Allocation




Source: CIO Office, Bloomberg, as of February 12th, 2025

# Alternative Assets

بنك الإمارات دبي الوطني
Emirates NBD

# Gold

**Year-end fair value already in sight, but catalysts remain place**

Gold has been the best asset classes year-to-date, and we see more upside in the medium term on the back of persistent tailwinds, despite having reached our year-end fair value well ahead of time.

Policy uncertainty driven by President Trump's policies should continue to be a catalyst, pushing investors to hedge via gold.  Central-bank buying for reserve diversification is still intact, while the slashing of US government expenses for now remains on paper.

Gold has historically been a leading indicator for commodities, that this year are indeed off to a good start. Also, as long as the oil-to-gold ratio remains subdued, so will inflationary pressures.


Source: Bloomberg

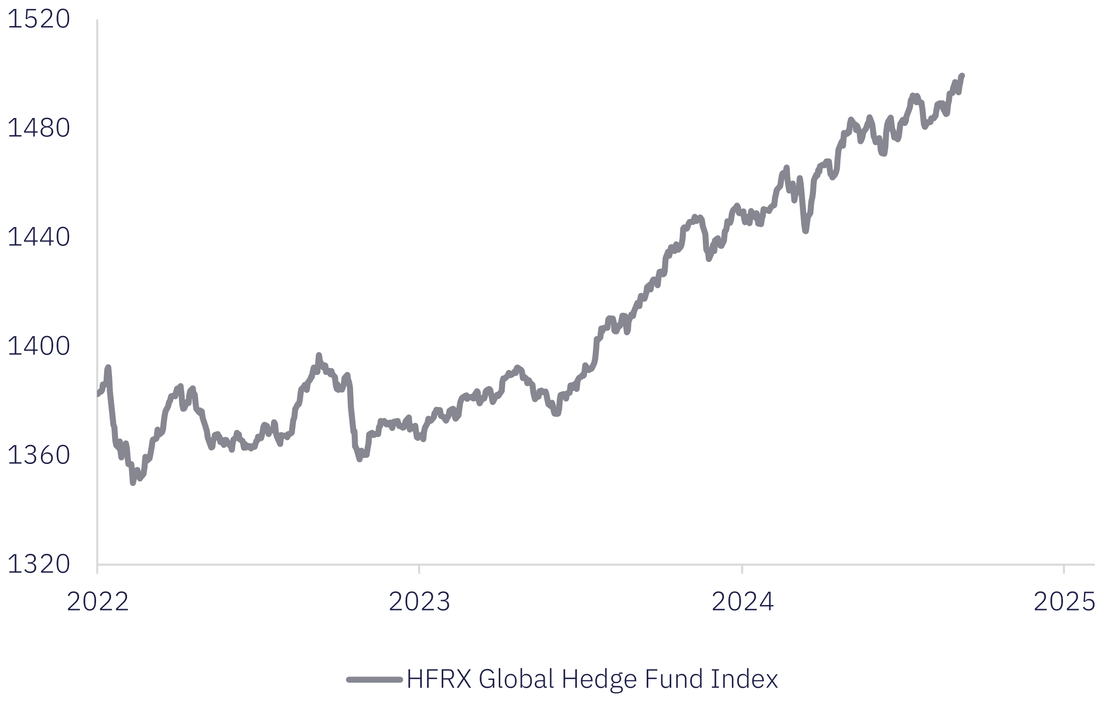
# Hedge Funds

**Higher macro volatility will be a positive driver at some point**

HFs are off to a good start for the year. The leading strategy is Market Directional (+2.3%), which includes all funds that have high correlation to benchmarks across the main asset classes. This suggests that the main markets are finding a definite direction despite political uncertainty.

Equity Hedge (+2.1%) and Convertible Arbitrage (+1.6%) follow.

The volatile environment expected for the whole year should be conducive to some outperformance across the whole asset class. According to our leading indicators inflation is unlikely to come back in the next few months, so CTAs, that usually do well with high price pressures, should not be the favored strategy. So far CTAs are lagging behind




Source: Bloomberg

# Global Listed Real-Estate

**Resilient growth and steady Fed support sector**

Expectations of robust economic growth and global policy tailwinds should support the sector in 2025. The fact that consensus is quite positive on the US outlook and that concerns about a harsh slowdown in the United States have taken a backseat is the main tail risk for the sector.

We continue to favor industrial/logistics warehouses, a sector still supported by changing consumer habits and supply-chain reform. Occupational remained robust, despite the macroeconomic challenges. Healthcare fundamentals are also sound.


Source: Bloomberg

# Appendix
# SAA Performance

**(Updated quarterly)**

بنك الإمارات دبي الوطني
Emirates NBD

# Strategic Asset Allocation

## *Cautious Risk Profile*

The Strategic Asset Allocation (SAA) has been built for your risk profile, to optimize its expected return while limiting the probability of a loss over 3 years. It is the basis on which Tactical Asset Allocation takes active positions, depending on opportunities and risks, to form the recommended positioning

- **Theoretical expected return: 5.1% p.a.**
- **Theoretical expected volatility: 7.9% p.a.**

| | |
|---|---|
| Annualized Return | 4.0% |
| Annualized Volatility | 7.8% |
| VAR 95% monthly | (2.5%) |
| CVAR 95% monthly | (4.3%) |
| Max Historical Drawdown | (18.4%) |


SAA Cautious
Historical Data

| Past Performance | |
|---|---|
| 2024 | 5.1% |
| 2023 | 9.8% |
| 2022 | -13.3% |
| 2021 | 1.6% |
| 2020 | 10.1% |
| 2019 | 12.0% |
| 2018 | -2.7% |
| 2017 | 8.4% |
| 2016 | 5.2% |
| 2015 | -0.9% |
| 2014 | 5.2% |
| 2013 | 2.8% |
| 2012 | 9.3% |
| 2011 | 1.3% |
| 2010 | 8.6% |
| 2009 | 16.6% |
| 2008 | -12.9% |
| 2007 | 6.9% |
| 2006 | 9.4% |

| Asset Class | Sub Asset Class | SAA Cautious |
|---|---|---|
| Cash | 10.0% | |
| Bonds | 53.0% | |
| | DM Government | 30.0% |
| | DM Investment Grade | 15.0% |
| | DM High Yield | 4.0% |
| | EM Government | 4.0% |
| Equity | 22.0% | |
| | DM Global Equities | 17.0% |
| | EM Global Equities | 5.0% |
| Alternatives | 15.0% | |
| | Gold | 4.0% |
| | Hedge Funds | 7.0% |
| | Real Estate | 4.0% |
| Total | 100.0% | |

# Strategic Asset Allocation

***Moderate Risk Profile***

The Strategic Asset Allocation (SAA) has been built for your risk profile, to optimize its expected return while limiting the probability of a loss over 5 years. It is the basis on which Tactical Asset Allocation takes active positions, depending on opportunities and risks, to form the recommended positioning

- **Theoretical expected return: 6.0% p.a.**
- **Theoretical expected volatility: 10.9% p.a.**

| | |
|---|---|
| Annualized Return | 5.0% |
| Annualized Volatility | 11.1% |
| VAR 95% monthly | (3.4%) |
| CVAR 95% monthly | (5.9%) |
| Max Historical Drawdown | (29.4%) |


SAA Moderate
Historical Data

| Past Performance | |
|---|---|
| 2024 | 10.0% |
| 2023 | 13.5% |
| 2022 | -14.3% |
| 2021 | 3.4% |
| 2020 | 11.3% |
| 2019 | 15.2% |
| 2018 | -4.5% |
| 2017 | 12.4% |
| 2016 | 6.7% |
| 2015 | -1.7% |
| 2014 | 4.8% |
| 2013 | 5.7% |
| 2012 | 12.0% |
| 2011 | -1.0% |
| 2010 | 10.8% |
| 2009 | 25.0% |
| 2008 | -22.2% |
| 2007 | 8.9% |
| 2006 | 13.5% |

| Asset Class | Sub Asset Class | SAA Moderate |
|---|---|---|
| Cash | 5.0% | |
| Bonds | 32.0% | |
| | DM Government | 5.0% |
| | DM Investment Grade | 15.0% |
| | DM High Yield | 5.0% |
| | EM Government | 7.0% |
| Equity | 42.0% | |
| | DM Global Equities | 34.0% |
| | EM Global Equities | 8.0% |
| Alternatives | 21.0% | |
| | Gold | 5.0% |
| | Hedge Funds | 11.0% |
| | Real Estate | 9.0% |
| Total | 100.0% | |

# Strategic Asset Allocation

***Adventurous Risk Profile***

The Strategic Asset Allocation (SAA) has been built for your risk profile, to optimize its expected return while limiting the probability of a loss over 7 years. It is the basis on which Tactical Asset Allocation takes active positions, depending on opportunities and risks, to form the recommended positioning

- **Theoretical expected return: 6.7% p.a.**
- **Theoretical expected volatility: 13.3% p.a.**

| | |
|---|---|
| Annualized Return | 5.9% |
| Annualized Volatility | 14.9% |
| VAR 95% monthly | (5.1%) |
| CVAR 95% monthly | (8.1%) |
| Max Historical Drawdown | (42.0%) |


SAA Adventurous Historical Data

| Past Performance | |
|---|---|
| 2024 | 12.9% |
| 2023 | 16.1% |
| 2022 | -15.2% |
| 2021 | 7.0% |
| 2020 | 12.5% |
| 2019 | 19.2% |
| 2018 | -6.8% |
| 2017 | 17.8% |
| 2016 | 8.2% |
| 2015 | -2.8% |
| 2014 | 4.2% |
| 2013 | 9.5% |
| 2012 | 15.0% |
| 2011 | -4.1% |
| 2010 | 13.1% |
| 2009 | 34.7% |
| 2008 | -32.7% |
| 2007 | 11.4% |
| 2006 | 16.1% |

| Asset Class | Sub Asset Class | SAA Adventurous |
|---|---|---|
| Cash | 2.5% | |
| Bonds | 20.0% | |
| | DM Government | 0.0% |
| | DM Investment Grade | 5.0% |
| | DM High Yield | 5.0% |
| | EM Government | 10.0% |
| Equity | 60.0% | |
| | DM Global Equities | 47.5% |
| | EM Global Equities | 12.5% |
| Alternatives | 17.5% | |
| | Gold | 5.0% |
| | Hedge Funds | 7.5% |
| | Real Estate | 5.0% |
| Total | 100.0% | |

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