

Looking back at 2025

- Last year was all about the “Winds of Change”, with new policies and new technologies driving markets
- Macro was benign: global growth survived tariffs with surprising resilience, inflation didn’t drift, central banks eased
- Our portfolios did great, with “tailwinds of change” impacting gold, the dollar, AI and the emerging markets



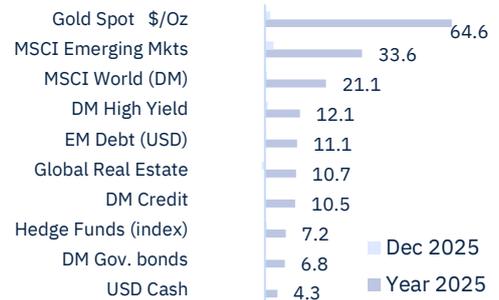
2023 was great, 2024 was good, and 2025 was excellent for portfolios, especially USD-denominated, as the US currency lost -10% against trade weighted counterparts.

There were two tailwinds. First, macro-economic factors were supportive, against many predictions especially after the infamous “Liberation Day” and the announcement of unprecedented and massive tariffs on trades. As the year progressed and trade deals multiplied, it appears that the world managed to survive tariffs and markets became more confident as visibility improved. The global economy was resilient, while inflation didn’t drift higher, which allowed central banks to ease their policies. This “goldilocks” scenario classically supported all asset classes and was in line with our (anxious) expectations for a benign macro environment.

But this wasn’t just a classical “Goldilocks”: the Winds of Change we had identified, new policies and new technologies, also shaped market returns, starting with the historical depreciation of the dollar we mentioned. Gold, after +27% in 2024, gained more than 60% in 2025. Stocks from emerging markets, in a rare instance, also stand out at +33% vs +21% for their developed peers. Meanwhile, the IT part of the Winds of Change delivered, with AI and tech related names topping all other sectors. Finally, the fixed income asset class benefited from bull-steepening in the US yield curve but also rewarded risk taking with high yield and emerging markets -again-outperforming safest segments.

All humility aside, we had the right scenario on both macro and “tailwinds of change”. Our three profiles delivered between +13% and +20%, much better than our competitors. Humility however comes back as our initial forecast was for single digit positive returns. We wish you a wonderful 2026.

Asset Classes USD % total. Return, December and 2025



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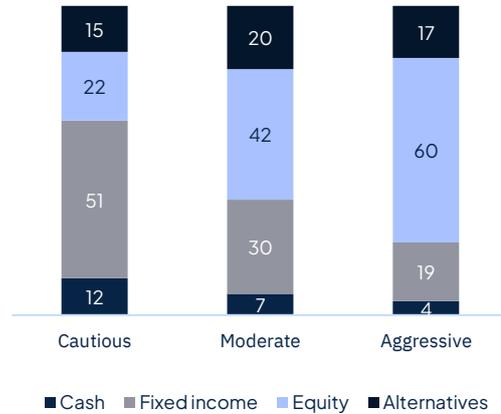
Cross-asset Update

The year 2025 is now behind us, marked by tariffs concerns and euphoria about AI investments, as well as unabated geopolitical risks stretching from Ukraine to the Middle East. Worries related to President Trump's trade war waned as tariffs neither stoked inflation nor depressed global growth. Although IT-related capex was the driving force behind the United States' economic resilience, US stocks (+17.4%) significantly underperformed both the MSCI EM Index (+30.6%) and DM ex US equities (+27.9%). Also, the dollar (-9.4%) recorded its worst losses since 2017. Most indices scored double-digit returns for a third straight year even as dollar-centric assets lost some of their lustre on America First policies. US Treasuries (+6.3%) were an exception as they gained and topped global government bond returns in local currency amidst ongoing disinflation and a soft patch in the domestic economy. Gold (+64.6%) bested all major asset classes on central bank purchases while regaining its status as challenger to the global reserve currency. Bitcoin (-6.5%), deemed to be digital gold, failed expectations and closed in negative territory. The current year may well see a continuation of accelerated AI investments and US underperformance, though amidst higher volatility and more muted returns globally. Valuations are elevated across risk assets and market drawdowns historically have been the most pronounced in midterm-election years. Policy and politics will still steer markets. Under fiscal dominance governments play a much bigger role, and the Washington administration has shown to be keen that the successor to Fed chair Powell presses hard on the easing pedal. We do not know whether an overly accommodative Federal Reserve will help push President Trump's approval ratings higher, but we do know that it will very much inflate the AI credit cycle.

Notably, in December 2025 the Fed started a new round of Quantitative Easing, dubbed 'Reserve Management Purchases'. This is officially aimed at replenishing bank reserves that, while still ample, were running close to scarce levels, posing threats to financial stability. It will continue until reserves are back at appropriate levels but, also, as far as it is enough for Treasury markets to be stabilized. Treasury issuance in 2026 will have to be particularly heavy to tackle nothing less than one third of total US debt coming due, that is about \$9-10tn, an astounding figure. Under fiscal dominance the Fed and the Treasury will be working closely to ensure smooth management of US debt, and that means lubricating the system, that serves also the purpose of putting a floor under risk assets.

Overall, the global capex cycle alongside Fed's liquidity should get 2026 off to a good start. The lingering risk is that inflation comes back on excessive stimulus if the Fed cuts aggressively in H2. Last year's phenomenal rise in gold is a warning pointing in that direction.

Tactical Asset Allocation: Simplified Positioning



TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>
DM Gov.		=	
DM Credit	<		
DM H. Yield		=	
EM Debt		=	
DM Equity		=	
EM Equity		=	
Gold			>>
Hedge Funds	<<		
Real Estate		=	

Fixed Income Update

Fixed income investors saw strong returns in 2025, with segment performance between 7% and 11%, driven by tighter spreads and lower treasury yields. EM Debt and Global High Yield led with double-digit gains. The Fed resumed rate cuts in September, totalling 75bps by year-end, halted quantitative tightening in December, and began reserve management purchases of \$40 billion monthly. The Federal Reserve's future rate path remains uncertain. Nine out of G-10 central banks delivered 850bps in rate cuts, while Japan raised rates twice.

Long deemed to be the safest asset class, the developed market government bonds came under tremendous pressure as investors became concerned with the level of debt and fiscal deficit. Term premiums increased as investor demanded more compensation to carry government risk. In the US, even the Fed independence came under scrutiny leading to treasury market volatility. Investors avoided sovereign bonds of countries that had a high debt to GDP ratio though US remained an exception. Japanese 30-year bond auction faced huge challenges. UK had to resort to issuing short duration Gilts to fund its budget deficits. French OATs vs German bunds remained above 70bps for the majority of the year

Credit spreads tightened significantly last year. IG spreads reached a minimum of 70bps whereas high yield spreads tightened by more than 25bps. EM Debt spreads compressed by 35bps. Gross \$ IG bond issuance was similar to 2024 just north of \$1.5Tn. Towards, the second half IG debt tried to AI climbed rapidly and currently is around 14% according to JPM. Credit fundamentals remain robust with BBB share in IG bonds the lowest since 2015. Meanwhile HY issuance remained steady resulting in lower maturity wall in 2026 reducing risk of defaults. EM Debt had great year despite tariff surprises on account of lower inflation, USD weakness and more than 3,000bps of rate cuts from EM central banks. High yielding EM local currencies generated double digit \$ hedged returns.

GCC debt issuance reached a new record in 2025, exceeding \$140Bn. Government and government-related entities accounted for approximately 45% of total issuance, followed by the financial sector at 36%, while real estate accounts for 6%. Saudi Arabia led issuance volumes with around USD 64 billion, representing 45% of total supply, followed by the UAE at 26%. We have also seen banks issuing Tier-1 bonds to increase the capital ratios with 19 perpetual bonds issued during the year—9 by KSA itself, 5 by UAE banks, and 5 by other countries, amounting to approximately \$12Bn. Few longer dated bonds returned more than 10% while existing bonds from our list gave median return of 7%.

Fixed Income Key Convictions

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

Fixed Income Sub Asset Class Returns (US\$ TR, YTD, December)



Equity Update

Last year correlation between global indices fractured under the weight of idiosyncratic national policies. While the aggregate MSCI World Index finished higher (+20.6%; above 5-year average of 9.4%), the headline numbers masked a bifurcation between winners and losers. The synchronized growth narrative of the early 2020s was effectively dismantled, replaced by a landscape where capital flows were dictated by trade barriers and geopolitical rumblings.

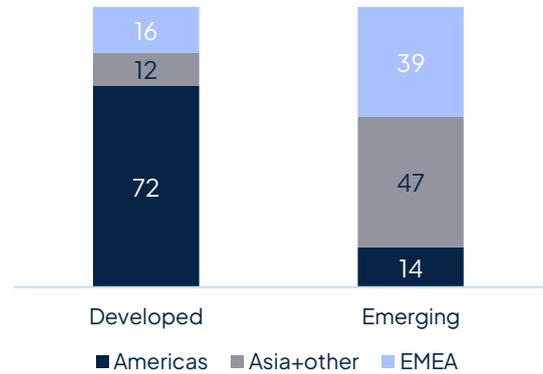
In the United States, the S&P 500's +16.4% annual return belied a year of psychological stress for investors. The first quarter's calm was shattered in April by the "Tariff Tantrum," a four-day period where the index corrected by -12.1% following the administration's threat of a universal baseline tariff. This policy shock temporarily spiked the VIX above 50 (+143%), as the market priced in a resurgence of inflation. The subsequent recovery was as narrow as it was aggressive. The "Magnificent" tech cohort added a staggering \$6.4Tn (average +45%) post April 2nd in market capitalization by year-end, the largest beneficiary being Alphabet at +\$1.9Tn, with Meta Platforms lagging far behind at +\$200Bn. This strength stood in stark contrast to the real economy represented by the Russell 2000, which returned +11.3%, held back by financing rates that stubbornly remained above 5.5% for the duration of the year.

Across the Atlantic, Europe's performance was a tale of two distinct halves. The STOXX 600 initially ticked up +6.6% in the first six months, fuelled by a historic rotation into the banks (+77%). Defence equities played a part as well, rallying +24% collectively, driven by the EU's binding commitment to a higher percentage of GDP defence spending floor. However, the trade winds shifting against China in the second half caused collateral damage in Europe's luxury and industrial heartlands. The luxury sector, heavily exposed to Chinese consumer sentiment, went from a hopeful +22% recovery in the first two months to finish the year eking out +5.8%, dragging the broader European indices down from their highs.

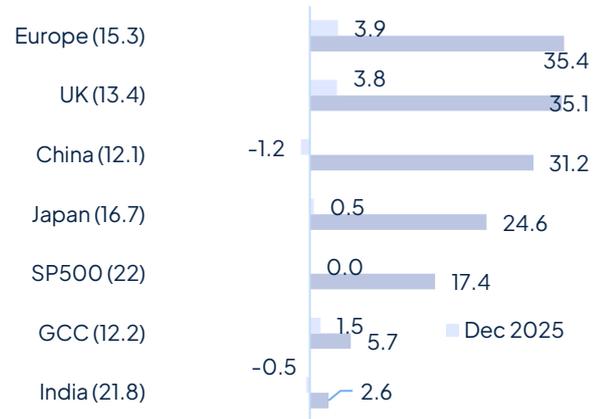
In Japan the Nikkei 225 surged +28.1% (+29% in \$ terms), breaching the 50,000 level, as the Yen depreciated 11.3% against the dollar since April. This currency advantage, combined with a record ¥10 trillion in corporate share buybacks, cemented Japan as the preferred destination for Asian equities, attracting net inflows of roughly \$34Bn during the year.

Closer to home, the UAE's DFM General Index jumped +17.2% (additional +6.5% if counting dividends) driven mostly by the financials and real estate heavy weights, pushing the index above 6,000 (not seen since 2008). We saw listings continue, albeit at a slower pace of \$1.1Bn vs 2024's \$6.2Bn in deals, and three IPOs vs. seven. While we think listings will continue this year, it will be more about previous standouts (Parkin, Salik, Talabat, ADNOC Gas, etc.) continuing to prove themselves in the market rather than new names making a big debut.

Equity Recommended Regional Positioning

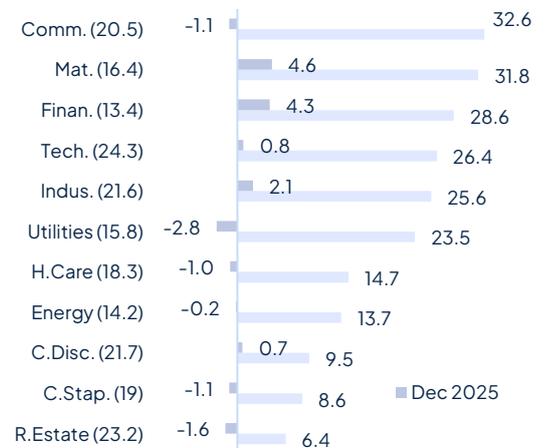


Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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