# Monthly Review, Asset Allocation & Outlook

May 2025

ضمان للإستثمار
DAMAN INVESTMENTS

## Highlights of the Month

- Global asset classes posted mixed performances in May, with equities broadly outperforming fixed income
- Global equities extended gains, with MSCI All Country World Index up 5.5%, supported by easing US-China trade tensions
- US equities ended the month higher with the S&P 500 Index and Dow Jones Index advancing 6.2% and 3.9%, respectively
- Fixed income edged lower on rising yields, with the Barclays Global Aggregate Index declining 0.4%
- The yields on the US 10-Year & 30-Year Treasuries rose 24 bps & 25 bps, respectively, on growing fiscal concerns in the US
- Gold price ended the month flat, while Brent oil gained 1.2% on geopolitical concerns
- MENA equities declined 2.2%, led by Saudi, with the Tadawul Index down 5.8%
- The FTSE MENA Broad Bond Index closed 0.1% higher MoM, supported by sustained investor demand
- We are neutral on equities and overweight on bonds
- We maintain our preference for an up-in-quality, well-diversified portfolio to help manage volatility

## Global Review

Global asset classes witnessed a mixed performance in May with equities outperforming fixed income. Global equities extended their recovery in May, supported by easing US-China trade tensions and better-than-expected hard economic data in the US. The MSCI All Country World Index closed the month up 5.5% and was only 0.9% below its all-time high reached in February 2025.

Fixed income fell as the yields on the US 10-Year & 30-Year Treasuries rose 24 bps & 25 bps, respectively, on growing fiscal concerns in the US, which also led Moody's to downgrade US sovereign credit rating. The Barclays Global Aggregate Bond Index fell 0.4%. The Barclays Global High Yield Index outperformed gaining 1.6% as credit spreads tightened by 34bps on improvement in risk sentiment.

The Bloomberg Commodity Index closed down 0.9%, driven by a decline in agriculture commodities. Oil, natural gas and base metals rose. Brent oil price gained 1.2% on increased geopolitical risks and supply disruption concerns in Libya and Canada, despite OPEC+ deciding to increase supply further. Gold closed the month flat at $3,289/ounce, as increased inflow into risk assets reduced gold's haven demand.

**Global Equities:**

Within equities, growth outperformed value with the MSCI All Country World Growth Index rising 8.1%, outperforming the Value Index by 5.3% due to the strong performance of IT, communication services and industrials sectors. Developed markets (DM) outperformed the emerging markets (EM) with the MSCI World Index gaining 5.7%. Despite the underperformance against the DM Index, the MSCI EM Index closed the month up 4.0%. Reduced concerns about the US recession and renewed investor optimism about AI led to strong gains in Taiwan and Korea.

The S&P 500 outperformed the global peers, gaining 6%. IT, communication Services, consumer discretionary and industrials were the worst performing sectors with the corresponding sector's indices falling 10.8%, 9.6%, 9.4% and 8.6%, respectively. The Russell 2000 Index, a small-cap Index of US stocks, rose 5.2%. Market performance was supported by easing tariff concerns and a solid Q1 earnings season. S&P 500 earnings grew 12.4% YoY. This marks the second consecutive quarter of double-digit earnings growth for the index. 77% of companies reported positive earnings surprises.

April's CPI rose 2.3% YoY, a tick below consensus estimates for a 2.4% increase and the slowest annual pace since early 2021. Core CPI came in at 2.8% YoY. On a MoM basis, both the headline and core CPI rose 0.2%, below estimates for 0.3% increases. Airfares declined by 2.8%, possibly reflecting a continued drag from softer demand for business, tourism, and government travel, and the used cars component declined 0.5%. Car insurance prices rose 0.7%, furniture prices rose 0.2% and medical services prices rose 0.5%. The rent component increased 0.34% and the owners' equivalent rent (OER) component rose 0.36%, below their March pace.

The U.S. labor market continues to show signs of resilience. The April non-farm jobs reports released on May 2 indicated 177,000 jobs added, above the expected 138,000. While March's figures were revised lower by 43,000, the three-month average of job gains was still healthy at around 155,000. The unemployment rate remained steady at 4.2%, in line with expectations. Unemployment has moved gradually higher from the low of 3.4% but remains well below long-term averages of 5.7%. Activity at US service providers accelerated in April after slumping in the prior month. The Institute for Supply Management's index of services increased 0.8 point to 51.6 last month.

The soft economic data continued to worsen with the University of Michigan's Index of consumer sentiment dropping further to 50.8, the lowest since June 2022. Expectations for inflation in the year ahead jumped to 7.3%, up from 6.5% in April. The FOMC held rates steady as widely expected at the May 6-7 meeting, but the updated policy statement highlights the rising risk of a stagflationary environment. During his post-meeting press conference Chairman Powell struck a mostly dovish tone, describing growth in economic activity as solid.

Eurozone shares advanced in May with MSCI Europe ex-UK Index gaining 3.9% MoM. President Trump threatened 50% tariffs on the EU, starting from 1 June. However, negotiations were subsequently extended back to the original 9 July deadline. Shares fell amid the tariff threat but later recovered. The eurozone flash composite PMI dipped to 49.5 in May, a six-month low.

In the UK, the FTSE All-Share gained, led by the industrials and basic materials sectors. UK inflation jumped to 3.6% in April, a 15-month high. The news led markets to reduce expectations to one rate cut this year.

**Fixed Income:**

May was a mixed month for fixed income investors, with volatility taking centerstage and performance diverging across segments. Fixed income markets showed resilience, even as uncertainty around inflation and central bank policy weighed on sentiment. Notably, Investment Grade dollar bonds underperformed High Yield dollar bonds this month. High Yield Bonds, represented by the Bloomberg Global High Yield Index, rose 1.6% month-on-month (MoM) in May, while Investment Grade bonds, represented by the Bloomberg Global Aggregate Index, declined 0.4% MoM. On a year-to-date (YTD) basis, both indices continue to show strong performance, with returns of 4.4% and 5.3%, respectively. The mixed performance was driven by diverging investor appetite for risk, as well as shifting expectations around U.S. Federal Reserve policy.

The market continues to price in a total of 55 basis points of rate cuts in 2025, with the first cut expected by September. In macro developments, volatility increased following renewed concerns around inflation stickiness and labor market strength, which pushed the 10-year U.S. Treasury yield up by 24 basis points to end the month at 4.40%. The 2s10s Treasury curve flattened by 6 basis points, reflecting persistent inversion. Regional performance remained stable, with the MENA Broad Bond Index up 0.1% on a MoM basis.

Global corporate dollar bond issuances stood at $210 billion in May, down 9% from April’s $231 billion, and 14% lower compared to May 2024. The slowdown reflects heightened market volatility and investor caution amid persistent macro uncertainty. Investment Grade (IG) issuers continued to dominate, accounting for 85% of total issuance, while High Yield (HY) and unrated issuers made up 10% and 5%, respectively. In MENA region notable issuances included:
Saudi National Bank – $1.25 billion 5-year senior sukuk, TAQA – $1.5 billion dual-tranche (7Y and 12Y) green bonds, Mubadala – $1 billion 10-year conventional bond, ACWA Power – $750 million 7-year green sukuk, Emirates NBD – $500 million 3-year bond and Al Rajhi Bank – $600 million 5-year sukuk

Emerging market (EM) bonds were largely stable in May, reflecting a cautious risk environment. Emerging Markets Aggregate Index (EMUSTRUU) was up 0.7% MTD while the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) was down 0.2%.

Market Outlook: We anticipate further volatility in the markets and the inflationary impact of the Donald Trump presidency is expected to persist, that could slowdown growth expectations, increase ongoing inflation and create larger fiscal deficits.

We expect 10y bond yields to remain high and be range bound around 4.25-4.65% as interest rate risk remains high on the back of inflationary impact. Hence, we prefer a shorter dated bonds. We favor European investment-grade credit over U.S, supported by ECB rate cuts, stronger fundamentals, and resilient demand. In contrast, U.S. credit faces challenges due to tight spreads, low yields, and economic risks. Also, we see a good opportunities in GCC short dated fixed income, due to the limited exposure for US tariffs.

**EM Equities:** the MSCI EM Index closed the month up 4.0%. Asia outperformed gaining 4.8% MoM. EMEA and LATAM gained 0.8% and 0.9%, respectively. Reduced concerns about the US recession and renewed investor optimism about AI led to strong gains in Taiwan and Korea. Despite the easing of tariff concerns, China lagged the broader index as did India and Brazil.

**Commodities: Oil:** Brent oil price gained 1.2% on increased geopolitical risks and supply disruption concerns in Libya and Canada, despite OPEC+ deciding to increase supply further.

**Petchems:** SE Asia PP, LLDPE, LDPE and HDPE fell by 4.9%, 4.0%, 3.4% and 2.1% respectively, due to subdued demand and concern about upcoming supply.

**Metals:** Industrial metals gained with Copper and Aluminum rising 4.7% and 2.8% respectively. **Precious metals:** Gold closed the month flat at $3,289/ounce, as increased inflow into risk assets reduced gold's haven demand.

**Currencies:** EM currencies (MSCI EM Currency Index) gained 1.9% MoM while the US Dollar (DXY Index) lost 0.1%. The euro gained further against the U.S. dollar, up 0.2% MoM and 9.6%YTD.

**GCC Equities**: GCC markets were a mixed bag during May with Saudi Arabia amongst the worst performing markets globally, as falling oil prices led to profit taking. The Tadawul All Share Index ended the month down 5.8%. Kuwait's All Share Index continued its positive momentum, adding 1.9% and taking its YTD gains to 10.2%. Qatar's DSM was flat for the month while Dubai's DFM and Abu Dhabi's ADX were up 3.3% and 1.8% respectively.

With the consumer space, Talabat's adjusted net income for Q1 rose 24% YoY to USD99mn, supported by strong GMV conversion and resilient margins, though down 19% QoQ due to Ramadan seasonality. Revenue grew 36% YoY with EBITDA up 34% YoY. GMV surged 30% YoY, driven by customer acquisition, order frequency, and expansion of Talabat Pro. Instashop's integration contributed positively, though net margin dipped 20bps YoY to 4.8% due to higher taxes. Management reaffirmed FY25 guidance, with potential upside in Q2 if current trends hold. Spinneys delivered strong Q1 results, with recurring pre-tax earnings up 11% YoY to AED105mn, driven by 6.7% LFL sales growth, new store openings, and lower net finance costs. Revenue rose 11% YoY, while net income grew 15% YoY despite the impact of higher corporate taxes. Gross margin held steady at 41.3%, supported by higher contribution from fresh and private label sales, and online penetration increased to 15.6%. The company reiterated full-year plans to open 10–12 new stores across the UAE and Saudi Arabia. Lulu Retail's Q1 pre-tax earnings were up 22% YoY to USD78.5mn, driven by steady revenue growth and lower net finance costs. Adjusting for one-offs, net profit rose 16% YoY despite higher taxes. Revenue grew 7% YoY, supported by strong Ramadan trading and 5 new store openings. While gross margin contracted slightly due to promotions, EBITDA rose 7% YoY on improved cost efficiency and stronger other income. Lulu remains on track to open 20 new stores in 2025, with management reiterating medium-term revenue and margin targets.

ADNOC Drilling reported a 32% YoY revenue increase in Q1 to USD 1.15bn, driven by unconventional drilling and fleet expansion. EBITDA rose 22%, and net income grew 24% to USD 341mn, supported by higher onshore, offshore, and OFS activity. It announced a USD 112mn acquisition of a 70% stake in SLB's land drilling operations in Kuwait and Oman, expected to close in Q1 2026, adding eight rigs and USD 120–125mn in annual revenue. The deal is expected to be earnings accretive and enable market expansion. ADNOC Gas posted Q1 net income of USD 1.27bn, aided by strong sales volumes and lower interest expenses. Revenue rose 1.5% YoY, EBITDA 4%. Guidance was revised: higher domestic/export volumes and lower capex at USD 3bn.ADNOC L&S reported weaker-than-expected net income of USD 181mn due to higher depreciation (Navig8), increased interest and G&A costs, and soft tanker rates. NMDC Energy saw net profit rise 25% YoY to AED 217mn on strong revenue and controlled G&A. Backlog hit AED 56.3bn, with AED 13.9bn in new awards and 40% onshore contribution. Aldar reported a 39% YoY revenue increase to AED 7.8bn and 22% higher net income at AED 1.9bn. Development sales rose 38% to AED 8.4bn, fueled by expat and overseas demand. Backlog reached AED 58bn; 2025 sales guidance reaffirmed at AED 36–39bn.Emaar Properties recorded Q1 sales of AED 19.3bn (+43% YoY), driven by Dubai demand. Net income of AED 3.7bn missed estimates due to weaker development revenue. Emaar Development posted AED 16.5bn in sales and a AED 100bn backlog. Recurring revenue was AED 2.6bn, with malls at 98%+ occupancy and hotels at 82%. Recurring EBITDA is expected to grow at a 6% CAGR through 2030.

# Major Indices Performance

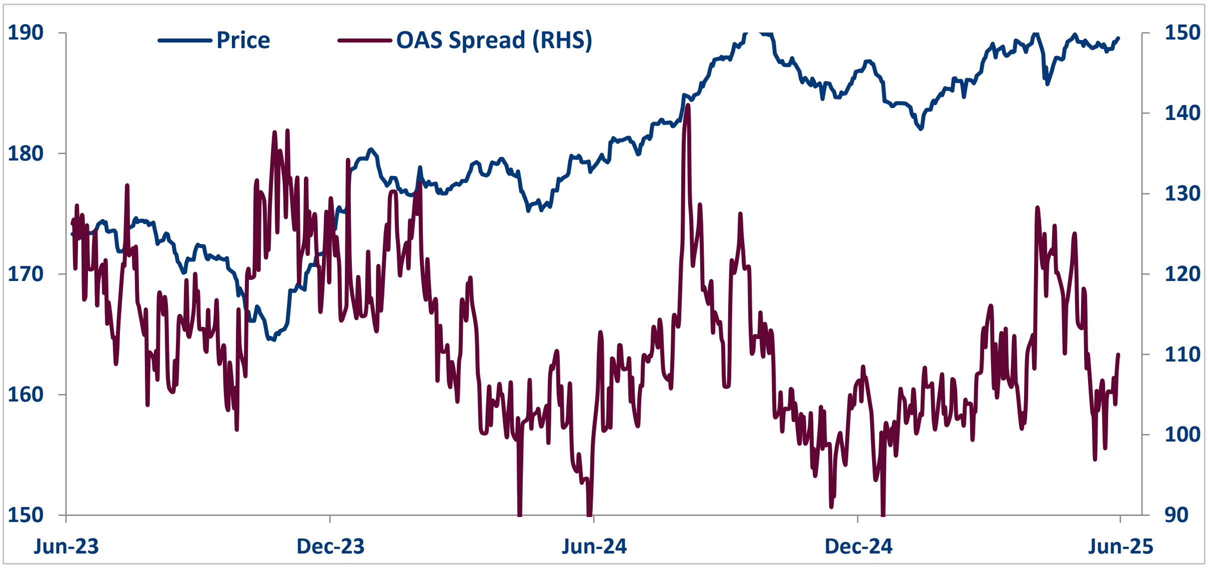
| Major Indices Performance | Value | MTD Return | YTD Return | PE (x) 1Yr Fwd | PB (x) 1Yr Fwd | Div. Yield 1Yr Fwd |
|---|---|---|---|---|---|---|
| Saudi Arabia - TASI | 10,990 | -5.8% | -8.7% | 14.2 | 2.0 | 4.5% |
| Dubai - DFMGI | 5,481 | 3.3% | 6.2% | 9.4 | 1.5 | 5.8% |
| Abu Dhabi - FADGI | 9,685 | 1.6% | 2.8% | 14.9 | 1.9 | 4.6% |
| Qatar - DSM | 10,463 | 0.0% | -1.0% | 11.6 | 1.4 | 4.9% |
| Kuwait - All Share | 8,112 | 1.9% | 10.2% | 18.0 | 2.3 | 4.1% |
| Oman - MSM30 | 4,561 | 5.7% | -0.3% | 9.4 | 0.7 | 6.1% |
| Bahrain - BHSEASI | 1,921 | 0.5% | -3.3% | 6.8 | 2.2 | 4.1% |
| Egypt - EGX30 | 32,697 | 1.8% | 9.9% | 5.8 | 1.5 | 5.3% |
| Morocco - MOSENEW | 17,976 | 3.4% | 21.7% | 20.2 | 3.8 | 2.9% |
| S&P Pan Arab Composite | 167 | -2.2% | -1.2% | 13.3 | 1.9 | 4.2% |
| Israel - TA35 | 2,702 | 7.3% | 12.8% | 12.1 | 1.9 | 2.6% |
| Turkey - XU100 | 9,020 | -0.6% | -8.2% | 3.7 | 0.6 | 9.4% |
| Pakistan - KSE100 | 119,868 | 7.6% | 4.3% | 6.3 | 1.2 | 6.6% |
| S&P 500 | 5,912 | 6.2% | 0.5% | 22.9 | 4.6 | 1.4% |
| STOXX 600 | 549 | 4.0% | 8.1% | 15.2 | 2.0 | 3.3% |
| MSCI EM | 1,157 | 4.0% | 7.6% | 12.9 | 1.7 | 2.9% |
| MSCI All Country World | 880 | 5.5% | 4.5% | 19.3 | 3.1 | 2.0% |
| MSCI World | 3,863 | 5.7% | 4.2% | 20.5 | 3.4 | 1.9% |

| Major Indices Performance | Value | MTD Change | YTD Change |
|---|---|---|---|
| Barclays GCC Credit +HY Index | 190 | -0.2% | 2.9% |
| FTSE MENA Broad Bond Index | 175 | 0.1% | 2.7% |
| Dow Jones Sukuk | 98 | -0.4% | 1.1% |
| Barclays Global Aggregate Index | 488 | -0.4% | 5.3% |
| Barclays Global High Yield Index | 1,735 | 1.6% | 4.4% |
| Barclays US Treasury Index | 2,348 | -1.0% | 2.5% |
| Barclays US Corporate Index | 3,364 | 0.0% | 2.3% |
| Barclays US Corporate High Yield index | 2,755 | 1.7% | 2.7% |
| JPM EM Global Bond Index | 623 | 1.0% | 3.0% |
| Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index | 1,285 | 0.67% | 3.0% |
| Bloomberg Barclays US Aggregate Bond Index | 2,243 | -0.7% | 2.4% |
| Markit CDX Emerging Markets Index | 97 | 1.3% | -0.1% |
| Barclays EM High yield | 1,651 | 1.8% | 3.1% |
| Barclays EM Corporate Index | 306 | 0.6% | 2.7% |
| 10-year US Treasury yield* (%) | 4.40 | 24 | -17 |
| 30-year US Treasury yield* (%) | 4.93 | 25 | 15 |
| US Treasury 2-10 Spread* | 49.67 | -6 | 17 |
| US Treasury 2-30 Spread* | 102.69 | -4 | 49 |
| 10-year US Treasury Real yield* (%) | 2.07 | 14 | -17 |
| 10-year Germany Treasury yield* (%) | 2.50 | 6 | 13 |
| US Breakeven 10 Year* | 2.33 | 9 | -1 |
| 10-year Saudi Arabia Govt USD Bond yield* (%) | 5.03 | 2 | -33 |
| 8-year Abu Dhabi Govt USD Bond yield* (%) | 4.49 | 13 | -53 |
| 4-year Kuwait Govt USD Bond yield* (%) | 4.53 | 18 | -47 |
| 9-year Oman Govt USD Bond yield* (%) | 5.42 | 2 | -32 |
| 10-year Bahrain Govt USD Bond yield* (%) | 6.79 | -7 | -14 |
| 7-year Qatar Govt USD Bond yield* (%) | 4.27 | 10 | -39 |
| 10-year Egypt Govt USD Bond yield* (%) | 9.86 | -92 | -4 |
| EIBOR 3M* (%) | 4.21 | -3 | -24 |
| QAIBOR 3M* (%) | 4.65 | 0 | -3 |
| Dubai 5 Year CDS* (bps) | 55 | -6 | -7 |
| Qatar 5 Year CDS* (bps) | 35 | -3 | -9 |
| 2-year US Treasury yield* (%) | 3.90 | 29 | -34 |

*Source: Bloomberg, Daman Investments Asset Management*

*Note: *In basis points*

## Barclays GCC Credit +HY Index




*Source: Bloomberg, Daman Investments Asset Management*

## Major Commodities and Currencies

### Performance

| | Value | MTD Change | YTD Change |
|---|---|---|---|
| Brent crude oil (USD/bbl) | 63.90 | 1.2% | -14.4% |
| Natural Gas (USD/mmbtu) | 3.45 | 3.6% | -5.1% |
| Gold (USD/Ounce) | 3,289 | 0.0% | 25.3% |
| Copper (USD/MT) | 9,548 | 4.7% | 10.3% |
| Aluminium (USD/MT) | 2,438 | 2.8% | -3.5% |
| Nickel (USD/MT) | 15,041 | -1.2% | -0.5% |
| Urea Middle East (USD/MT) | 380 | -3.8% | 4.8% |
| Methanol China (USD/MT) | 257 | -2.3% | -18.2% |
| SE Asia Polyethylene (USD/MT) | 930 | -2.1% | -4.1% |
| Polypropylene (USD/MT) | 970 | -4.9% | -1.0% |
| US Dollar Index | 99.33 | -0.1% | -8.4% |
| MSCI EM Currency index | 1,823.09 | 1.9% | 5.5% |
| JPM EM Currency index | 45.56 | 0.8% | 6.4% |
| EGP/USD | 0.020 | 2.0% | 2.0% |
| TRY/USD | 0.026 | -1.8% | -9.8% |
| PKR/USD | 0.354 | -0.4% | -1.3% |
| ILS/USD | 0.285 | 3.5% | 3.5% |
| EUR/USD | 1.13 | 0.2% | 9.6% |
| GBP/USD | 1.35 | 1.0% | 7.5% |
| USD/JPY | 144.02 | 0.7% | -8.4% |

# Global Asset Allocation and Outlook

## Global Asset Allocation and Outlook

We believe recent positive development in U.S. trade negotiations with key partners have increased the likelihood that the rise in the U.S. average effective tariff rate will be closer to 15% than 25%. We expect that the tariff on China could be negotiated significantly downward to 20-25% range, with tariffs on most other trading partners remaining around 10%. In our opinion this would enable the US economy to avoid a recession, however, we still anticipate a slowdown in U.S. and global real GDP due to reduced consumption and lower business investment. As a result, markets are likely to experience continued volatility in both equities and commodities.

Given the uncertainty surrounding tariffs and expected near-term volatility, it is important to remain well-diversified across asset classes, countries, and sectors, and to maintain an up in quality stance. We have increased allocation to bonds in our global and regional portfolios. We believe this is an opportune time to lock in high yields by investing in quality companies with strong balance sheets, robust operating cash flows, and controlled leverage across both the investment-grade and high-yield segments.

We are neutral on equities and overweight on bonds. Due to near-term inflation concerns linked to tariffs, higher fiscal deficit in the US and the fed remaining on sidelines, we remain selective on duration and view 4–5-year fixed income maturities as the current sweet spot. In our regional portfolios, we have increased the tilt toward high dividend yield focused equities, and we are opportunistically seeking exposure to oversold names within our preferred sectors. Regionally, we favor the UAE over Saudi Arabia, given the UAE's lower breakeven oil price, which supports stronger fiscal resilience.

We stay overweight on DM equities and underweight on EM. With in DM we are equalweight US and overweight Europe and underweight Japan.

## Asset Allocation

| | Underweight | Neutral | Overweight |
|---|---|---|---|
| **By Asset class:** | | | |
| Equities | | | |
| Fixed Income | | | |
| Alternatives | | | |
| Cash | | | |
| **Equities - by region:** | | | |
| DM | | | |
| US | | | |
| Japan | | | |
| Euro Area | | | |
| EM | | | |
| EM Asia | | | |
| EM Europe | | | |
| EM MENA | | | |
| EM LatAm | | | |
| **Fixed Income - by region:** | | | |
| South Asia | | | |
| Far East Asia | | | |
| Latin America | | | |
| MENA | | | |
| Sub-Saharan Africa | | | |
| Central & Eastern Europe | | | |
| **Fixed Income - Rates, Spreads and Duration** | | | |
| Rates | | | |
| Spreads | | | |
| Duration | | | |
| **Fixed Income - Credit:** | | | |
| Global Investment Grade | | | |
| Global High Yield | | | |

## Global Asset Allocation and Outlook

**Global Equites:**

•In equities, we believe a proper bottom-up analysis is important to own quality stocks with solid balance sheets, high operating cash flows and contained leverage to protect from market volatility tied to fluctuation in macroeconomic data and reset of rate cut expectations

•We see a diversified portfolio with a dividend yield cushion to be better equipped to face market volatility. We see a barbel portfolio split between technology and cyclical sectors as well placed to navigate macroeconomic and geopolitical uncertainties that we may face in 2024

•Performance would continue to broaden out with cyclical sectors and small caps participating which were laggard in 2023

•We remain underweight tech. given stretched valuations and on an expected deacceleration in earnings of technology sector names and in acceleration in earnings in other sectors

•We avoid names on higher risk sides of the capital structure such as unprofitable tech and biotech names, etc.

**Preferred Picks:**

**Technology and communication services:** Microsoft, Nvidia, Amazon, Adobe, Sales Force, META, Netflix

**Healthcare:** Pfizer, Merck

**Industrials/Auto:** GM, Ford, Caterpillar, Deere

**Financials:** Visa and Mastercard

**Airlines:** Delta Airlines, United Airlines

**Utilities:** Nextra Energy

**Consumer Staples:** Walmart

We stay overweight on Europe as we expect earnings growth to pickup driven by increased fiscal and defense spending and lower interest rates. Europe also trades at a lower relative valuation vs US (1 year forward PE- 15.3x vs 23.4x).

We remain underweight on EMs due to uncertainty regarding the tariffs. However, there are strong structural domestically driven economic growth stories such as India which we continue to remain overweight on.

**MENA Equities:**

We advocate a quality bias and strong active management approach to take advantage of market volatility and selective security picking, focusing on balance sheet quality and cash flow visibility. Currently, MENA markets (S&P Pan Arab Composite Large Mid Cap Index trades inline with the MSCI EM Index on a 1-year forward PE basis, vs the long-term average premium of 10%, driven oil price uncertainty. We continue to see selective opportunities in the Saudi and UAE due to their government's commitment towards economic diversification leading to sustained spending on infrastructure, industrial, oil and gas, and tourism projects. We also like an exposure to Kuwait driven by the recent announcement of debt law and mortgage law.

Our preferred plays include:

- **Banks**: ADCB, Alinma Bank, DIB, KFH, NBK, SNB, Akbank, Tawuniya
- **Consumer Discretionary and Staples**: Spinneys, Lulu Retail, Spinneys
- **Energy**: ADNOC Drilling, ADNOC L&S, NMDC Energy
- **Healthcare**: Mouwasat, Pure Health
- **Real Estate**: Aldar Prop, Emaar Dev, Emaar Prop, TECOM, Retal
- **Industrials**: AD Ports, Budget, Catrion, Catering, DTC, Salik, SGS
- **Utilities**: DEWA, Empower, AWPT

## Global Asset Allocation and Outlook

**EM Fixed Income:**

*We continue to remain underweight on duration with volatility taking centerstage in bond markets as well.* Fixed income markets gained during the month with 2s10s flattening by 6bp during the month. During the month, 10y US treasury yields closed at 4.40% up 24bp from the previous month. Barclays Global Aggregate Index closed 0.4% down during the month, while High Yield Index closed the month 1.6% up. Interestingly, the global aggregate index has returned 5.3% in 2025, while the High Yield Index is up 4.4% YTD. The MENA Broad Bond index was up 0.1% on a MTD basis.

*Saudi Arabia.* SAUDI Yield curve inched higher during the month. Yields on KSA 5.75 2054 were up by 10bps in May. Issuance in Saudi picked up pace in May with ALINMA BANK, BANK AL BILAD and AL RAJHI BANK coming to the debt market. The Bloomberg Global Aggregate- Saudi Arabia (I14669US Index) gave a positive return of 0.04%.

What we like: ARACEN, DAR AL-ARKAN, SAUDI Govt, SECO, KSA Sukuk, ARAMCO, PIF, Maaden

*UAE*. UAE enjoys a positive balance on both its budget and external accounts. Bond issuance continued in May with Sobha and SIB coming to the primary debt markets.

What we like: ABU DHABI Govt, ARADA Sukuk, ESIC Sukuk, FAB Sukuk, GEMS, PD Sukuk, Sobha Sukuk, Binghatti Sukuk, ABU DHABI National Energy, UAE Govt, ADCBUH Perp, EBIUH Perp, DP World

*KUWAIT* –Kuwait is likely to test the debt markets this year once the new debt law kicks in. We are expecting the sovereign to issue debt in 1H25 returning to the market. Investor demand should be multifold as investors look to lap up the bonds and diversify. The country has just one sovereign outstanding bond KUWIB 3 ½ 03/20/27 (USD4.5bn).

MEXICO –The threat of increasing tariffs on Mexican products and retaliatory tariffs by Mexico remain the key thing to watch out for during the first few months. Central Bank of Mexico lowered its benchmark interest rate by 50 basis points for the third consecutive meeting in May, as inflation remains within the bank's target range, but uncertainty persists around trade tensions and a weak econom.. The initial uncertainty pushed yields higher; however, as tariff threats were rolled back and clarity improved, 10-year yields largely remained muted during the month.

What we like: PEMEX, CEMEX

INDIA –India's bond market is benefiting from investors seeking higher all-in-yields and diversification. Yields inched lower by 7bp during the month ending at 6.29%. An increasing liquidity support provided by the central bank has helped yields move lower in 2025. Investors will continue to watch out for how growth unfolds and look out for signs of a proactive FX policy from the central bank.

What we like: INCLEN, ADANI PORTS, INDIABULLS HOUSING, ADANI GREEN

## Performance of our Funds

**Concerto IS Daman MENA UCITS Fund**

The Fund's investment objective to achieve medium to long-term capital appreciation by investing primarily in securities of issuers listed in the MENAPT Region or investing in securities of issuers listed outside of MENAPT but deriving most of their revenues from MENAPT.

The fund gained 2.0% during the month, primarily due to equities. The main contributors to the fund were Salik, ADCB, DIB and Talabat. Saudi names such as Alinma Bank and SGS underperformed during the month.

During the month, we subscribed to the IPOs of Dubai Residential and Flynas. We exited Salik, DEWA and ADNOC Gas during the month as the stocks hit our target price which was linked to the catalyst leading to MSCI inclusion.

We increased our position in DIB as management reiterated its guidance for mid double-digit growth in financing & sukuk during the year and in Aldar given their strong development sales during.

| | 2025 | Inception (30 Jul 2020) (Class I) |
|---|---|---|
| Total Return | 1.4% | 93.1% |
| Annualized Return | - | 14.5% |
| Annualized Volatility | - | 7.6% |
| Sharpe Ratio | - | 1.5 |

*NAV as of 28th May 2025*

**Daman UAE IPO Fund**

The Fund's investment objective is to generate medium term capital growth by investing in securities issued by companies that are undertaking an initial public offering or by investing in companies that have listed on UAE exchanges in the previous 24 months.

The fund was up 2.8% for the month., primarily due to equities. The main contributors to the fund were Salik, ADNOC Drilling, Lulu Retail, Spinneys and Talabat. Names such as Empower and Pure Health underperformed.

During the month, we subscribed to the IPOs of Dubai Residential and Flynas. We exited Salik, DEWA and ADNOC Gas during the month as the stocks hit our target price which was linked to the catalyst leading to MSCI inclusion.

We added to Empower given our conviction on continued growth in capacity additions and its attractive dividend yield while we also added Americana after the recovery in sales and gross profit in Q1.

| | 2025 | Inception (Aug 2022) (Class A) |
|---|---|---|
| Total Return | -5.8% | 20.2% |
| Annualized Return | - | 6.6% |
| Annualized Volatility | - | 9.1% |
| Shape Ratio | - | 0.3 |

*NAV as of 29th May 2025*

***About Daman Investments***

***Daman Asset Management is a dedicated MENA specialist offering mutual funds strategies and bespoke investment products, which have been built on our independent research insights and backed with a proven track record of delivering superior risk-adjusted returns which have substantially outperformed peers and regional benchmarks. Our experienced team manages investments on behalf of local and regional institutions, family offices and high net worth individuals.***

*The document is issued by Daman Investments PSC, which is authorized and regulated by Emirates Securities and Commodities Authority (ESCA). To receive a list of Daman Investment's composite descriptions and any other information, please contact the Marketing & Communications Department.*

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## Disclaimer