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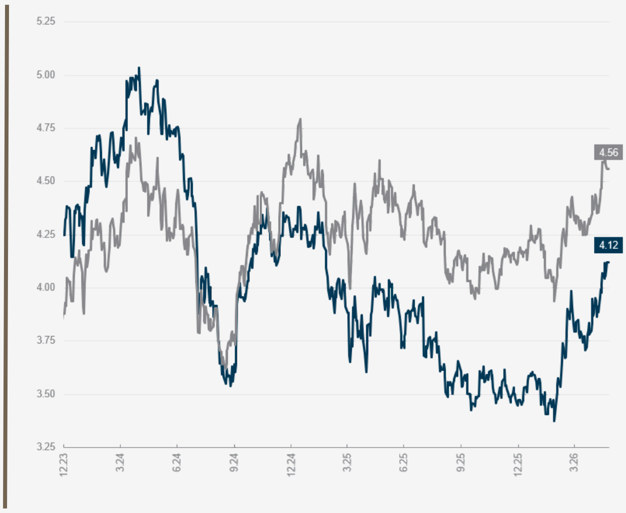
MARKET REVIEW

Government bond markets continue to be driven by shifting expectations around the timing and magnitude of central bank easing. In the US, Treasury yields have edged higher, with the 10-year hovering in the mid-4% area and the 2-year remaining particularly sensitive to changes in Federal Reserve rhetoric, while in Europe sovereign yields have been broadly stable to slightly lower, reflecting a more dovish policy outlook and softer growth dynamics.

Credit markets absorbed the move in rates reasonably well, with global investment-grade spreads broadly stable to marginally tighter over the month, reflecting solid demand for high-quality issuers. High yield and emerging-market credit also held up, supported by resilient risk appetite and the ongoing search for carry, despite pockets of idiosyncratic volatility.
US equity indices posted further gains in May, underpinned by robust earnings and continued enthusiasm for AI-related companies, which remain key performance drivers. European equity markets also advanced, benefiting from lower rate volatility and a generally constructive backdrop, although performance continued to lag US benchmarks.
In Asia, US-listed Chinese technology names and onshore Chinese A-share proxies rose during the early May holiday period, contributing to positive returns for regional indices. Emerging markets delivered a more mixed picture overall, but strong earnings momentum in selected segments—particularly in Taiwan and Korea—remained an important pillar of support for the asset class.

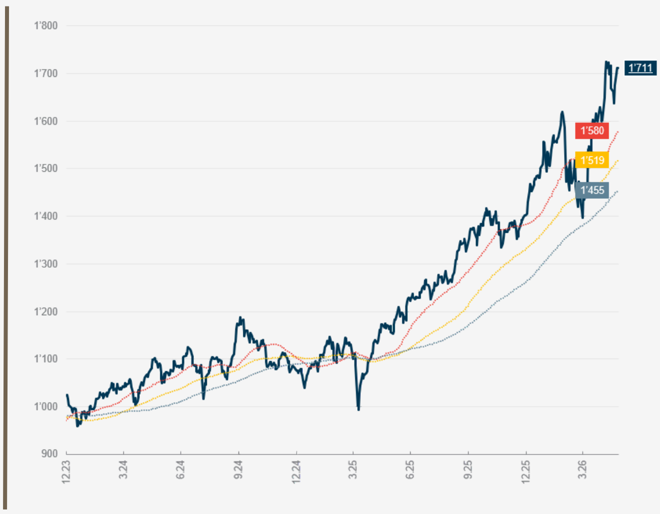
EAt a global level, earnings growth rather than multiple expansion continued to drive equity performance, with profit upgrades particularly visible in tech and other growth segments. AI-related hardware and software names remained leadership pockets, but investors showed increasing selectivity within the broader technology complex. The US dollar index rose modestly, reflecting renewed demand for the greenback as markets reassessed the prospect of rapid Fed easing. Higher US real yields and lingering geopolitical risks kept the dollar supported against most G10 peers, with particular strength versus low-yielding currencies.

Ex. 1: US Treasury Yields



USGG2YR: 2-Year Treasury Bond Yield - USGG10YR: 10-Year Treasury Bond Yield
Source: Bloomberg

Ex 2: Emerging Market Equity Index



MXEF Index. Daily Moving Average (50,125, 200)
Source: Bloomberg

9.7%
PERFORMANCE OF EMERGING MARKETS IN US DOLLAR IN MAY

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Ex 3: Nymex Copper Futures Contract

HG1: Nymex Copper Futures contract with the nearest expiration date
Source: Bloomberg

Commodities ended the month lower overall. Oil prices retreated after earlier gains, as concerns about demand and inventory dynamics offset ongoing geopolitical risk premia, leaving Brent and WTI both weaker on the month.

Gold and other precious metals also corrected, pressured by a stronger dollar and slightly higher real yields, reversing part of the sharp rally seen earlier in the year. Industrial metals were choppy but broadly weaker, consistent with a patchy global industrial cycle and lingering uncertainty around Chinese demand.
Copper has been one of the stronger points in the commodity complex, supported by a structurally tight balance and the electrification/AI narrative, even if prices remain volatile and sensitive to macro headlines.

INVESTMENT STRATEGY

> “MARKETS ARE WALKING A TIGHTROPE BETWEEN RESILIENT GROWTH AND PERSISTENT UNCERTAINTY: THE US CONTINUES TO DEFY HEADWINDS, WHILE EUROPE STRUGGLES TO FIND ITS FOOTING”.

PORTFOLIO ACTIVITY

We maintained a cautious stance on interest rates, keeping our overall bond allocation underweight and favouring various forms of credit exposure, including long/short credit strategies. Within credit, we increased our high yield allocation by adding exposure to the Nordic high yield market, which currently offers attractive all-in yields with relatively limited sensitivity to interest rate moves. Within our bond allocation, we are also maintaining an open exposure to the Japanese yen. While markets have so far been slow to reprice the interest rate differential embedded in Japanese government bonds, we view this position as a genuine diversifier within the portfolio rather than a short-term tactical trade. Looking ahead, we see a meaningful probability that the yen could appreciate significantly as monetary policy in Japan normalises and global risk sentiment evolves, which would provide an additional source of potential protection and return for our fixed income allocation.

On the equity side, we marginally increased our overall allocation while reallocating part of our European exposure back to the US. We see stronger medium-term prospects in US equities, particularly around artificial intelligence and related themes, which are less prominent in Europe and supported by a more robust economic backdrop. Our exposure to developed Asia and emerging markets remained broadly unchanged, while we added to a global growth strategy where we expect a recovery after recent, more idiosyncratic disappointments.

Within the alternatives sleeve, we slightly reduced our gold position and used the proceeds to initiate a second position in a diversified multi-strategy liquid alternative fund. This adjustment aims to enhance diversification and resilience within the portfolio. As a result of these changes, our portfolios now carry a somewhat higher exposure to the US dollar, although we continue to maintain an underweight stance in the currency, particularly within the fixed income segment.