

# Monthly Review, Asset Allocation & Outlook

## February 2026



## Highlights of the Month

- The Global markets were mixed in February 2026, as concerns around AI-related capex concerns and geopolitical tensions
- Global equities rose, with the MSCI ACW Index up 1.2% MTD on resilient data, strong earnings and moderating inflation.
- Equity leadership broadened, with value outperforming growth and EM (+5.4%) outperforming DM (+0.6%).
- The S&P 500 Index and Nasdaq Index down 0.9% and 3.4%, respectively during the month.
- U.S. Treasury yields edged lower, with 2Y and 10Y down 15bps and 30bps, respectively.
- Fixed income returns were positive, with the Barclays Global Agg. and High Yield indices gaining 1.1% and 0.2%, respectively.
- Gold rose 7.9% up during February on continued strong demand.
- Dubai and ADX were up by 1.1% and 1.7%, respectively, while Saudi down 5.9%.
- The FTSE MENA Broad Bond Index ended the month 1.6% higher.
- We tactically reduce equities to equal weight due to increased geopolitical uncertainty.
- We continue to favor a well-diversified portfolio to navigate near-term trade uncertainties.



## Global Review

Global markets delivered mixed performance in February 2026, as heightened AI-related capital spending concerns and geopolitical tension introduced volatility across regions, while inflation trends generally continued to ease. In equities, technology-related sectors recorded strong gains in Asia and several emerging markets, although U.S. technology stocks lagged amid concerns surrounding AI-related earnings expectations and capital spending. MSCI All Country World Index closed the month up 1.2%. The rotation in equity markets continued with value stocks (+3.2%) outperforming growth (-1.0%), and defensives (+5.7%) outperforming cyclicals (+0.1%).

Fixed income witnessed strong gains in February, as investors increased allocations to high-quality assets amid rising concerns around artificial intelligence-related risks, private credit and escalating geopolitical tensions. The U.S. 2-year and 10-year Treasury yields fell by 30 bps and 15 bps, respectively. The Bloomberg Barclays Global Aggregate Index, a broad measure of the global investment-grade fixed-income market, rose 1.1%. Expectations for rate cuts in the U.S. diminished following hawkish communication from the Federal Reserve and delayed inflation data indicating core PCE remained at 3%. Private credit remained in focus as concerns increased over the sector's exposure to software companies; however, the spillover into public markets was limited.

The Bloomberg Commodity Index gained 0.8%, supported by rally in precious metals and increase in oil price. Gold increased 7.9% to close at \$5,279 per ounce. In addition to support coming from central bank purchases gold benefited from the sharp rise in geopolitical risks. We remain positive on gold, given concerns over high fiscal deficits in developed economies, elevated debt-to-GDP ratios, and questions regarding Fed independence, which are likely to continue prompting EM central banks to diversify away from developed-market (DM) sovereign holdings.

Brent oil price rose 2.5% on increase in geopolitical risks. Copper and aluminum and rose 1.7% and 0.3%, respectively, for the month, supported by strong demand from China and green-energy sectors, and a cautious long-term supply outlook. Petrochemical prices rebounded further on higher oil and Naphtha prices, with SE Asia LLDPE up 5.9%, PP +4.6%, HDPE +4.5% and PP +2.9%.

Bitcoin and Ethereum fell 14.7% and 19.0%, respectively, due to the uncertainty linked to interest rate cuts, investors moving into safer haven assets such as US Treasuries and gold, and liquidation of leveraged positions.

### Global Equities:

Emerging markets (EM) outperformed developed markets (DM), with the MSCI EM Index surging 5.4%, while the MSCI World Index gained 0.6%. EM Asia and EM LatAm outperformed, gaining 6.2% and 3.7%, respectively. The rotation in equity markets favored value sectors, especially those likely to benefit from continued AI capital expenditure, including manufacturers in Asia and raw-material exporters in Latin America. Korean equities rallied sharply, with the Kospi up 21.7% in February, driven by strength in memory chips as supply shortages lifted prices and continued foreign investor inflows. Taiwan also posted strong gains, rising 11.8%.

LatAm markets benefited from higher commodity prices, relatively cheaper valuation and rotation towards value. Mexico and Brazil rose 7.0% and 3.8%, respectively. GCC markets witnessed a mixed performance with MSCI UAE gaining 3.4%, while MSCI Saudi and MSCI Qatar fell 5.8% and 2.5%, respectively. China lagged declining 5.6% due to weakness in technology and continued structural pressures

AI remained a key driver of volatility in U.S. equity markets, with the S&P 500 ending the month as the worst-performing major developed equity market, posting total returns of -0.8%. Investors expressed concerns both about the potential returns on significant AI capital expenditure and the possibility that AI tools could disrupt a wide range of sectors. The software sector was particularly impacted, as investors questioned the durability of competitive advantages within the software-as-a-service (SaaS) business model. The wealth management industry also faced pressure, and concerns about the software exposure of publicly listed private credit managers further weighed on the broader financials sector.

At the same time, investors rotated toward asset-intensive sectors that are expected to benefit from the continued expansion of AI infrastructure. Consequently utilities, energy and materials emerged as the top performing sectors during the month, rallying 9.9%, 8.8% and 8.3%. Defensive sectors such as consumer staples and healthcare also did well, rising 7.9% and 3.4%, respectively. Dow Jones Industrial Average Index (+0.2%) outperformed Nasdaq Index (-3.4%). The Russell 2000 Index, a small-cap U.S. equities benchmark, gained 0.7%. The US Supreme Court invalidated



previous global tariffs, prompting the administration to introduce a new 10% tariff later increased to 15%.

Economic data released during the month presented a mixed picture. The US economic growth slowed in the Q4 2025, with GDP expanding by 1.4%, well below the 2.8% consensus forecast and down from 4.4% in Q3. The weaker growth was partly attributed to the longest government shutdown on record, Despite this, both consumer and business spending remained resilient, increasing 2.4% and 3.8%, respectively. Excluding the impact of reduced government spending, underlying economic growth was estimated to be closer to 2.5%.

Labor market data for January showed stronger-than-expected hiring, with nonfarm payrolls rising by 130,000, nearly double the 66,000 expected and marking the fastest pace of job creation in 13 months. The unemployment rate also declined by 0.1% to 4.3%, the lowest level in three months. However, revisions to 2025 employment data painted a weaker picture, indicating that only 181,000 jobs were created during the year, 69% fewer than the initially reported 584,000.

Inflation data showed continued moderation. Core CPI, which excludes food and energy prices, increased 0.3% during the month and 2.5% YoY, marking the slowest annual increase since March 2021. Inflation remained subdued despite earlier concerns that tariffs announced in April could trigger a sharp rise in prices.

Japanese equities were among the strongest performers globally with Nikkei 225 Index surging 10.4%. Confidence grew in the government's plans to stimulate economic growth, and companies linked to semiconductors and artificial intelligence performed particularly well. European equities rose with the MSCI Europe ex-UK Index rising 3.5% supported by stronger than expected macro data. The ECB held interest rates at 2% for the fifth consecutive meeting as core inflation eased and manufacturing activity improved.

**Fixed Income:** February 2026 was a strong month for bond investors, extending the positive momentum from late 2025 into early 2026. Investment Grade bonds lead the gains with Bloomberg Global Aggregate Index gaining 1.1%, and Bloomberg High Yield Index posted moderate gains of 0.2%. U.S. Treasury yields moved sharply lower, with the 5-year and 10-year tenors declining by nearly 30 bps. The rally was accompanied by a mild bull-steepening bias, reflecting persistent inflation alongside moderating growth expectations. Rate-cut expectations increased over the month, rising from 2.1 cuts at the start to 2.5 by the end of February, as markets evaluated the longer-term impact of AI on the labor market. Meanwhile, market volatility spiked, with the ICE BofA MOVE Index up 24% in February.

Most US macroeconomic data pointed to a resilient economy. January NFPs rose by 130k, well above expectations of 65k and the prior 48k, while the unemployment rate declined to 4.3% versus 4.4% expected. Average hourly earnings increased 3.7% YoY, in line with forecasts. Meanwhile, the ISM Manufacturing Index surged to 52.6 from 47.9, marking a 40-month high and its first expansionary reading since February 2025. Inflation moderated with headline CPI rose 2.4% YoY vs 2.5% est., Core CPI increased 2.5% in line with expectations, Core PCE rising 3.0% YoY vs 2.9% est, 2.8% prev. Geopolitical developments added uncertainty, as the U.S. imposed global tariffs of 15% and tensions with Iran weighed on market sentiment. Concerns around the potential impact of AI on technology and other sectors also pressured markets. FOMC Minutes showed policymakers had a broad agreement to hold rates steady, with only the two known dissenters favoring a cut and no indication that support for easing extended beyond them. This was a pushback against general consensus for a smooth path of rate cuts. Additionally, several participants supported an idea to change the statement language to indicate that it could be appropriate to hike rates if inflation remains above target.

Global corporate dollar bond issuances stood at \$326.2bn in February, 37% lower MoM. As compared to February 2025, issuance volumes were up 14%. 82% of the issuance volumes came from IG issuers with HY comprising 15% and unrated issuers taking the remaining 3%. Asia ex-Japan & Middle East G3 issuance stood at \$25.5bn, down 72% MoM and 35% YoY. 73% of the volumes came from IG issuers with HY issuing 19% and unrated issuers taking the rest.

In the GCC, bank issuers included Al Rajhi, QNB, QIB, CBQ, Mashreq, and NTBKK. On the real estate side, Bingham issued a 5-year sukuk, raising \$500 million, while Omniyat also raised \$600 million through a 5-year sukuk.

The Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) were up 1.2% and 1.5%, respectively. EM fundamentals remain relatively stable, with selective opportunities across higher-quality credit.



## MENA Equities:

MENA equity markets corrected in February following the strong rally seen in January, with investors adopting a more cautious stance amid rising geopolitical tensions in the region and some profit-taking across GCC markets. TASI index was down 5.9% during the month, reversing part of the gains recorded at the start of the year. The pullback was broad-based across sectors, with banks names seeing some consolidation following strong performance in January. Despite the correction, investor interest in Saudi banks remains supported by expectations around a potential increase in foreign ownership limits (FOL), which could drive additional foreign inflows into the sector over the medium term. In UAE markets saw more modest movements during the month as investors continued to digest corporate earnings releases where DFM +1.1%, and ADX +1.7%. In Dubai, real estate names remained supported by strong underlying property market activity and solid dividend expectations, although gains moderated compared to January. Following 28th of February, which is the beginning of the Iran-US geopolitical escalated tensions market reaction across the region will likely depend on how quickly tensions stabilize and whether disruptions extend beyond near-term volatility to affect mobility, trade logistics, and investor sentiment. Elsewhere in the region, Kuwait's All Share Index remained pressured down 3.8% YTD & flat during the month amid ongoing uncertainty surrounding the proposed mortgage law. Moreover, in Kuwait ABK Q42025 results came in line with consensus versus GBK results that beat estimates. Banks in Kuwait are guiding for loan growth in low teens in 2026, broadly in line with 2025. Egypt's EGX30 Index continued to outperform regional peers improving 17.7% YTD & 3% during the month, supported by foreign inflows into key blue-chip names and improving macroeconomic sentiment following recent monetary easing measures.

TASI index declined by 5.9% during the month. The Capital Market Authority (CMA) implemented reforms allowing broader foreign participation in the Saudi equity market starting 1 February 2026, removing the Qualified Foreign Investor (QFI) requirement and enabling all foreign investors to directly access Tadawul-listed securities. This move is part of Saudi Arabia's broader effort to further liberalize capital markets and attract additional foreign investment under Vision 2030. Arab National Bank (ANB) reported NIM inline with guidance at 3.44% and guided for >3% in 2026 under the assumption of two rate cuts in 2026, loan growth slowing to mid to high single digits vs 15% in 2025. Aramco reported Q42025 topline lower YoY due to lower sales volume owing to the planned turnaround at Yanbu facility translating into lower net profit for the year as well, the board decided to distribute SAR3.5 DPS for H2-25 which was a key positive surprise for the market. Bupa Arabia insurance revenues for 2025 grew by 7% YoY with total number of insured lives increasing 10-11% YoY to 14.5mn as of 2025-year end with the recently approved insurance strategy targets to have 23mn insured lives by 2030. Habib reported revenues of +22% YoY driven by solid growth in patients +28% YoY and the new hospitals added over the last 2 years, these facilities are still in ramp up phase with their revenue contribution expected to increase over years as they scale up its operating capacity. RASAN FY 2025 revenues grew 81% YoY driven by expansion in motor retail & new customer additions in leasing segment & contribution from newly launched projects in 2026, this translated into net profit increasing to SAR247mn in FY 2025. Leejam reported results that were pressured by an increase competition & higher lease rates in Riyadh. Revenue grew 3% YoY in Q425 driven by newly opened centers while LFL revenue declined 4% YoY due to road closures & parking constraints across some centers. Leejam new 2026 strategy would also include aggressive center expansion by which the market didn't perceive well.

Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX) indices grew by 1.1% and 1.7%, respectively. For DFM. Emaar properties reported contracted sales of AED80.4bn (+15.7% YoY) in 2025 driven by demand across communities and new launches as well as strong population growth & 90%+ of the 48 launches in 2025 were sold out, and the company managed to deliver approximately 6,500 units in 2025. However, Emaar's management pointed out that apartments may see some price softening in late 2026 or early 2027 vs townhouses than has a lower risk to lower prices. The company commits to AED1/share dividend payment for the next future. Emaar development reported strong set of results with contracted sales coming ahead of estimates of AED18.2bn & net income +40.7% YoY in Q42025 & sales backlog stood at AED12.5bn as of end of 2025, this would be recorded over the next years & an annual dividend of AED0.68/share. Empower reported Q42025 which is seasonally lower than the rest of the year as a result of cooler months. EBITDA +8% YoY translating into 51% margin (up 200 basis points YoY). Empower maintained its commitment to AED875 mn dividend payments for both 2025 & 2026 & any margin improvement would translate into higher 2027 dividends onwards. DEWA topline came in line with estimates with the increase derived from power & water volumes, DEWA earnings are supported directly from population increase & new residential areas. DEWA dividend policy states a minimum of AED6.2bn per year for the first 5 years post IPO on semi-annual basis. PARKIN results were driven by implementation of variable tariffs in 2025 with revenues +43% YoY & net income of AED625.5mn (+47.7% YoY), however there was a marginal increase in concession fee payable to the RTA, increased staff cost & higher marketing & IT expenses.



### MENA Equities:

Salik performance was also robust because of the two new toll gates introduced as well as dynamic pricing and Q4 is usually a stronger quarter as a result of tourist inflows. Salik policy is to pay 100% of net income as dividends, therefore it is expected that Salik to pay dividends worth AED783mn. DIB also reported Q42025 results, however mixed results as balance sheet growth was strong with strong loan & deposit growth & improved credit quality however revenue growth was modest, lower net financing income, and modest NIM growth. The board recommended dividends of AED 0.35/share for 2025 vs AED 0.45 for 2024 implying a dividend yield of 3.5%. Spinney's results were negatively impacted by higher taxes in UAE as pre tax earnings were up 19% YoY in Q42025 & FY 2025 earnings increased 12% YoY driven by higher LFL growth, opening of 13 new stores across UAE & KSA, while average basket size decreased slightly due to the introduction of new store formats & new consumer behavior. The board recommended distribution of additional cash dividends of AED0.036/share giving total dividends of the year of AED0.069/share. Duba Taxi company reported strong results with earnings up 8% YoY in Q42025 on higher taxi fares as RTA introduced 7 fills tariff adjustments in July 2025, as well as higher airport taxi fares, results was also supported by higher population & tourism growth in Dubai. Talabat results were pressured by Keeta entry in 2025 with earnings falling 11.4% YoY in Q425. Talabat plans to expand its GMV, talabat mart segment (grocery & retail), and strengthening t-pro, these price investments are likely to put pressure on margins in the near term as management is adopting a disciplined approach to strengthen its competitive position and not loose market share.

In ADX, ADNOC Drilling reported results mainly inline with estimates, however guidance for 2026 is flat due to their shift to unconventional business, more acquisitions outside UAE. ADNOC distribution reported solid results with FY 2025 earnings up 15% YoY supported by higher contribution of non-fuel retail business. ALDAR reported strong set of results with contracted sales at AED12bn higher 25% YoY with occupancy rate across the investment portfolio at 96%, ALDAR also awarded development contracts totaling AED 66 bn in 2025, the contracts were awarded across the United Arab Emirates for residential, commercial, infrastructure and logistics projects & ALDAR added up AED23 bn in gross development value to its strategic landbank in Abu Dhabi. ALEC reported its financial results with revenue growing 36% and most importantly a backlog of AED30.4 bn as of Dec 2025 making it a 2.4x revenue coverage. The company reported results are inline/higher than our estimates across revenue, margins, and net income as ALEC is progressing well towards the execution of projects. Americana Q42025 results showed recovery momentum as revenue +14% YoY supported by better LFL sales and new stores & all markets were growing positively in Q42025. A major headline is the announcement of acquisition of Malek Al Tawook (MAT) a well-known Lebanese Arabic QSR brand. e& reported earnings in-line with consensus +11% YoY in Q42025 driven by strong topline, strong performance in UAE & overall international markets, as FX rates for several markets benefited from weaker USD, overall results don't carry major surprises. AD Ports Q425 performance was solid across all divisions with an exception to logistics segment. AD Ports strategy of unlocking value by non-core asset divestments & these benefits seem to be materializing in 2025 which could trigger dividend distributions during 2026 & boost balance sheet strength.



## 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	10,709	-5.9%	2.1%	15.2	2.1	4.1%
Dubai - DFMGI	6,504	1.1%	7.5%	9.1	1.5	5.8%
Abu Dhabi – FADGI	10,454	1.7%	4.6%	10.4	1.6	5.1%
Qatar – DSM	11,055	-2.3%	2.7%	11.0	1.4	5.3%
Kuwait - All Share	8,572	0.1%	-3.8%	13.3	1.8	4.7%
Oman - MSM30	7,393	16.8%	26.0%	12.9	1.0	4.0%
Bahrain – BHSEASI	2,061	0.8%	-0.3%	6.3	0.4	9.8%
Egypt - EGX30	49,213	3.0%	17.7%	7.4	1.9	4.7%
Morocco - MOSENEW	18,141	-2.8%	-3.7%	18.7	3.3	3.0%
S&P Pan Arab Composite	179	-2.5%	4.5%	12.6	1.8	4.2%
Israel - TA35	4,128	3.1%	13.7%	16.1	2.7	1.9%
Turkey - XU100	13,718	-0.9%	21.8%	4.5	0.6	6.4%
Pakistan - KSE100	168,375	-8.5%	-3.3%	6.6	1.5	5.5%
S&P 500	6,879	-0.9%	0.5%	21.5	4.6	1.3%
STOXX 600	634	3.7%	7.0%	15.3	2.2	3.3%
MSCI EM	1,611	5.4%	14.7%	17.3	2.2	2.2%
MSCI All Country World	1,057	1.2%	4.2%	18.6	3.2	1.8%
MSCI World	4,557	0.6%	2.9%	19.8	3.5	1.7%

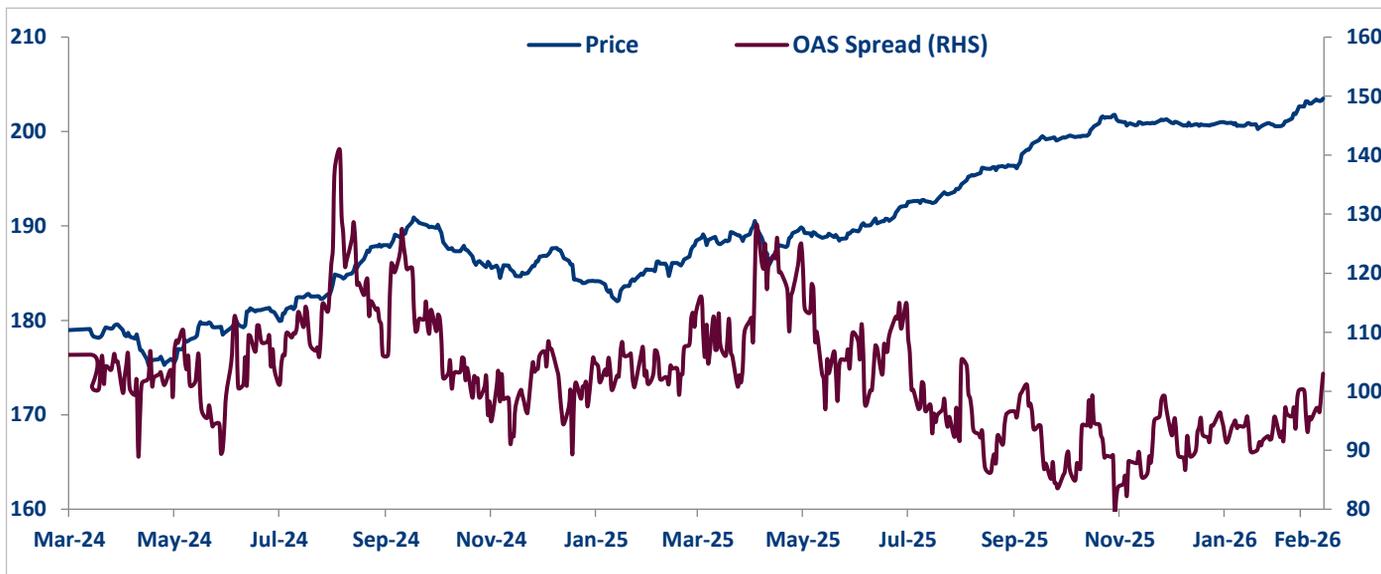
Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	204	1.5%	1.3%
FTSE MENA Broad Bond Index	189	1.6%	1.3%
Dow Jones Sukuk	100	0.7%	0.3%
Barclays Global Aggregate Index	512	1.1%	2.1%
Barclays Global High Yield Index	1,885	0.2%	1.2%
Barclays US Treasury Index	2,477	1.8%	1.7%
Barclays US Corporate Index	3,597	1.3%	1.5%
Barclays US Corporate High Yield index	2,935	0.2%	0.7%
JPM EM Global Bond Index	700	1.4%	1.7%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,409	1.22%	1.6%
Bloomberg Barclays US Aggregate Bond Index	2,390	1.6%	1.7%
Markit CDX Emerging Markets Index	99	-0.3%	-0.4%
Barclays EM High yield	1,858	0.7%	1.8%
Barclays EM Corporate Index	327	0.7%	1.5%
10-year US Treasury yield* (%)	3.94	-30	-23
30-year US Treasury yield* (%)	4.61	-26	-23
US Treasury 2-10 Spread*	55.64	-15	-13
US Treasury 2-30 Spread*	122.95	-12	-14
10-year US Treasury Real yield* (%)	1.68	-21	-22
10-year Germany Treasury yield* (%)	2.64	-20	-21
US Breakeven 10 Year*	2.26	-8	1
10-year Saudi Arabia Govt USD Bond yield* (%)	4.56	-21	-4
8-year Abu Dhabi Govt USD Bond yield* (%)	3.99	-20	-15
4-year Kuwait Govt USD Bond yield* (%)	3.71	-18	-28
9-year Oman Govt USD Bond yield* (%)	4.73	-19	-7
10-year Bahrain Govt USD Bond yield* (%)	6.35	-13	29
7-year Qatar Govt USD Bond yield* (%)	3.83	-21	-7
10-year Egypt Govt USD Bond yield* (%)	7.18	-3	39
EIBOR 3M* (%)	3.47	-13	0
QAIBOR 3M* (%)	3.98	-7	0
Dubai 5 Year CDS* (bps)	52	1	5
Qatar 5 Year CDS* (bps)	32	4	5
2-year US Treasury yield* (%)	3.37	-15	-10

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)	72.48	2.5%	19.1%
Natural Gas (USD/mmbtu)	2.86	-34.3%	-22.4%
Gold (USD/Ounce)	5,279	7.9%	22.2%
Copper (USD/MT)	13,294	1.7%	6.8%
Aluminium (USD/MT)	3,128	0.3%	5.4%
Nickel (USD/MT)	17,641	-0.5%	6.9%
Urea Middle East (USD/MT)	490	11.4%	28.1%
Methanol China (USD/MT)	262	-2.6%	5.2%
SE Asia Polyethylene (USD/MT)	920	4.5%	5.7%
Polypropylene (USD/MT)	910	4.6%	7.1%
US Dollar Index	97.61	0.6%	-0.7%
MSCI EM Currency index	1,883.91	1.1%	1.7%
JPM EM Currency index	47.67	0.7%	2.3%
EGP/USD	0.021	-1.9%	-0.5%
TRY/USD	0.023	-1.0%	-2.2%
PKR/USD	0.357	0.0%	0.1%
ILS/USD	0.319	-1.1%	1.7%
EUR/USD	1.18	-0.3%	0.6%
GBP/USD	1.35	-1.5%	0.1%
USD/JPY	156.05	0.8%	-0.4%



# Global Asset Allocation and Outlook



## Global Asset Allocation and Outlook

The recent geopolitical escalation in the Middle East (“the region”) has led to increased volatility across global markets. The situation has drawn particular attention to the Strait of Hormuz, a critical route through which approximately 20% of global oil and LNG supply transits. Tanker traffic through the Strait of Hormuz has declined by almost 90% over the past week. As a result, oil prices have incorporated a significant geopolitical risk premium, with Brent crude prices rising 39% since the end of February 2026.

Disruptions at liquefaction facilities have led QatarEnergy to declare force majeure on its LNG shipments to Asian and European buyers. Consequently, European TTF natural gas futures have surged significantly, with prices rising 57%. Rising energy prices have increased inflation expectations, causing 10-year US Treasury yields to rise by 32 basis points, while expectations for rate cuts have declined to slightly below one cut by the end of 2026, down from 2.4 cuts previously expected.

Global equities have also come under pressure, with the MSCI All Country World Index declining 4.6% since the end of February. Emerging market (EM) equities—particularly EM Asia—have been more severely affected, with the MSCI EM Index falling 7.4% over the same period due to rising stagflation concerns. Asian economies are key energy importers, sourcing approximately 60% of their oil imports and 25% of their LNG imports from the region, much of which passes through the Strait of Hormuz. The MSCI EM Currency Index declined 1.6% during the same period.

Regional equity markets have also experienced heightened volatility. The S&P Pan Arab Composite Index declined 3.6%. Among regional markets, Dubai, Abu Dhabi, Qatar, and Egypt were the worst performers, declining 15.2%, 7.8%, 5.1%, and 4.9%, respectively. In contrast, Saudi Arabian and Kuwaiti equities remained relatively resilient. UAE equities are particularly sensitive to geopolitical developments due to the economy’s relatively higher dependence on foreign investment and tourism inflows.

Investor sentiment toward Egypt deteriorated due to its status as a net energy importer and Israel’s suspension of gas supplies. As a result, the Egyptian pound weakened by 8.6% against the US dollar. Turkish equities declined 3.1%, while the Turkish lira remained relatively stable, supported by central bank interventions aimed at preventing currency depreciation. However, the Turkish central bank’s net reserves declined by nearly \$26 billion since the escalation, as policymakers acted to stabilize the currency.

Weakness in US Treasuries also spilled over into global sovereign bond markets. Investment-grade bonds, represented by the Barclays Global Aggregate Total Return Index, declined 2.5%, while the Barclays Global High Yield Index fell 1.5%. The FTSE MENA Broad Bond Index declined 2.0%. Within the region, UAE high-yield real estate bonds have been the most affected segment, declining 5–8%.

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### Outlook

We outline two potential scenarios for the duration of the geopolitical escalation and evaluate their implications for global markets.

Given the mounting inflationary pressures resulting from rising energy prices, Scenario 1 (a duration of 4–6 weeks) appears more likely.

Scenario	Duration of Escalation	Market Characterization
Scenario 1	Resolved within 4–6 weeks	Short-term volatility with limited macroeconomic damage
Scenario 2	Lasts 3–4 months	Severe energy shock and heightened global stagflation risk

### Scenario 1: Duration of 4–6 Weeks

#### Key Developments

- Short-term disruption to shipping and energy infrastructure
- Possible release of strategic petroleum reserves
- Global oil supply largely restored with a lag of approximately one month

#### Impact on Global Markets

- Oil: Expected to rise to \$90–\$120 per barrel
- Equities: Potential drawdown of 7–10%
- Fixed Income: Investment-grade bonds could decline 3–4%, while high-yield bonds may fall 5–6%



## Global Asset Allocation and Outlook

### Portfolio Rebalancing Strategy

- Maintain diversification across countries and sectors
- Reduce portfolio duration and reduce exposure to equities
- Increase allocation to gold as a hedge
- Increase exposure to energy
- Reduce exposure to regional equities
- Maintain cash positions to capitalize on market corrections

### Scenario 2: Duration of 3–4 Months

#### Key Developments

- Prolonged disruption to shipping and energy infrastructure
- Strategic petroleum reserve releases may prove insufficient
- Global oil supply restoration could take 2–3 months post deescalation
- Increased stagflation risks (higher inflation combined with slower economic growth)
- Governments may introduce energy subsidies causing higher fiscal deficit concerns

#### Impact on Global Markets

- Oil: Expected to rise to \$130–\$150 per barrel
- Equities: Potential drawdown of 15–20%
- Fixed Income: Investment-grade bonds could decline 5–6%, while high-yield bonds may fall 9–12%
- Bear steepening of yield curve
- Rising probability of defaults due to financial stress
- Real estate and tourism sectors likely to experience sustained pressure

### Portfolio Rebalancing Strategy

- Increase exposure to money market instruments and gold and underweight both equities and fixed income
- Reduce portfolio duration significantly
- Rotate toward defensive sectors such as utilities, healthcare, and telecommunications
- Increase exposure to energy and defense stocks
- Significantly reduce exposure to regional real estate and tourism-linked securities
- Overweight developed markets (DM) relative to emerging markets (EM)

### We tactically reduce equities to neutral from overweight on geopolitical and inflation risks.

**However**, we continue to see the following catalysts supporting the market – i) Fiscal stimulus in DM economies ii) Monetary stimulus with further rate cuts in US and UK and some EM markets iii) Earnings growth to remain strong on resilient economic growth and AI linked capex and companies benefiting from productivity gains on AI adoption iv) Continued momentum in AI-related stocks vi) US 10-year treasury yields remaining well behaved with 4.50% level acting as a cap.

**We stay neutral on fixed income:** US Treasury yield curve to further steepen during H1 on fiscal deficit, inflation and high debt concerns. Short end rates will remain anchored by the market's expectation of 2 rate cuts in 2026. However, long term yields would continue to stay above 4% and potentially touching 4.4% during H1 on fiscal deficit and high debt concern, and growth remaining resilient. Ongoing geo-politics and military activities may result in further deficit in the investor confidence in the US and allied states (including the Gulf Region). Global Tariffs of 15% kicking in from March and wild swings in oil prices will add to the inflationary pressures and thereby term premiums. While the economic data doesn't support rate cuts, likely government stimulus with the ongoing scenario may support yields from going up. 4.5% remains an important threshold for UST on the upper side to breach.

GCC fixed income will remain a point of focus as the ripple drawdowns can impact the prices adversely. However, this can be a good time to allocate to fundamentally strong issuers falling in non-cyclical sectors. Allocation in drawdown times can be positive on getting higher yields as well as price appreciation once the situation improves.

Capital markets for neutral stance nations can also see additional allocation as investors will look to diversify and hedge their existing DM positions.

We still remain cautious on duration and 5 year remains our sweet spot to avoid overexposure to heavier movements in long duration. In our asset allocation, we continue to remain well-diversified across asset classes, countries, and sectors.

Tactically, we have moved IG fixed income to overweight and HY to underweight.



## Asset Allocation

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



## Global Asset Allocation and Outlook

### Global Equities:

We tactically downgrade EM equities to underweight and upgrade DM equities to overweight. EM equities will see increased inflation and reduced economic growth due to their high dependency on importing oil via Strait of Hormuz.

With in DM we stay overweight on the US and neutral on Europe. In EM, we are tactically go underweight on Asia (China, Korea and Taiwan). We remain overweight LatAm (Brazil, Chile and Peru) and underweight EMEA.

### Preferred Picks:

**Technology and communication services:** Microsoft, Nvidia, Amazon, META, Netflix, Broadcom, Alphabet, Micron

**Healthcare:** Pfizer, Gilead Sciences, Boston Scientific Corp, Abbott Laboratories

**Industrials/Auto:** GM, Ford, Caterpillar, Deere, GE Vernova, Vertiv Holdings

**Financials:** JPM, Citi, Visa and Mastercard

**Airlines:** Delta Airlines, United Airlines

**Utilities:** Nextera Energy

**Consumer Staples:** Walmart

**Energy:** Chevron, Exxon, Valero, Occidental Petroleum

### MENA Equities:

GCC equity markets saw a correction in February following the strong rally at the start of the year, going forward investors turning more cautious amid rising geopolitical tensions across several markets. The extent and duration of the current geopolitical escalation remain uncertain following the recent strikes on Iran. Market reaction across the region will likely depend on how quickly tensions stabilize and whether disruptions extend beyond near-term volatility to affect mobility, trade logistics, and investor sentiment. Within GCC, Saudi demographics is different vs UAE and it is expected that Saudi would trade at a relatively lower risk premium vs UAE because Saudi has less expat population. Also highlighting names like Aramco are positively affected by higher oil prices, if volumes were not heavily impacted.

Equity market sector impacts that we expect to remain defensive are Telecom as it is a critical infrastructure sector, Healthcare & insurance, consumer staples sector, Utilities sector. Equity market sector impacts that we expect to be most sensitive are Real estate, consumer discretionary, transportation, mobility and banks.

While geopolitical developments may drive near-term volatility, regional fundamentals remain supported by ongoing structural reforms, resilient domestic demand, and continued investment activity across key sectors.

Our preferred plays include:

- **Banks:** ADCB, ADIB, Emirates NBD, DIB, GBK, KFH, NBK, SNB
- **Consumer Discretionary:** Spinneys, Almarai.
- **Energy:** ADNOC Drilling, 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, DTC, Parkin, SGS
- **Utilities:** DEWA, Empower



## Global Asset Allocation and Outlook

### EM Fixed Income:

We remain neutral on EM fixed income and maintain a cautious stance on duration, as markets continue to navigate an uncertain macro backdrop. U.S. Treasury yields remain elevated and the yield curve steep, while the Federal Reserve has kept policy rates unchanged at 3.50%–3.75%, signalling a data-dependent approach as policymakers await clearer evidence that inflation is sustainably moderating.

Bonds continue to play a core role in portfolios, providing income and diversification should growth momentum soften or labour market conditions weaken. However, with markets currently pricing around 50–60bps of Fed cuts over the next 12 months, the risk-reward for extending duration appears more balanced, particularly as inflation risks could re-emerge amid ongoing geopolitical tensions and potential trade frictions.

Against this backdrop, we continue to emphasize quality and flexibility, focusing on capturing carry through high-quality credit while actively managing interest rate exposure through curve positioning. We remain selective on duration and continue to view an average portfolio duration of around five years as optimal to balance carry, roll-down potential, and volatility.

*Saudi Arabia.* The Kingdom kicked off 2026 with a strong sovereign issuance, raising USD 11.5 bn through a four-tranche international bond sale (3-, 5-, 10- and 30-year) that attracted an orderbook 2.7x oversubscribed, underscoring robust global demand for GCC credit.

Saudi corporates and financials were active early in the year, including AT1 and Tier-2 capacity from banks and USD bonds from Saudi Telecom / Aramco-linked issuers, reflecting diversified funding needs.

*UAE.* UAE enjoys a positive balance on both its budget and external accounts. The UAE's debt capital market remained constructive in February with strong bids seen in Binghatti, Mashreq, ENBD, Omniyat.

What we like: ABU DHABI Govt, ARADA Sukuk, ESIC Sukuk, FAB Sukuk, GEMS, PD Sukuk, Sobha Sukuk, Binghatti Sukuk

*KUWAIT* –Kuwait's fixed-income market has seen credit issuance extend beyond its 2025 sovereign return; bank-linked benchmark sukuk (e.g., KFH five-year) priced in early 2026 with strong order books and tight spreads, reflecting renewed investor interest in credit.

**INDIA** –India's bond and corporate debt markets remained resilient in February 2026, supported by ample system liquidity, a broadly stable inflation backdrop, and continued expectations of policy support from the Reserve Bank of India (RBI). While market participants acknowledge the possibility of tighter financial conditions globally, domestic demand for high-quality government and corporate bonds has remained strong. With inflation showing signs of moderating and growth remaining relatively stable, investors continue to price in the possibility of 1–2 policy rate cuts later in 2026, keeping demand for duration and high-quality credit supported. Consequently, spreads in the corporate bond segment have remained stable, with institutional investors maintaining a preference for high-grade issuers amid a still uncertain global macro environment.

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 is 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 1.1% for the month. The highest detractors to return were Talabat, SGS, DIB and Arabian Pipes. On the positive side, Emaar, Emaar Development (EmaarDev), and Aldar were the key contributors to returns.

In fixed income the largest contributors to return were ARACEN’30 and ARACEN’29.

### 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 lost 3.0% for the month. During the month the highest detractors to the return were Talabat and AD ports. On the positive side, NMDC Energy, DubaiRes and Retal were the key contributors to returns.

	2026	Inception (30 Jul 2020) (Class I)
Total Return	3.3%	105.0%
Annualized Return	20.7%	13.6%
Annualized Volatility	8.8%	7.9%
Sharpe Ratio	1.9	1.3

NAV as of 26<sup>th</sup> February 2026

	2026	Inception (Aug 2022) (Class A)
Total Return	1.8%	22.5%
Annualized Return	-	5.8%
Annualized Volatility	-	9.1%
Shape Ratio	-	0.2

NAV as of 27<sup>th</sup> February 2026



## **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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