# Monthly Review, Asset Allocation & Outlook

August 2025

## Highlights of the Month

- August saw broad gains across major asset classes, supported by Fed Chair Powell's signal of a potential September rate cut
- Global equities advanced for the fifth consecutive month, with the MSCI All Country World Index gaining 2.4%
- The S&P 500 Index rose by 1.9%, driven by better-than-expected Q2 2025 earnings
- 2Y and 10Y U.S. Treasury yields declined on a dovish Fed stance, while the 30Y yield inched higher amid fiscal deficit concerns
- Fixed income rallied, with both the Barclays Global Aggregate and High Yield indices gaining 1.5%
- Gold price increased by 4.8% to $3,448/ounce, while Brent crude oil price declined 6.1% on supply concerns
- Equities in Dubai and Abu Dhabi declined by 1.6% and 2.7%, respectively, while Saudi equities declined by 2.0%
- The FTSE MENA Broad Bond Index ended the month 1.4% higher
- We maintain overweight position on equities due to anticipated monetary and fiscal stimulus, and a neutral stance on bonds
- We continue to favor an up-in-quality, well-diversified portfolio to navigate near-term trade uncertainties

## Global Review

August was a strong month across major asset classes, driven by Fed Chairman Powell signaling the possibility of a September rate cut following weaker labor market data. Global equities advanced for the fifth consecutive month, with the MSCI All Country World Index gaining 2.4%. Corporate earnings broadly exceeded consensus expectations, providing further support to risk assets. Value (+3.1%) and Cyclicals (+2.2%) outperformed growth (+1.7%) driven by increased expectations of a rate cut in September.

Fixed income rose as the US 2-Year and 10-Year Treasury yield fell 34bps and 15bps, respectively. Yield curve steepened on increased concerns over fiscal deficit and fed independence, with 30-2Y treasury spreads rising by 37bps to reach 131bps. The Barclays Global Aggregate Bond Index rose 1.5% and the Barclays Global High Yield Index also gained 1.5%. YTD Global High Yield Index is up 8.9% outperforming the Aggregate Index by 1.7% as improved risk sentiment led to tightening in high yield spreads by 21bps.

The Bloomberg Commodity Index closed the month up 1.6%, on higher gold and base metal prices. Gold prices rose 4.8% to close the month at $3,448/ounce as real yields fell on increased expectations of rate cuts despite rise in inflation. Copper and Aluminum prices rose 2.7% and 2.2%, respectively on stronger US economic growth, anticipation of rate cuts and tighter supply. Brent oil price fell 6.1% on expectations of breakthrough in Russia-Ukraine conflict and oversupply concerns.

**Global Equities:**

Developed markets (DM) outperformed Emerging markets (EM) with the MSCI World Index gaining 2.5% while the MSCI EM Index rose 1.2%. Japan's TOPIX (+4.5%) was the best performer in local currency terms, supported by the late-July US-Japan trade deal and stronger-than-expected Q2 GDP growth of 0.3%. Strong performance in China supported gains in the MSCI EM Index, with the MSCI China Index rising 4.2% in August (up 27.1% YTD). The extension of the US-China trade truce until 10 November provided a boost to export-oriented names, while the government's pledge to triple domestic chip supply by 2026 lifted Chinese tech stocks. In addition, ample domestic liquidity has fueled the rally, as cash-rich households seek higher returns amid low interest rates and limited alternative investment opportunities.

The S&P 500 Index rose 1.9% despite volatility from weak jobs data and concerns about the sustainability of AI-related spending. Gains were supported by stronger-than-expected Q2 2025 earnings, with 81% of companies beating EPS forecasts. Earnings per share grew 11.9% year-on-year, well above the 4.8% consensus, as aggressive estimate cuts earlier in the year set a low bar for performance. Analysts have since raised earnings forecasts across most sectors for the second half of 2025 and into 2026. Value and cyclicals outperformed with materials, financials, energy and real estate sectors witnessing strong gains with the corresponding sector's indices rising 5.6%, 3.0%, 2.9%, and 2.0%, respectively. The Russell 2000 Index, a small-cap Index of US stocks, rallied 7%.

The July jobs report indicated a total of 73,000 new jobs were added, well below estimates of 104,000. Perhaps most importantly, the last two months of data were revised sharply lower, subtracting about 260,000 jobs from the totals. Average job gains of the last three months were 35,000, well below the 127,000 average of the prior three months. The unemployment rate ticked higher from 4.1% to 4.2%, still well below historical averages, although labor-force participation dropped to 62.2%, the lowest since November 2022. Job gains were concentrated in the health care field, while government and manufacturing sectors lost jobs. Wage growth of 3.9% year-over-year still outpaced inflation rates of around 2.7% meaning consumers are still experiencing positive real wage gains.

Fed chair Jerome Powell suggested the balance of economic risks had shifted based on the July job nos., potentially warranting an adjustment to the Fed's policy stance. As a result, rates markets now price in a high likelihood that the Fed will reduce the fed funds rate by 25 bps at its September meeting.

Headline inflation cooled modestly in July, with MoM inflation dropping to 0.2% from June's reading of 0.3%, driven by declines in grocery and energy costs. However, core inflation accelerated to 0.3% from 0.2% in the prior month. This was close to in line with consensus estimates and pushed the YoY measure to 3.1%, the highest since February. Notably, much of the increase was due to services costs, while tariff-impacted categories saw mixed readings.

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PPI reaccelerated in July after holding steady in the prior month, rising 0.9% compared with estimates for around a 0.2% increase. Similar to consumer prices, services costs drove the overall increase. Personal income increased by 0.4% in July, in line with expectations. Consumer spending increased by 0.5% in July, in line with consensus expectations.

The MSCI Europe ex-UK Index rose 1.2% in August, supported by resilient activity data. The eurozone composite PMI reached a flash reading of 51.1, led by manufacturing strength, while loan growth remained firm in July. Stronger-than-expected Q2 GDP prints in France and Spain also underpinned sentiment, with the manufacturing PMI signaling expansion. However, French equities weighed on broader European performance as political uncertainty spiked following the announcement of a no-confidence vote in the government.

In the UK, the FTSE All-Share gained 0.9% but lagged European peers. The domestic backdrop remained challenging, with July inflation surprising to the upside. While the Bank of England cut its policy rate by 25bps at its August meeting, its tone remained relatively hawkish.

**Fixed Income:**

August 2025 was a strong month for bond investors, with both Bloomberg Global Aggregate Index and Bloomberg High Yield Index up 1.5%. The move was broadly helped by the sharp shift lower in US Treasury yields thanks to a steady increase in expectations of Fed rate cuts during the remainder of the year. The Treasury yield curve shifted sharply lower through the month, with a bull steepening move — the 2Y yield fell by 34 bps while the 10Y ended 14bp lower, demonstrating the market reaction to anticipated rate cuts. Market anticipated rate cuts by the end of 2025 were up from 1.3 rate cuts in the beginning of July to 2.3 rate cuts at the end of August. Corporate bonds also saw a credit spreads continue to tighten during the month — global credit spreads are currently at multi-decade lows. The implied volatility continues to decrease with MOVE Index is down almost 20% YTD.

The economic data through the month showed the strain on the Fed's dual mandate. Jobs data was underwhelming starting with July non-farm payrolls at 73k vs 105k est. The prior month's reading was revised significantly lower to just 14k, the lowest in nearly five years, after rising by a previously reported 147k. The unemployment rate weakened to 4.2% from 4.1%. In contrast inflation, albeit not at the highest levels of the year, is still running above target. US CPI YoY for July rose by 2.7%, softer than expectations of 2.8% and in-line with the prior month's reading, core CPI came-in at 3.1%, slightly higher than expectations. The first concrete signs of tariff inflation were possibly visible in July PPI y/y at 3.7% vs 3.0% est.

Following the relatively soft economic data, several FOMC members including Chairman Jerome Powell hinted at a potential 25bp rate cut in their upcoming meeting in September. He gave an unambiguous message to the market at Jackson Hole by saying, in a dovish surprise, "the shifting balance of risks may warrant adjusting our policy stance".

Global corporate dollar bond issuances stood at $211bn in August, just 1% lower MoM. As compared to August 2024, issuance volumes were up 4%. 81% of the issuance volumes came from IG issuers with HY comprising 17% and unrated issuers taking the remaining 2%. Asia ex-Japan & Middle East G3 issuance stood at $18bn, down 21% MoM but higher by 47% YoY. 77% of the volumes came from IG issuers with HY issuing 14% and unrated issuers taking the rest. MENA's notable issuing's were mainly in the bank space with $1.25bn SABBAB 5.947 09/04/35, $1bn of BSFR 5.761 09/03/35, benchmark sizes of Alinma, SNB and NBK.

Emerging market (EM) bonds rallied in August. Both Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) closed the month higher by c.1.3% and now showing the gains of 7.3% and 6.6% YTD respectively.

**Market Outlook:** Given no black swan event is happening we see the peak of the yields and expect Fed to cut the rate by 25 bps in September 2025 with an additional 25 bps rate cut until the end of the year. However, tariff shocks and fiscal expansion from U.S. policy under the new administration, threaten to reignite inflation can push yields higher, especially at the long end. Increased government deficits could fuel yield premiums and investor caution toward Treasuries. Central bank credibility may come under strain if political interference (e.g. in Fed governance) emerges, which could keep long-end yields elevated.

We anticipate 10-year bond yields to trade in a range of 4.00%-4.40% as the market balances growth concerns against persistent inflation risks. We favor shorter-duration exposure and prefer GCC fixed income presents opportunities given limited tariff exposure and stable fundamentals.

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**EM Equities:** The MSCI EM Index was up 1.2% MoM, taking its YTD gains to 17.0%. A valuation re-rating given its steep discount to its DM peers, a softening of the USD and an asset relocation towards EM for diversification have all helped in its outperformance YTD. In August MSCI LATAM outperformed, gaining 7.5%. Chile and Brazil were clear winners, gaining 11.2% and 9.2% respectively. Chilean markets soared on increased lithium prices, a critical export and export input in the global battery and EV sectors. Investors also responded positively to news from election polls that suggested a realistic possibility of regime change. This political sentiment boost translated into market gains. In Brazil, appreciation of the Real vs the USD boosted returns for foreign investors and attracted capital inflows, with the currency offering compelling real yield.

**Commodities: Oil:** Brent crude oil fell 6.1% in August, closing at $68.1/bbl. Weaking demand as summer ends, rising OPEC+ supply and heightened economic uncertainty impacted oil prices. **Natural gas**: Henry hub prices were down 3.5% MoM due to a record high supply and milder-than-anticipated summer temperatures.

**Petrochemicals:** SE Asia PP, MEG and LLDPE fell 3.1%, 1.8% and 1.0% respectively while HDPE and LDPE were flat for the month. Petchems are down YTD, with small movement in prices driven by persistent oversupply which continues to drag down operating rates and compress profit margins across the industry as well as weak end-market demand.

**Metals:** Copper gained 2.7% while aluminum was up 2.2% MoM. **Precious metals**: Gold gained 4.8% MoM, taking its YTD gains to 31.4% as real yields fell on increased expectations of rate cuts despite rise in inflation.

**Currencies:** EM currencies (MSCI EM Currency Index) gained 0.3% MoM while the US Dollar (DXY Index) lost 2.2%, taking its YTD loss to nearly 10%. Mounting expectations for a rate cut in September, growing alarm by investors about political interference in monetary policy and growing anxiety about the fiscal health of the US all contributed to the weakness in the USD.

**GCC Equities**: Most GCC markets saw profit taking in August as global volatility made its way to the region. Abu Dhabi's ADX was the worst performing market, correcting by 2.7% followed by a 2.0% fall in Saudi's TASI. Dubai's DFMGI tumbled 1.6% while Kuwait's All Share Index dropped 1.4%. Qatar's DSM lost 0.3% during the month. At the end of August, Dubai continued its dominance as the best performing market in the region, up 17.5% for the year, while Saudi Arabia continued to be a laggard, down 11.1%.

In Abu Dhabi, AD Ports' Q2 results showed revenue up 15% YoY and EBITDA up 9% YoY, driven by a robust operational performance. While net profit declined 3.5% YoY due to one-off impairments and an elevated tax rate, the company achieved a positive free cash flow on the back of stronger operating cash flows and a softer capital expenditure trend. ADNOC Drilling's Q2 revenue surged 28% YoY and net income rose 19% YoY, thanks to the ramp-up of its unconventional business and the addition of new rigs. The company secured USD4.8bn in new long-term contracts YTD and strategically expanded by acquiring an eight-rig land business in Oman and Kuwait. ADNOC L&S's stellar operational performance led to a 40% YoY increase in revenue and a 31% YoY rise in EBITDA. Net income also grew 10% YoY, despite higher finance costs mitigating the bottom line. Management is focused on achieving synergies from its Navig8 acquisition, which expanded the tanker fleet by 32 vessels. Aldar Properties saw revenue increase 46% YoY and net income rise by 25% YoY, supported by resilient development sales and a recurring revenue portfolio with an impressive 97% average occupancy. The company's contracted sales were also up 22% YoY, fueled by strong demand for both new and existing projects. Lulu delivered a decent set of Q2 results, with pre-tax earnings up 5% YoY, despite a slight decline in net profit due to higher corporate tax. The company's revenue grew 5% YoY, supported by a 2% increase in LFL sales and particularly strong performance in its fresh food, electrical goods segment and private label. Lulu opened two new stores in the quarter and remains on track to meet its goal of 20 new store openings for the year.

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In Dubai, DEWA's net income grew strongly YoY with the strong performance driven by higher-than-expected revenues, which grew 10% YoY, and improved operational efficiencies, including lower fuel costs due to a higher contribution of clean energy (19.5% of the generation mix). Empower's reported income increased 15% YoY, with revenue up 12% YoY. The company's results were driven by strong cooling demand during the summer months and a pickup in connected capacity. Despite higher utility costs impacting gross and EBITDA margins, the company's management expects momentum to carry into the second half of 2025, supported by higher summer base load and continued execution of capacity additions. DTC's net income was up 33% YoY while revenue increased 18% YoY. This was driven by a 19% YoY increase in total trips and a 23% YoY expansion of its operational fleet. The company's strategic partnership with Bolt is making significant progress, with over 6,000 taxis now on the platform. Margins improved as costs were also managed with fuel expenses down 15% YoY. Parkin's net income growth of 56% YoY was driven by a significant rise in revenue from public parking, seasonal permits, and enforcement fines, which beat guidance. The company's public parking portfolio grew by 6% YoY, and it saw a record 140% increase in seasonal card purchases as customers capitalized on the new variable tariff structure. Parkin also expanded its enforcement efforts, issuing 81% more notices due to technology upgrades and a larger smart scan fleet. Salik's net income grew 50% YoY driven by a record number of chargeable trips and the first full quarter of dynamic pricing implementation. Total trips grew by 44% YoY, supported by strong tourism, economic activity, and the addition of two new gates. Talabat's Q2 2025 results were strong, with GMV (excluding InstaShop) growing 33% YoY and revenue up 36% YoY on a constant currency basis, both driven by higher order volumes and frequency. Adjusted EBITDA rose 31% YoY, maintaining a stable margin despite mix-related headwinds. The company's net income grew 25% YoY, absorbing the impact of a new corporate tax.

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## 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 | 10,697 | -2.0% | -11.1% | 15.5 | 2.1 | 4.1% |
| Dubai - DFMGI | 6,064 | -1.6% | 17.5% | 11.1 | 1.8 | 5.2% |
| Abu Dhabi – FADGI | 10,095 | -2.7% | 7.2% | 15.2 | 2.0 | 4.6% |
| Qatar – DSM | 11,222 | -0.3% | 6.2% | 12.4 | 1.5 | 4.5% |
| Kuwait - All Share | 8,499 | -1.4% | 15.4% | 17.4 | 2.0 | 4.2% |
| Oman - MSM30 | 5,030 | 5.2% | 9.9% | 1.6 | 0.8 | 5.7% |
| Bahrain – BHSEASI | 1,929 | -1.4% | -2.9% | 14.4 | 0.6 | 9.9% |
| Egypt - EGX30 | 35,148 | 2.8% | 18.2% | 6.5 | 1.6 | 4.1% |
| Morocco - MOSENEW | 20,055 | 2.1% | 35.8% | 20.4 | 3.6 | 1.7% |
| S&P Pan Arab Composite | 172 | -1.9% | 2.1% | 13.3 | 1.8 | 4.2% |
| Israel - TA35 | 3,055 | 1.5% | 27.5% | 12.9 | 2.0 | 2.5% |
| Turkey - XU100 | 11,288 | 5.1% | 14.8% | 4.1 | 0.4 | 5.9% |
| Pakistan - KSE100 | 148,754 | 6.7% | 29.4% | 8.8 | 1.6 | 5.3% |
| S&P 500 | 6,460 | 1.9% | 9.8% | 24.3 | 5.0 | 1.3% |
| STOXX 600 | 550 | 0.7% | 8.4% | 15.5 | 2.1 | 3.3% |
| MSCI EM | 1,258 | 1.2% | 17.0% | 14.5 | 1.9 | 2.7% |
| MSCI All Country World | 952 | 2.4% | 13.1% | 20.4 | 3.3 | 1.8% |
| MSCI World | 4,178 | 2.5% | 12.7% | 21.5 | 3.6 | 1.7% |

| Major Indices Performance | Value | MTD Change | YTD Change |
|---|---|---|---|
| Barclays GCC Credit +HY Index | 196 | 1.2% | 6.6% |
| FTSE MENA Broad Bond Index | 181 | 1.4% | 6.8% |
| Dow Jones Sukuk | 100 | 0.6% | 2.6% |
| Barclays Global Aggregate Index | 497 | 1.5% | 7.2% |
| Barclays Global High Yield Index | 1,809 | 1.5% | 8.9% |
| Barclays US Treasury Index | 2,393 | 1.1% | 4.5% |
| Barclays US Corporate Index | 3,464 | 1.0% | 5.3% |
| Barclays US Corporate High Yield index | 2,854 | 1.2% | 6.4% |
| JPM EM Global Bond Index | 657 | 1.6% | 8.6% |
| Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index | 1,339 | 1.33% | 7.3% |
| Bloomberg Barclays US Aggregate Bond Index | 2,298 | 1.2% | 5.0% |
| Markit CDX Emerging Markets Index | 98 | 0.4% | 1.2% |
| Barclays EM High yield | 1,735 | 1.4% | 8.3% |
| Barclays EM Corporate Index | 318 | 1.4% | 6.5% |
| 10-year US Treasury yield* (%) | 4.23 | -15 | -34 |
| 30-year US Treasury yield* (%) | 4.93 | 3 | 15 |
| US Treasury 2-10 Spread* | 60.97 | 19 | 28 |
| US Treasury 2-30 Spread* | 130.87 | 37 | 77 |
| 10-year US Treasury Real yield* (%) | 1.82 | -17 | -41 |
| 10-year Germany Treasury yield* (%) | 2.72 | 3 | 36 |
| US Breakeven 10 Year* | 2.41 | 2 | 7 |
| 10-year Saudi Arabia Govt USD Bond yield* (%) | 4.71 | -12 | -65 |
| 8-year Abu Dhabi Govt USD Bond yield* (%) | 4.11 | -6 | -91 |
| 4-year Kuwait Govt USD Bond yield* (%) | 4.26 | -12 | -73 |
| 9-year Oman Govt USD Bond yield* (%) | 4.81 | -5 | -93 |
| 10-year Bahrain Govt USD Bond yield* (%) | 5.98 | -44 | -95 |
| 7-year Qatar Govt USD Bond yield* (%) | 4.08 | -12 | -58 |
| 10-year Egypt Govt USD Bond yield* (%) | 8.81 | -33 | -109 |
| EIBOR 3M* (%) | 4.20 | 1 | -24 |
| QAIBOR 3M* (%) | 4.70 | -5 | 3 |
| Dubai 5 Year CDS* (bps) | 54 | -1 | -9 |
| Qatar 5 Year CDS* (bps) | 29 | -1 | -15 |
| 2-year US Treasury yield* (%) | 3.62 | -34 | -62 |

*Source: Bloomberg, Daman Investments Asset Management*

*Note: *In basis points*

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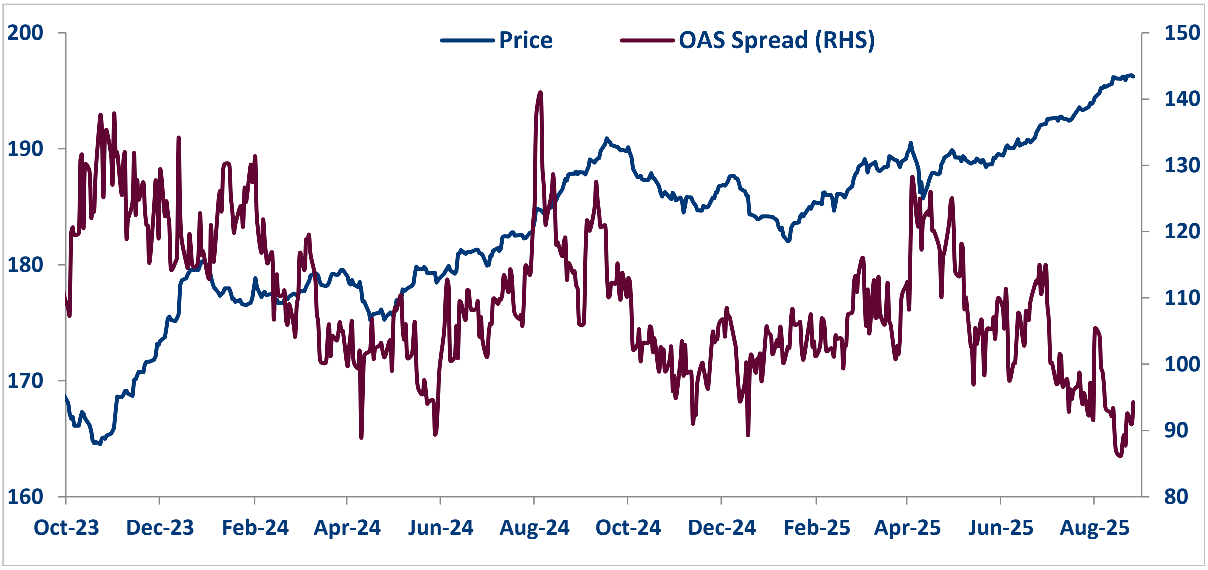
## Barclays GCC Credit +HY Index




*Source: Bloomberg, Daman Investments Asset Management*

## Major Commodities and Currencies

### Performance

| | Value | MTD Change | YTD Change |
|---|---|---|---|
| Brent crude oil (USD/bbl) | 68.12 | -6.1% | -8.7% |
| Natural Gas (USD/mmbtu) | 3.00 | -3.5% | -17.5% |
| Gold (USD/Ounce) | 3,448 | 4.8% | 31.4% |
| Copper (USD/MT) | 9,822 | 2.7% | 13.5% |
| Aluminium (USD/MT) | 2,618 | 2.2% | 3.6% |
| Nickel (USD/MT) | 15,247 | 3.5% | 0.9% |
| Urea Middle East (USD/MT) | 499 | 1.3% | 37.7% |
| Methanol China (USD/MT) | 264 | -6.4% | -15.9% |
| SE Asia Polyethylene (USD/MT) | 940 | 0.0% | -3.1% |
| Polypropylene (USD/MT) | 950 | -3.1% | -3.1% |
| US Dollar Index | 97.77 | -2.2% | -9.9% |
| MSCI EM Currency index | 1,834.62 | 0.3% | 6.2% |
| JPM EM Currency index | 45.81 | 1.2% | 7.0% |
| EGP/USD | 0.021 | 0.5% | 4.6% |
| TRY/USD | 0.024 | -1.3% | -14.1% |
| PKR/USD | 0.354 | 0.4% | -1.3% |
| ILS/USD | 0.300 | 1.8% | 8.9% |
| EUR/USD | 1.17 | 2.4% | 12.9% |
| GBP/USD | 1.35 | 2.2% | 7.9% |
| USD/JPY | 147.05 | -2.5% | -6.5% |

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# Global
# Asset Allocation and Outlook

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## Global Asset Allocation and Outlook

Powell opening the door for a September rate cut would be a key catalyst supporting the current upward momentum in risk assets such as equities, high-yield credit, and cryptocurrencies. We maintain our overweight stance on equities and credit, expecting two rate cuts this year (starting in September) and two additional cuts by 2026. Importantly, we see the Fed's ability to combat inflation as limited, in a scenario where much of the price pressure stems from tariffs.

Within equities, we anticipate the ongoing rotation into cyclicals — industrials, real estate, homebuilders, and consumer discretionary—as well as small-cap stocks to continue, as these segments stand to benefit most from lower interest rates. We also expect a positive cascading impact on MENA equities. Still, diversification remains essential in case of any upside surprises in goods inflation.

**Key takeaways from Fed Chair Powell's annual Jackson Hole speech:**

•Baseline outlook and shifting risks may warrant adjusting the Fed's policy stance.

•Powell acknowledged rising downside risks to employment.

•Base case remains for inflation to edge higher in the near term, though the pickup may be short-lived.

•With the labor market not particularly tight, a wage–price spiral linked to higher tariffs looks unlikely.

We stay overweigh on equities, as we continue to see the following catalysts supporting the market in 2H 2025 – i) **Economic stimulu**s from the passage of the Trump tax-cut bill ii) **Monetary stimulus**, with the Federal Reserve expected to begin cutting rates in September, in response to an economic slowdown linked to tariffs—despite a near-term rise in inflation. iii) **Progress on trade**, with the establishment of agreements on a broad trade deal framework between the United States and its major trading partners iv) **Improved market sentiment**, as investors appear willing to look through short-term earnings weakness driven by margin contraction and slower revenue growth tied to tariffs v) **Rebound in earnings growth in 2026** vi) **Continued momentum in AI-related stocks** vii) US 10-year treasury yields remaining well behaved with 4.60% level acting as a cap.

## 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 | | | |

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## Global Asset Allocation and Outlook

We stay neutral on bonds. We expect yields to head higher in the near-term as tariffs start to show up in the CPI. We continue to remain well-diversified across asset classes, countries, and sectors, and to maintain an up in quality stance. We believe this is an opportune time to lock in high yields, before the fed start to cut rates, 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 remain selective on duration and view 4–5-year fixed income maturities as the current sweet spot. In our regional portfolios. 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 stay overweight on the US neutral on Europe and underweight on Japan.

**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 2024

•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, META, Netflix, Broadcom

**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 maintain our neutral stance on Europe after a sharp rally YTD. We remain underweight on EMs. However, there are strong structural domestically driven economic growth stories such as Taiwan and 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 at a discount of 8% vs the MSCI EM Index on a 1-year forward PE basis, vs the long-term average premium of 10%, driven by oil price uncertainty. Despite a strong rally YTD, we continue to remain optimistic on the UAE markets as the fundamental backdrop remain solid tied to robust population growth, and push towards diversification. We expect the market performance to broaden out with laggards starting to participate.

We expect the Saudi equity market to establish a floor around the 10,600 level due to the ongoing oil price volatility. We favor selective opportunities in Saudi banking sector, infrastructure sector and tourism-related equities due to the 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, Akbank, Alinma Bank, DIB, GBK, KFH, NBK, SNB
- **Consumer Discretionary and Staples**: Lulu Retail, Spinneys
- **Energy**: ADNOC Drilling, ADNOC Gas, ADNOC L&S, NMDC Energy, QGTS
- **Healthcare**: Mouwasat
- **Real Estate**: Aldar Prop, Dubai Residential, Emaar Dev, Emaar Prop, RAK Prop, TECOM
- **Industrials**: AD Ports, Budget, Catrion Catering, DTC, Parkin, Salik, SGS
- **Utilities**: AWPT, DEWA, Empower

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## Global Asset Allocation and Outlook

**EM Fixed Income:**

*We continue to remain neutral on bonds and retain an underweight stance on duration.* Fixed income markets gained during the month with 2s10s continuing to remain steep. During the month, 10y US treasury yields closed at 4.23% down 15bp from the previous month. Barclays Global Aggregate Index closed 1.5% up during the month, while High Yield Index closed the month 1.5% up. Interestingly, the global aggregate index has returned 7.2% in 2025, while the High Yield Index is up 8.9% YTD. The MENA Broad Bond index was up 1.4% on a MTD basis.

*Saudi Arabia.* SAUDI Yield curve inched lower during the month. Yields on KSA 5.75 2054 were down by 4bps in July. Issuance in Saudi continued with ALINMA BANK, BSFR, SAUDI AWWAL coming to the debt market. The Bloomberg Global Aggregate- Saudi Arabia (I14669US Index) gave a positive return of 1.3%.

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 June with ENBD 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 in the coming months with roadshows already planned. We are expecting the sovereign to issue debt in 2H25 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).

INDIA –India's bond market is benefiting from investors seeking higher all-in-yields and diversification. Yields inched higher by 23bp during the month ending at 6.60% on the back of concerns surrounding GST cuts leading to higher funding needs.. Investors will continue to watch out for how growth unfolds, tariff concerns with US and look out for signs of a proactive FX policy from the central bank.

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

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## 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 lost 0.7% during the month, mainly due to the underperformance of equities in Saudi Arabia such as Tawuniya, Catrion, SGS, Mouwasat and SNB. UAE banks and real estate stocks also witnessed profit booking after a steep run YTD. Gains in names such as ADNOC L&S, Dubai Residential REIT and Flynas helped cushion the losses.

During the month we added weight to our existing positions in ADNOC L&S and Emaar Properties while we trimmed our positions in KFH, NBK, SNB and Emaar Development. We initiated a position in Al Rajhi Bank, with the name set to benefit from the beginning of a rate-cut cycle.

During the month, within fixed income, we added ARADA'30, ISTANBUL'28, YKBNK'30 and sold EXCRTU'28.

| | 2025 | Inception (30 Jul 2020) (Class I) |
|---|---|---|
| Total Return | 5.2% | 100.4% |
| Annualized Return | 7.8% | 14.6% |
| Annualized Volatility | 9.3% | 7.9% |
| Sharpe Ratio | 0.4 | 1.4 |

*NAV as of 28th August 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 been listed in the previous 5 years.

The fund was up 0.3% for the month, mainly due to gains in ADNOC L&S, Dubai Residential REIT, Flynas, Salik and Spinneys which helped offset losses in Americana, ADNOC Drilling, Space42 and Talabat.

During the month we added more weight to our existing positions in DEWA, DTC, Parkin and Americana, while we trimmed our positions in Dubai Residential REIT, Lulu Retail, ADNOC L&S, Salik, Spinneys and TECOM.

| | 2025 | Inception (Aug 2022) (Class A) |
|---|---|---|
| Total Return | -2.1% | 23.8% |
| Annualized Return | - | 7.2% |
| Annualized Volatility | - | 9.1% |
| Shape Ratio | - | 0.3 |

*NAV as of 29th August 2025*

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***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.***

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