

# Monthly Review, Asset Allocation & Outlook

## January 2026



## Highlights of the Month

- Global markets started 2026 on a strong note, with equities rallying strongly, while fixed income delivered positive returns
- Global equities rose, with the MSCI ACW Index up 2.9% MoM on resilient data, strong earnings and moderating inflation
- Equity leadership broadened, with value outperforming growth and EM (+9.9%) outperforming DM (+2.7%)
- The S&P 500 Index and Nasdaq Index edged up 1.4% and 0.9%, respectively
- U.S. Treasury yields edged higher, with 2Y and 10Y up 5bps and 7bps, pushing out rate-cut expectations
- Fixed income returns were positive, with the Barclays Global Agg. and High Yield indices gaining 0.9% and 1.0%, respectively
- Gold rose 13.3% in January on continued strong demand, while dollar declined 1.4%
- GCC equities outperformed, with Dubai and Saudi markets up by 6.4% and 8.5%, respectively
- The FTSE MENA Broad Bond Index ended the month 0.3% lower
- We maintain overweight position in equities due to anticipated monetary and fiscal stimulus, and a neutral stance on bonds
- We continue to favor a well-diversified portfolio to navigate near-term trade uncertainties



## Global Review

Global markets started the year on a strong note, as equities and commodities rallied strongly, while fixed income also delivered a moderate return. Strength in equities was driven by better-than-expected data, stronger-than-expected earnings, and moderating inflation, with the MSCI All Country World Index closing the month up 2.9% month-on-month (MoM). Equity returns continued to broaden, with value stocks (+5.1%) outperforming growth (+0.7%) and defensives (+4.2%) outperforming cyclicals (+2.6%).

The Bloomberg Barclays Global Aggregate Index, a broad measure of the global investment-grade fixed-income market, rose 0.9%, as compression in spreads more than compensated for the slight rise in U.S. Treasury yields. The Federal Reserve paused after three consecutive 25-basis-point rate cuts at the end of 2025. The pace of easing is likely to slow as policymakers look for confirmation that inflation continues to cool. The FOMC upgraded its assessment of the economy, noting that activity is expanding at a solid pace, aided by resilient consumer spending and growing business investment. The statement further reflected the committee's view that, while job gains remain modest, the labor market has improved and is showing signs of stabilization, although inflation remains elevated.

Fed Chair Jerome Powell asserted that, given the economy's strength, rates did not appear to be "significantly restrictive." He indicated that the Fed would make its interest rate decisions on a meeting-by-meeting basis. Powell's remarks, along with better-than-expected economic data, pushed expectations for the next Fed rate cut further out. The U.S. 2-year and 10-year Treasury yields rose by 5 bps and 7 bps, respectively. The Barclays Global High Yield Index gained 1.0%, supported by global economic strength.

The Bloomberg Commodity Index surged 10%, supported by a rally in energy, precious metals, and base metals. Gold increased 13.3% to close at \$4,894 per ounce. In addition to support 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 prices rose 16% on an increase in geopolitical risks, and both European and U.S. gas prices rose sharply amid colder winter weather and the associated decline in storage levels. Aluminum and copper rose 5.0% and 4.9%, respectively, for the month, supported by supply disruptions at key mines, strong demand from China and green-energy sectors, and a cautious long-term supply outlook. Petrochemical prices rebounded month-on-month, with SE Asia Methanol up 8.0%, MEG up 4.4%, LDPE up 4.0%, PP up 2.4%, and HDPE up 1.1%. Bitcoin and Ethereum fell 10.8% and 18.8%, respectively, as a delay in the Clarity Act led institutional investors to reduce their exposure.

### Global Equities:

Emerging markets (EM) outperformed developed markets (DM), with the MSCI EM Index surging 9.9% and the MSCI World Index gaining 2.7%. EM index heavyweights Korea, Taiwan, and China were the key drivers of returns. Korean equities rallied sharply, with the Kospi up 20% in January, driven by strength in memory chips as supply shortages lifted prices. Samsung Electronics and SK Hynix continued to benefit from exemptions to more punitive U.S. tariffs. Taiwan also posted strong gains, supported by robust TSMC earnings, resilient AI demand, and a sizeable 2026 capex commitment. Latin American markets benefited from higher commodity prices, relatively cheaper valuations, and a rotation toward cyclicals. Brazil, Chile, and Mexico rose 16.6%, 13.2%, and 9.5%, respectively. GCC markets also had a strong run, with Saudi Arabia, the UAE, and Qatar gaining 10.9%, 6.5%, and 4.9%, respectively. Turkey rallied 25.2% on strong foreign inflows tied to expectations of further rate cuts amid declining inflation.

Indonesia was the regional laggard, with the MSCI Indonesia Index down 5% in USD terms amid concerns over a potential downgrade to frontier-market status. However, this could present a buying opportunity if it leads to more shareholder-friendly reforms. India also fell 2.9% on continued foreign investor outflows linked to tariff concerns. However, the situation improved in February following the announcement of a trade deal with the U.S.

The broadening of leadership continued in the U.S., with the Dow Jones Industrial Average Index (+1.7%) outperforming the Nasdaq Index (+0.9%). The S&P 500 Index closed the month up 1.4%. A notable sector rotation continued toward energy (+14.4%), materials (+8.6%), consumer staples (+7.5%), and industrials (+6.6%). The worst-performing sectors were financials (-2.6%), information technology (-1.7%), and healthcare (-0.2%). The Russell 2000 Index, a small-cap U.S. equities benchmark, gained 5.3%.



With around one-third of the S&P 500 reported, 75% beat earnings expectations—below the one-year average—while blended earnings growth of 11.9% YoY surpassed consensus forecasts. Market reactions were unforgiving, with bank shares falling despite earnings beats, reflecting cost pressures, weaker net interest income guidance, and regulatory concerns.

Economic data generally supported the Fed's argument of a stronger U.S. economy. The December ISM Services reading was solid at 54.4 versus 52.2, marking a 14-month high. December nonfarm payrolls of 50k were below the consensus estimate of 70k; however, a decline in the unemployment rate to 4.4% from 4.5% in November was a bright spot. December core CPI came in at 2.6% YoY, below the consensus estimate of 2.7%, signaling that inflationary pressures have eased further. The final 3Q GDP reading was revised upward to 4.4% from 4.3%.

European equities rose, with the MSCI Europe ex-UK Index gaining 2.9% on easing tariff concerns and a constructive policy backdrop. Japanese equities also advanced in January, extending a strong rally supported by policy optimism, broad-based sector strength, and resilient macroeconomic conditions. Investors continued to price in pro-growth fiscal measures and structural reforms under the new government. The Nikkei 225 Index rose 5.9%.

**Fixed Income:** January 2026 proved to be a constructive month for bond investors, extending the positive momentum observed at the close of 2025. Both the Bloomberg High Yield Index and the Bloomberg Global Aggregate Index advanced by nearly 1%. US Treasury yields rose across the curve amid brief “sell America” commentary linked to tensions over Greenland, which exerted downward pressure on Treasuries. Simultaneously, volatility in the long end of the Japanese government bond market—driven by snap elections and domestic fiscal plans confronting illiquid conditions—triggered a global spillover effect. Despite intermittent volatility and elevated trading volumes, U.S. Treasuries concluded the month on a steady note, supported by well-received auctions. Market volatility tracked by MOVE Index declined by over 7% at the end of the month.

During January, the Treasury yield curve shifted modestly higher and bear-steepened, with the 2-year yield rising 5 basis points and the 10-year yield advancing nearly 7 basis points. The Federal Reserve maintained its policy rates, largely in line with expectations, while signaling a more constructive view on labor market conditions. Chair Powell noted that the January outlook appeared stronger than in December and that risks to both sides of the Fed's dual mandate had moderated. Market attention remained subdued during the uneventful meeting, with focus turning to the Fed chair appointment at month-end, culminating in

the selection of Kevin Warsh by President Trump.

Economic data during the month broadly supported the Fed's assessment of a resilient U.S. economy. The ISM Manufacturing PMI climbed to 54.4, up from 52.2, marking a 14-month high and signaling robust expansion in factory activity. Core CPI for December came in at 2.6% year-on-year, below expectations of 2.7%, indicating further easing of inflationary pressures. The final revision of 3Q GDP was upwardly adjusted to 4.4% from 4.3%. Labor market data for January showed the U.S. economy added approximately 130,000 jobs, while the unemployment rate declined to around 4.3%, though prior-year revisions revealed weaker job growth in 2025 than previously reported.

January 2026 marked a strong start to the year for GCC bond and sukuk markets. The Saudi government raised over USD 11 billion through its sovereign issuances, while Saudi Aramco completed a four-tranche USD 4 billion bond offering. PIF also tapped international markets with a USD 2 billion 10-year sukuk. In Bahrain, the government issued USD 1.3 billion in bonds, and in the UAE, notable issuances included Aldar, FAB, ENBD, Dubai Aerospace Enterprise, and Damac, reflecting continued robust activity across the region's fixed-income market.

The Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) were mainly flat at 0.4% and -0.2%, respectively. EM fundamentals remain relatively stable, with selective opportunities across higher-quality credit.

### Market Outlook:

US Treasury yield curve to further steepen during H1 on fiscal deficit 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. However, as inflation slides during 2H 2026, we expect 10 year yield to slide towards 4%.

We remain selective on duration and with an average portfolio duration of 5-year fixed as the sweet spot.



### MENA Equities:

GCC Equities market started 2026 with a strong note, with many posting gains during January 2026, the S&P Pan Arab Composite Large Mid Cap Index gaining 7.2% during the month led by TASI +8.5%, DFM +6.4% & ADX +2.9%. The rise has been a good start of the year following 2025 rough patch. The Capital Market Authority (CMA) indicated that reforms allowing foreign investors to acquire majority stakes in local companies is gaining interest were market expects FOL increase in Saudi to be implemented soon with Banks gaining the most traction which reflected in a notable rebound in the Saudi market reflecting renewed buying & investor interest across both financial & non-financial sectors for example "AMAK" is a gold mining company take has been gaining interest as it closely follows the commodity cycle. Market liquidity and activity appeared robust, with trading volumes and value remaining elevated as brokers and institutional investors capitalized on the positive start to the year. In summary, January saw a broad recovery and outperformance in MENA equities relative to late-2025, with strong gains in key Gulf markets, improving investor confidence linked to earnings outlooks, and continued solid trading engagement across major exchanges.

TASI index rose by 8.5% during the month, where RJHI led +17.2%, SNB +12.0%, MAADEN +10.9%, & Alinma +4.7%. The strong results in Maaden is due to the strong commodity cycle as Maaden is well exposed to aluminum, copper & phosphate. The banking sector saw a lot of foreign inflows starting 2026 as banks are the top beneficiaries of the FOL increase. Al Rajhi Bank reported loan growth of 9% YOY in Q4-2025 & guides for low-mid single digit in 2026 and a 25 bps NIM expansion. SNB reported 11% loan growth in 2025 where 2026e guidance is high single digit which is higher than Rajhi. Alinma reported results broadly inline with guidance at 14% in FY25, however Alinma mentioned that the dividend payout in 2026 will be lower, without quantifying it to be able to grow as per its potential. Saudi Government announced that it has plans to delay or suspend selective Gega projects in the current oil price environment.

Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX) indices grew by 6.42% and 2.89%, respectively. For DFM, market was led by Emaar development up by 14% during the month as the market was speculating on higher dividends payments, Emaar properties was also a leader up by 11.3% during the month, both securities were supported by solid Dubai real estate data release of December & January where total transactions total of 86.9 mn with a total value of 33 bn & 111.567 mn transactions with a total value of 40.323 mn respectively. For the banking sector Emirates NBD outperformed in Dubai market where the share price rose by 15% during the month post results announced where net profit up 27% YOY in Q4-2025 supported by loan growth, & higher fee income generation. ADX market performance was predominately affected by banking sector results. ADCB results beat consensus, where net interest income rose 9% YOY, with a solid ROE of 16.2% & loan growth of 16% YOY in Q4-25. ADIB reported solid loan growth of 26% in 2025, however expects slower loan growth in 2026 of 12-14% but may be revised upwards this year as the market momentum remains strong. FAB reported strong earnings growth of 22% YOY in Q4-2025, and the board recommends a DPS of 0.08 for 2025 implying a dividend yield of 4.7% where it guides for loan growth of low-mid teens in 2026.

Kuwait's All Share Index declined 3.8% on uncertainties around Mortgage law, while Qatar's QSM Index rose by 5.1%. Conversely, Egypt's EGX 30 Index gained 14.2%, supported by an improved fiscal situation and currency strength and on the back on inflows coming into COMI & TMG. The Central Bank of Egypt (CBE) meeting that took place in 25<sup>th</sup> of December cut interest rates by 100 basis points as inflation ease, the next meeting is in 12<sup>th</sup> of February 2026.



## Major Indices Performance-done

Major Indices Performance	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia - TASI	11,382	8.5%	8.5%	17.4	2.3	3.6%
Dubai - DFMGI	6,435	6.4%	6.4%	11.1	1.9	4.8%
Abu Dhabi – FADGI	10,282	2.9%	2.9%	12.1	1.9	4.5%
Qatar – DSM	11,310	5.1%	5.1%	11.7	1.5	4.9%
Kuwait - All Share	8,566	-3.8%	-3.8%	16.5	2.0	3.6%
Oman - MSM30	6,330	7.9%	7.9%	14.3	1.1	4.3%
Bahrain – BHSEASI	2,044	-1.1%	-1.1%	16.6	0.8	3.7%
Egypt - EGX30	47,786	14.2%	14.2%	9.2	2.3	1.8%
Morocco - MOSENEW	18,667	-1.0%	-1.0%	6.3	3.7	2.8%
S&P Pan Arab Composite	184	7.2%	7.2%	14.0	2.1	3.5%
Israel - TA35	4,004	10.2%	10.2%	15.8	2.9	1.8%
Turkey - XU100	13,838	22.9%	22.9%	7.2	0.0	5.4%
Pakistan - KSE100	184,004	5.6%	5.6%	8.3	1.7	5.1%
S&P 500	6,939	1.4%	1.4%	26.7	5.3	1.2%
STOXX 600	611	3.2%	3.2%	17.7	2.4	2.9%
MSCI EM	1,528	8.8%	8.8%	17.6	2.3	2.2%
MSCI All Country World	1,044	2.9%	2.9%	23.1	3.6	1.7%
MSCI World	4,528	2.2%	2.2%	24.1	3.9	1.6%

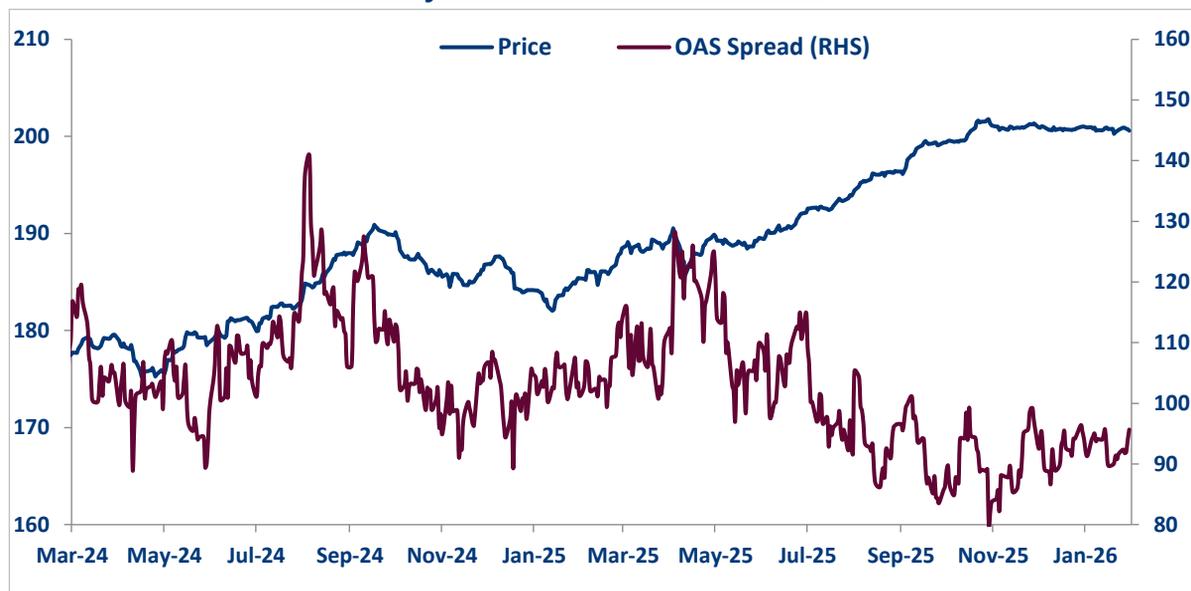
Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	201	-0.2%	-0.2%
FTSE MENA Broad Bond Index	186	-0.3%	-0.3%
Dow Jones Sukuk	100	-0.4%	-0.4%
Barclays Global Aggregate Index	506	0.9%	0.9%
Barclays Global High Yield Index	1,881	1.0%	1.0%
Barclays US Treasury Index	2,433	-0.1%	-0.1%
Barclays US Corporate Index	3,552	0.2%	0.2%
Barclays US Corporate High Yield index	2,929	0.5%	0.5%
JPM EM Global Bond Index	691	0.3%	0.3%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,392	0.36%	0.4%
Bloomberg Barclays US Aggregate Bond Index	2,351	0.1%	0.1%
Markit CDX Emerging Markets Index	99	-0.1%	-0.1%
Barclays EM High yield	1,844	1.1%	1.1%
Barclays EM Corporate Index	325	0.8%	0.8%
10-year US Treasury yield* (%)	4.24	7	7
30-year US Treasury yield* (%)	4.87	3	3
US Treasury 2-10 Spread*	70.90	2	2
US Treasury 2-30 Spread*	134.60	-2	-2
10-year US Treasury Real yield* (%)	1.90	-1	-1
10-year Germany Treasury yield* (%)	2.84	-1	-1
US Breakeven 10 Year*	2.34	10	10
10-year Saudi Arabia Govt USD Bond yield* (%)	4.77	17	17
8-year Abu Dhabi Govt USD Bond yield* (%)	4.18	5	5
4-year Kuwait Govt USD Bond yield* (%)	3.89	-10	-10
9-year Oman Govt USD Bond yield* (%)	4.92	12	12
10-year Bahrain Govt USD Bond yield* (%)	6.48	42	42
7-year Qatar Govt USD Bond yield* (%)	4.04	14	14
10-year Egypt Govt USD Bond yield* (%)	7.21	42	42
EIBOR 3M* (%)	3.61	13	13
QAIBOR 3M* (%)	4.05	8	8
Dubai 5 Year CDS* (bps)	51	3	3
Qatar 5 Year CDS* (bps)	29	1	1
2-year US Treasury yield* (%)	3.52	5	5

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-done

	Value	MTD Change	YTD Change
Brent crude oil (USD/bbl)	70.69	16.2%	16.2%
Natural Gas (USD/mmbtu)	4.35	18.1%	18.1%
Gold (USD/Ounce)	4,894	13.3%	13.3%
Copper (USD/MT)	13,068	4.9%	4.9%
Aluminium (USD/MT)	3,117	5.0%	5.0%
Nickel (USD/MT)	17,733	7.5%	7.5%
Urea Middle East (USD/MT)	440	15.0%	15.0%
Methanol China (USD/MT)	269	8.0%	8.0%
SE Asia Polyethylene (USD/MT)	880	1.1%	1.1%
Polypropylene (USD/MT)	870	2.4%	2.4%
US Dollar Index	96.99	-1.4%	-1.4%
MSCI EM Currency index	1,863.38	0.6%	0.6%
JPM EM Currency index	47.34	1.6%	1.6%
EGP/USD	0.021	1.4%	1.4%
TRY/USD	0.023	-1.2%	-1.2%
PKR/USD	0.357	0.1%	0.1%
ILS/USD	0.323	2.8%	2.8%
EUR/USD	1.19	0.9%	0.9%
GBP/USD	1.37	1.6%	1.6%
USD/JPY	154.78	-1.2%	-1.2%



# **Global Asset Allocation and Outlook**



## Global Asset Allocation and Outlook

Global inflation should ease further in 2026. Fading supply shocks, softer labor markets, AI-driven productivity gains, and ample oil supply point to lower core inflation across most DM and EM economies. US tariff effects should wane combined with productivity gains and moderation in wages, US disinflation should accelerate. We expect US core PCE to decline to 2.4% by end-2026 from 2.8% by end-2025. Inflation will remain sticky during H1 2026 due to the tariffs. However, as the base effect fades inflation should decline in H2 2026. Shelter inflation and service inflation should continue to trend downwards throughout the year.

We expect the Fed to implement two rate cuts in 2026, given labor market weakness and inflation (core PCE) gradually moving towards fed 2% target by 2027. We view the Fed’s ability to combat inflation as limited in a scenario where a significant portion of price pressures stem from tariffs. Kevin Warsh has generally been viewed as an inflation hawk based on his record. During his time at the Federal Reserve, he emphasized the importance of maintaining price stability and avoiding the risks associated with overly loose monetary policy. That said, his approach appears data dependent. If inflation continues to move lower in a sustained way, he would likely be supportive of rate cuts.

**We stay overweight on equities**, as 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 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. However, as inflation slides during 2H 2026, we expect 10 year yield to slide towards 4%.

We remain selective on duration and with an average portfolio duration of 5-year fixed as the sweet spot.

In our asset allocation, we continue to remain well-diversified across asset classes, countries, and sectors.

## 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 Equites:

We stay overweight on EM equities and underweight on DM equities. EM equities will continue to benefit from AI optimism, stable dollar, moderating inflation and lower rates. A moderating inflation tied to lower oil prices would give the EM central banks to cut the rates further which in turn will support economic and earnings growth. EM economies also have better fiscal dynamics and lower debt to GDP vs DM economies. Based on FactSet, consensus expects EM earnings growth of 17% YoY in 2026 (after growing at 9% YoY in 2025) and is expected to outpace both the U.S. and Europe in 2026 (14% for the U.S. and 11% for Europe)

With in DM we stay overweight on the US and neutral on Europe. In EM, we are overweight Asia (China, Korea and Taiwan) and LatAm (Brazil, Chile and Peru) and underweight EMEA. Asia to benefit from AI optimism and LatAm from strong outlook for metals.

In the US, we favor greater diversification toward financials, industrials, healthcare, and materials, as well as small-cap equities, given the improved earnings growth outlook for 2026 and most of these sectors benefit from lower interest rates. Despite elevated valuations, we maintain an equal-weight allocation to information technology and communication services, as combined earnings growth in these sectors is expected to remain above 20%. Overall S&P 500 earnings are expected to grow 14% in 2026.

### 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

### MENA Equities:

GCC equity markets experienced a challenging year in 2025, shaped by softer oil price expectations, shifting global monetary conditions, and widening divergence in domestic growth drivers across countries. After several years of strong performance, elevated starting valuations left markets more exposed to sentiment shifts, particularly as oil prices failed to provide a supportive backdrop.

Overall, 2026 is shaping up as a year of dispersion rather than direction for GCC equities. Markets and sectors with diversified growth drivers, strong balance sheets, and clear earnings visibility are best positioned to outperform, while oil-dependent and execution-constrained markets may lag unless oil prices surprise materially to the upside.

UAE remains best positioned for 2026, combining diversified growth, strong population inflows, and visible earnings streams. Banks, utilities, logistics, mobility, and select real estate developers are well placed to deliver steady growth and income. Saudi Arabia's outlook is more nuanced. While oil prices are expected to remain range-bound, the government continues to prioritize investment-led growth under Vision 2030, even at the cost of wider fiscal deficits. Non-oil activity remains resilient, supported by regulatory reforms, real estate liberalization, and higher foreign participation limits.

Our preferred plays include:

- **Banks:** ADCB, ADIB, Emirates NBD, DIB, GBK, KFH, NBK, SNB
- **Consumer Discretionary:** Spinneys
- **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 underweight duration as markets face a fresh inflection point, with the U.S. yield curve remaining steep and the Fed opting to pause policy at 3.50%–3.75% after December cuts, while minutes reveal internal division and limited appetite for further cuts until inflation eases more significantly, keeping near-term price upside in bonds constrained.

Bonds continue to play a core role in portfolios, offering both income and diversification should the U.S. labour market soften further. That said, with roughly 55bps of Fed cuts priced over the next 12 months, the risk-reward on duration looks more balanced, particularly as markets may be underestimating the potential inflationary impact of trade frictions and tariffs that could re-emerge.

Against this backdrop, we are emphasizing quality and flexibility capturing carry through high-quality credit while actively managing interest rate risk via curve positioning. We remain selective on duration and continue to view around 5-year average portfolio duration as the sweet spot to balance carry, roll-down 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 January, with dirham-denominated Treasury Sukuk and Bonds auctions (AED 1.1 bn) attracting strong bids to support curve development and secondary liquidity.

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 market maintained robust momentum in January 2026, supported by abundant system liquidity, a broadly benign inflation backdrop, and sustained expectations of monetary policy easing from the Reserve Bank of India (RBI). Market participants are pricing a modest tightening of financial conditions in early 2026 but still see room for at least 1–2 rate cuts through the year if inflation continues to moderate, which has kept demand for duration and high-quality credit elevated.

What we like: INCLN, 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 gained 4.4% for the month. The highest contributors to return were Amak, Akbank, Tecom, Aldar and EmaarDev. NBK and ADNEC were the key detractors.

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 gained 5.0% for the month. During the month the highest contributors to the return were Amak, TECOM, DTC, Empower, Parkin and DEWA. Meanwhile, ADNOC L&S and Flynas were the key detractors during the month.

	2026	Inception (30 Jul 2020) (Class I)
Total Return	4.4%	107.2%
Annualized Return	-	14.1%
Annualized Volatility	-	7.9%
Sharpe Ratio	-	1.4

NAV as of 29<sup>th</sup> January 2026

	2026	Inception (Aug 2022) (Class A)
Total Return	5.0%	26.4%
Annualized Return	-	6.8%
Annualized Volatility	-	9.0%
Sharpe Ratio	-	0.3

NAV as of 30<sup>th</sup> January 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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