

Monthly Review, Asset Allocation & Outlook July 2025



Highlights of the Month

- Global asset classes exhibited mixed performance in July, with equities outperforming fixed income
- The MSCI All Country World Index gained 1.3%, supported by resilient corporate earnings and an easing of trade tensions
- The S&P 500 Index rose by 2.2%, driven by optimism surrounding tax reform and better-than-expected Q2 2025 earnings
- U.S. Treasury yields declined across the curve, reflecting a hawkish Fed stance and economic data that exceeded expectations
- Fixed income fell with the Barclays Global Aggregate Index down 1.5%, however, the high yield Index outperformed (+0.4%)
- Gold price declined by 0.4% to \$3,290/ounce, while Brent crude oil price rose 7.3% amid geopolitical concerns
- Equities in Dubai and Abu Dhabi rallied by 7.9% and 4.1%, respectively, while Saudi equities declined by 2.2%
- The FTSE MENA Broad Bond Index closed 0.9% higher for the month
- 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

Global asset classes witnessed a mixed performance in July with equities outperforming fixed income. Global equities rose further in July, on easing trade tensions, passage of the Trump tax-cut bill and resilient corporate earnings. The MSCI All Country World Index closed the month up 1.3% and closed at an all-time high. Cyclical (2.0%) outperformed defensives (-1.3%) and growth (2.1%) outperformed value (0.4%).

Fixed income fell as the US 10-Year, and 30-Year Treasury yield rose 15bps and 13bps on hawkish fed commentary and economic data being better than expectations. The Barclays Global Aggregate Bond Index fell 1.5%. The Barclays Global High Yield Index outperformed, gaining 0.4%, as credit spreads tightened further by 25bps on improvement in risk sentiment.

The Bloomberg Commodity Index closed the month down 0.8%, on lower industrial metals and gold prices. Brent oil price gained 7.3% on increase in geopolitical concerns. Copper prices fell 4.9% on the US administration announcement of a 50% tariff on imports of copper. Gold fell 0.4% to close the month at \$3,290/ounce on rising as improved risk sentiment reduced gold's haven demand.

Global Equities:

Emerging markets (EM) outperformed Developed markets (DM) with the MSCI EM Index gaining 1.7% on the back of a strong rally in Taiwan, Korea and China. MSCI World Index closed the month up 1.2%. Chinese equities rose as authorities pledged to curb excessive market competition and support industrial upgrades. Taiwan rallied led by tech and renewables. South Korea advanced on corporate governance reforms and a major semiconductor contract win by Samsung.

The S&P 500 Index rose 2.2% in July on optimism around tax reform, easing trade tensions and better-than-expected Q2 2025 earnings. Gains were broad based, led by the IT sector, which continued to benefit from strong AI-related demand. IT, utilities and industrials were the best performing sectors with the corresponding sector's indices rising 5.2%, 4.9%, and 2.9%, respectively. The Russell 2000 Index, a small-cap Index of US stocks, rose 1.7%.

The United States reached a trade agreement with Vietnam, maintaining tariffs at 20%. The U.S. also announced agreements with Japan and the European Union, under which most imports, including automobiles, will be subject to a 15% tariff rate. Equity markets responded positively, as these agreements were seen as reducing the risk of an escalating trade war. Q2 2025 earnings season kicked off to a strong start: Of the 66% of S&P 500 companies that have reported so far, 82% exceeded earnings estimates, with an average earnings growth of 10.3% YoY vs the expectation of 4%. The Magnificent Seven companies continued to report stronger earnings growth, and the banking sector was also a notable bright spot.

At its July monetary policy meeting, the Federal Reserve maintained its target policy rate within the range of 4.25% to 4.50%. Notably, two Federal Reserve governors dissented, advocating for an immediate 25 basis point rate cut. The central bank's post-meeting statement acknowledged that "economic activity moderated in the first half of the year." However, during the press conference that followed, Fed Chair Jerome Powell struck a hawkish tone, emphasizing that inflation remains above the Fed's target and reiterating the central bank's data-dependent approach to future monetary policy decisions.

The US economic data came in better than expected. Nonfarm payrolls rose 147k in June, above expectations. Payroll growth was revised up by 5k in May to 144k and 11k in April to 158k. The three-month average of payroll growth stood at 150k. Job growth was strongest in the government (+73k), healthcare (+59k), and leisure and hospitality (+20k) sectors. Private payrolls rose 74k, below expectations. The unemployment rate ticked down to 4.1%. Average hourly earnings increased 0.2% MoM in June, slightly below expectations. The year-over-year rate declined by 0.1% to 3.7%.

U.S. CPI for June came out in line with expectations, with headline CPI up 2.7% YoY, a tick higher than forecasts of 2.6% and above last month's 2.4% reading. While prices were higher in some categories, including apparel, appliances, and home furnishing, we also saw lower prices in categories like new and used cars. PPI came in lower than expected. Headline PPI inflation was 2.3%, below forecasts of 2.5% and last month's revised 2.7% reading.



Overall retail sales climbed by 0.6% MoM for June, well above forecasts of 0.1% and last month's -0.9% reading. The University of Michigan's Survey of Consumers for July showed overall sentiment rose 1.8% from June to 61.8, exactly in line with the estimate and at the highest since February. The one-year inflation forecast plunged to 4.4%, down from 5% in June and well off the 6.6% level in May.

European equity markets delivered a largely flat performance in July. On the macroeconomic front, Eurozone GDP growth slowed sharply, rising by just 0.1% QoQ with contractions recorded in Germany and Italy. In contrast, Spain outperformed with robust growth. Inflation remained steady at the ECB 2% target, supported by declining energy prices and a stronger euro. The ECB left interest rates unchanged, maintaining a cautious stance amid persistent global trade tensions

Fixed Income:

July 2025 fixed income performance was mixed, with High Yield bonds outperforming Investment Grade bonds (Bloomberg Global Aggregate Index was down 1.5% MoM and Bloomberg High Yield Index added 0.4% in July). Corporate bonds saw a slight tightening in credit spreads during the month despite the move higher in US Treasury yields. We observe the moderating implied rate volatility (MOVE Index is down 15% YTD) but exhibited wide trading ranges (i.e. MOVE Index is down almost 40% since Liberation day). Fed's near-term patient approach and mean reversion of rates can compress volatility, but data dependency keeps it choppy where extremes might continue to be faded. Reset in implied volatility has diminished the risk-reward and will make returns more challenging.

The month of July saw the tax and spending cut bill being passed into law, the implementation of tariffs by the US President, and consistently solid economic data. From pricing-in about 65 bps in rate cuts for 2025 as of end-June, markets repriced it to only about 32 bps at the end of July.

The month of July saw the Treasury yield curve shift higher from June. However the curve bear flattened with the 2Y yield moving higher by 23 bps while the 10Y and 30Y yields ended 13-15 bps higher. Economic data was solid, beginning with the labor market – US NFP came-in at 147k, better than expectations of 106k. The unemployment rate improved to 4.1% from 4.2%, better than expectations of 4.3%. The ISM Services PMI came-in at 50.8, marginally better than expectations of 50.5. Looking at inflation, US CPI YoY came-in at 2.7%, stronger than expectations of 2.6% and the prior month's reading of 2.4%. Core CPI came-in at 2.9%, in-line with expectations, but higher than the prior month's reading of 2.8%.

However, although the ISM Manufacturing PMI came-in slightly better at 49.0 vs. expectations of 48.8, it continued to stay in contractionary territory, underscoring the weakness in the sector. After looking at the economic data and the political state of events, the FOMC decided to keep rates on hold in their July meeting, whilst not offering any clarity on the timing of future rate cuts.

MENA saw modest issuances in July, with Binghatti (BINHLD 8 1/8 08/07/30), NBK (NTBKKK 6 3/8 PERP), Riyadh Sukuk (RIBL 6.209 07/14/35), and RAK Bank (RAKBNK 6 5/8 PERP) leading the way with gains of close to 1%. ARADAD and ALINMA BANK, however, were priced tighter and have showed moderate returns till date.

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 and fiscal expansion from U.S. policy under the new administration, threaten to reignite inflation and push yields higher. 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 rates elevated and markets skittish. Should economic growth soften, or inflation fall more than expected, longer-term bonds could regain appeal as a safe haven and hedge asset.

We anticipate 10-year bond yields to trade in a range of 4.00%-4.60% 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.



EM Equities: The MSCI EM Index was up 1.7% MoM, taking its YTD gains to 15.6%. 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 July, Asia and EMEA both outperformed, gaining 2.2% each. LATAM underperformed, losing 4.6%. In Asia, MSCI Taiwan and MSCI Korea were up 7.0% and 6.9% respectively, as they continued to benefit from the AI hardware boom and a weaker USD. In LATAM, MSCI Brazil tanked 7.0% as President Trump imposed a 50% tariff on Brazilian imports for what he called a “witch hunt” against former President Jair Bolsonaro, a right-wing ally of Trump.

Commodities: **Oil:** Brent crude oil gained 7.3% in July, closing at \$72.5/bbl. Geopolitical fears, reduced inventories and constrained supplies added upward pressure. **Natural gas:** Henry hub prices were down 10.1% MoM due to a record high supply and milder-than-anticipated summer temperatures.

Petrochemicals: SE Asia LLDPE rose 1.0%, HDPE was flat, while LDPE and PP lost 0.9% and 1.0% respectively. Petchems are mostly flat or 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 lost 4.9% while aluminum lost 1.3% MoM. Markets had priced in a 50% U.S. import tariff on copper, prompting a speculative rally. However, on July 30th, the administration announced that the tariff would apply only to semi-finished copper products—not raw materials like cathodes and ore. This reversal triggered a massive sell-off, sending U.S. copper futures down nearly 20%, the steepest intraday plunge on record. Traders had also rushed to import refined copper before the expected tariffs, leading to a 170% surge in U.S. warehouse inventories, to a 21-year high. The abrupt policy change left traders stuck with excess stock, exacerbating downward price pressure on copper. Aluminum, meanwhile, weakened on the back of soft demand, trade shifts, and widespread economic caution in metal markets.

Precious metals: Gold lost 0.4% MoM as improved risk sentiment reduced gold's haven demand.

Currencies: EM currencies (MSCI EM Currency Index) lost 1.2% MoM while the US Dollar (DXY Index) gained 3.2%, its first monthly gain in 2025. The euro lost 3.2% during the month as the US imposed a 15% tariff on EU imports, with some investors unwinding their long-euro positions. The GBP was also down 3.8%, its steepest monthly drop in nearly three years, as concerns mounted over the UK's fiscal stability following disruptions in government policy and a sharp rise in borrowing. Additionally, weak UK business activity (PMI) and labor market data intensified speculation of impending interest rate cuts by the Bank of England, further pressuring the GBP.

GCC Equities: GCC markets apart from Saudi Arabia had a bright start to the second half of 2025 with widespread gains across sectors. DFMGI led the charts with a gain of 7.9% during the month, taking its YTD gains to 19.4%. Qatar's DSM and Abu Dhabi's ADX also rallied, with gains of 4.8% and 4.1% respectively. Kuwait's All Share Index continued its positive momentum, adding 1.9% and taking its YTD gains to 17.0%. Saudi's TASI continued to be a laggard, down 2.2% during the month, with its YTD losses now standing at 9.3%.

In Abu Dhabi, ADCB delivered a strong Q2 2025 performance with net profit rising 11% YoY to AED 2.6bn, in line with estimates, supported by robust revenue growth (+22% YoY) from both NII (+12% YoY) and Non-II (+44% YoY). Loan growth was solid at +5% QoQ (+8% YTD), led by energy, trading, and transport, with non-UAE loans rising 12% QoQ and deposit growth (+5.0% QoQ) keeping pace, supported by strong CASA growth. Provisioning was higher than expected (CoR of 88bps) due to legacy corporate exposures, but NPL ratio improved to 2.2% with coverage at 173%, and management reiterated full-year CoR guidance of <60bps, expecting a 2H25 improvement. Management sees scope for a tax reversal of c.AED 275mn in 2H25 if corporate tax is reduced to 9% and expects its NIMs to be stable for the rest of the year. FAB's Q2 net profit rose 29% YoY to AED 5.5bn, beating estimates by 23%, driven by robust Non-II growth (+61% YoY) from trading and investment income alongside lower-than-expected provisioning (CoR of 51bps). NIMs contracted 17bps QoQ to 1.80%, but loan growth was solid at +4% QoQ (+8% YTD), prompting management to raise loan growth guidance to low double digits for 2025. Deposits fell 3% QoQ due to a decline in time deposits, while CASA mix improved to 49% (from 45% in Q1). Asset quality improved with NPL ratio down to 2.8% (from 3.3%) and coverage up to 100%, while cost discipline was maintained with cost-to-income improving to 21% (from 25% a year ago). Management sees growing repeatability in trading income through investment in its global markets franchise and aims for a sustained Non-II to NII mix of 45–55%+.



ADIB's Q2 net profit rose 13% YoY to AED 1.8bn, beating estimates, driven by solid loan growth (+8% QoQ, +13% YTD), stronger fees and FX income. Revenue grew 8% YoY (+7% QoQ), deposits rose by 6% QoQ (+15% YTD) with CASA mix easing to 66% (from 69%). Asset quality improved, with NPL ratio at a multi-year low of 3.5% though CoR rose to 50bps on prudent provisioning. Management upgraded loan growth guidance to 18–20% (from 12–14%) on the back of a strong corporate pipeline. In Dubai, ENBD's net profit for Q2 was flat YoY, on stronger than expected non-II and lower provisioning. NIM compressed 22bps QoQ to 3.36% due to a 350bps rate hike in Türkiye and the lagged impact of US rate cuts in 4Q24, though full-year guidance (3.3–3.5%) remains intact. Loan growth was solid at +5% QoQ (+8% YTD), driven by corporate (+7%), retail (+6%) and Deniz (+5%), offset by continued sovereign exposure reduction (-12% QoQ); deposits rose 6% QoQ with CASA up 6% and now at 60% of total. Asset quality improved, with NPL ratio down 30bps QoQ to 2.8% and CoR at just 10bps, prompting management to cut CoR guidance to 20–40bps (from 40–60bps) and NPL guidance to <3% while it upgraded its loan growth guidance to low double digits.

In Saudi, Al Rajhi's Q2 net profit rose 31% YoY to SAR 6.2bn, broadly in line with estimates, as strong non-II offset slightly higher-than-expected provisioning. Revenue rose 26% YoY, supported by NIM stability and a robust increase in non-II from fees, FX and investment income. Loan growth was solid at +3% QoQ (+7% YTD), trending ahead of "high single digit" guidance, led by mortgages (+15% YoY) and strong non-retail lending (+38% YoY). Deposits rose 2% QoQ with CASA mix improving to 68%. Asset quality remained strong with NPL ratio stable at 0.74% and coverage at 150%. SNB delivered a solid Q2 2025 beat with net profit up 17% YoY driven by a provisioning reversal (CoR of -10bps) and stronger-than-expected non-II (+30% YoY) from fees and other income. Higher cost of funds weighed on NIM (-29bps YoY to 2.79%), partly reflecting strong deposit mobilization which outpaced loan growth (+1% QoQ, +9% YTD). CASA mix improved to 75.9% (vs 74.5% in Q1), pushing LDR down to 109% from 113%. Asset quality remained robust with NPL ratio easing to 0.8% and coverage improving on recoveries. Management sees Q2 as the floor for NII, with loan repricing and a potential September rate cut supporting margins into 2H25.



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	10,920	-2.2%	-9.3%	13.9	1.9	4.6%
Dubai - DFMGI	6,159	7.9%	19.4%	10.5	1.7	5.4%
Abu Dhabi – FADGI	10,371	4.1%	10.1%	15.7	2.0	4.4%
Qatar – DSM	11,262	4.8%	6.5%	12.7	1.5	4.4%
Kuwait - All Share	8,618	1.9%	17.0%	18.3	2.1	4.1%
Oman - MSM30	4,781	6.2%	4.5%	1.5	0.7	5.9%
Bahrain – BHSEASI	1,956	0.6%	-1.5%	14.5	0.6	9.8%
Egypt - EGX30	34,198	4.1%	15.0%	6.6	1.8	4.2%
Morocco - MOSENEW	19,635	7.3%	32.9%	20.0	3.5	1.7%
S&P Pan Arab Composite	176	2.1%	4.1%	13.7	1.9	4.1%
Israel - TA35	3,010	1.7%	25.7%	13.0	2.0	2.5%
Turkey - XU100	10,743	8.0%	9.3%	4.4	0.6	5.9%
Pakistan - KSE100	139,379	10.9%	21.2%	8.4	1.6	5.4%
S&P 500	6,339	2.2%	7.8%	23.9	4.9	1.3%
STOXX 600	546	0.9%	7.6%	15.5	2.1	3.3%
MSCI EM	1,243	1.7%	15.6%	14.0	1.8	2.7%
MSCI All Country World	930	1.3%	10.5%	20.3	3.2	1.9%
MSCI World	4,076	1.2%	9.9%	21.4	3.5	1.8%

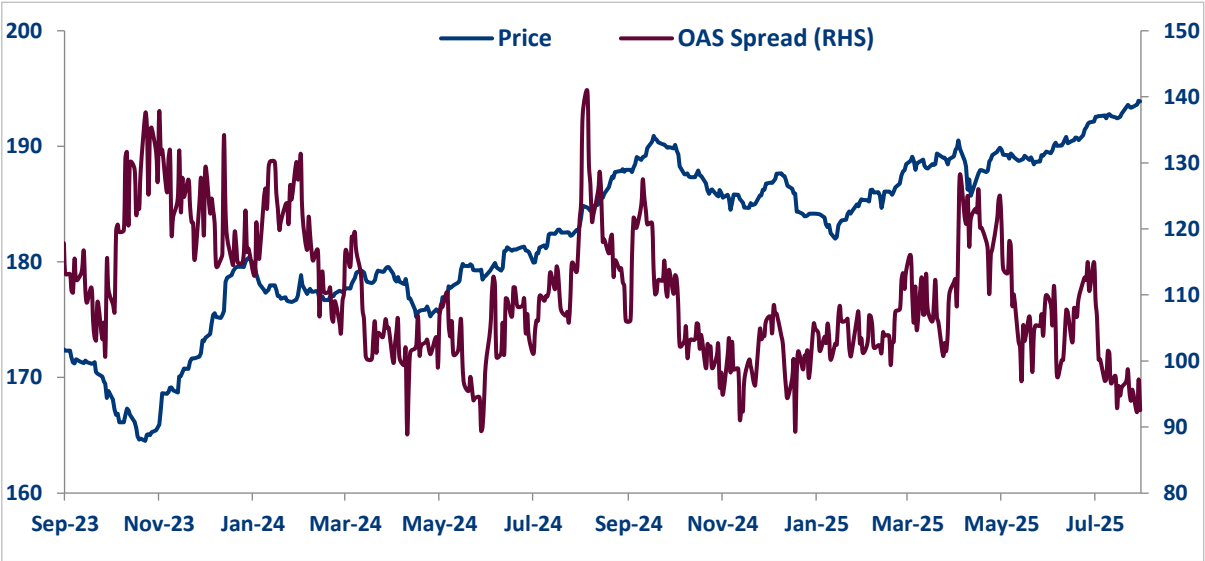
Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	194	1.0%	5.4%
FTSE MENA Broad Bond Index	179	0.9%	5.4%
Dow Jones Sukuk	99	0.3%	2.0%
Barclays Global Aggregate Index	490	-1.5%	5.7%
Barclays Global High Yield Index	1,782	0.4%	7.2%
Barclays US Treasury Index	2,368	-0.4%	3.4%
Barclays US Corporate Index	3,429	0.1%	4.2%
Barclays US Corporate High Yield index	2,818	0.5%	5.0%
JPM EM Global Bond Index	646	1.2%	6.9%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,322	0.92%	5.9%
Bloomberg Barclays US Aggregate Bond Index	2,271	-0.3%	3.7%
Markit CDX Emerging Markets Index	98	0.2%	0.8%
Barclays EM High yield	1,711	1.4%	6.8%
Barclays EM Corporate Index	313	0.8%	5.0%
10-year US Treasury yield* (%)	4.37	15	-20
30-year US Treasury yield* (%)	4.90	13	12
US Treasury 2-10 Spread*	41.49	-9	9
US Treasury 2-30 Spread*	94.08	-11	40
10-year US Treasury Real yield* (%)	1.98	5	-25
10-year Germany Treasury yield* (%)	2.70	9	33
US Breakeven 10 Year*	2.39	11	5
10-year Saudi Arabia Govt USD Bond yield* (%)	4.83	1	-53
8-year Abu Dhabi Govt USD Bond yield* (%)	4.17	-15	-85
4-year Kuwait Govt USD Bond yield* (%)	4.39	-2	-61
9-year Oman Govt USD Bond yield* (%)	4.86	-30	-88
10-year Bahrain Govt USD Bond yield* (%)	6.42	-30	-51
7-year Qatar Govt USD Bond yield* (%)	4.20	0	-46
10-year Egypt Govt USD Bond yield* (%)	9.14	-8	-76
EIBOR 3M* (%)	4.19	6	-25
QAIBOR 3M* (%)	4.75	10	8
Dubai 5 Year CDS* (bps)	55	-5	-8
Qatar 5 Year CDS* (bps)	30	-5	-14
2-year US Treasury yield* (%)	3.96	24	-28

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)	72.53	7.3%	-2.8%
Natural Gas (USD/mmbtu)	3.11	-10.1%	-14.5%
Gold (USD/Ounce)	3,290	-0.4%	25.4%
Copper (USD/MT)	9,560	-4.9%	10.5%
Aluminium (USD/MT)	2,562	-1.3%	1.4%
Nickel (USD/MT)	14,736	-1.9%	-2.5%
Urea Middle East (USD/MT)	493	-1.8%	35.9%
Methanol China (USD/MT)	282	-0.7%	-10.2%
SE Asia Polyethylene (USD/MT)	940	0.0%	-3.1%
Polypropylene (USD/MT)	980	-1.0%	0.0%
US Dollar Index	99.97	3.2%	-7.9%
MSCI EM Currency index	1,829.85	-1.2%	5.9%
JPM EM Currency index	45.27	-2.3%	5.8%
EGP/USD	0.021	1.5%	4.1%
TRY/USD	0.025	-2.0%	-13.0%
PKR/USD	0.353	0.1%	-1.7%
ILS/USD	0.294	-0.9%	7.0%
EUR/USD	1.14	-3.2%	10.2%
GBP/USD	1.32	-3.8%	5.5%
USD/JPY	150.75	4.7%	-4.1%



Global Asset Allocation and Outlook



Global Asset Allocation and Outlook

Job data weakened significantly in July. 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. This brings the average job gains of the last three months to 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. Job gains were concentrated in the health care field, while government and manufacturing sectors lost jobs.

Weaker-than-expected job data has led markets to price in a more aggressive rate-cut trajectory, driven by concerns over a potential slowdown in economic growth. The market is now anticipating approximately 2.3 rate cuts by the end of 2025, and a total of five rate cuts by 2026. We have been expecting two rate cuts in the second half of 2025, based on our view of a gradual cooling in the labor market and broader economic activity. In our assessment, a significant portion of the recent weakness in job growth is attributable to a marked decline in immigration. Looking ahead, we see a more favorable backdrop for the U.S. economy in 2026, supported by an increased likelihood of Federal Reserve rate cuts beginning in September, alongside fiscal stimulus from the anticipated new tax bill

We stay overweigh on equities, as we continue to see the following catalysts supporting the market in 2H 2025 – i) **Economic stimulus** 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) **Low earnings expectations**, with consensus estimates for Q2 2025 year-over-year earnings growth at 4%, setting a low bar and increasing the likelihood of another significant upside surprise. With approximately 40% of S&P 500 revenue derived from outside the U.S., a 10% year-to-date decline in the dollar could act as a strong earnings tailwind 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			





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, Sales Force, 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 inline with 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 10,900–11,000 level. However, the Tadawul Index is likely to remain range-bound trading between 11,000–11,600 levels 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, Pure Health
- **Real Estate:** Aldar Prop, Dubai Residential, Emaar Dev, Emaar Prop, RAK Prop, Retal, TECOM
- **Industrials:** AD Ports, Budget, Catrion Catering, DTC, Parkin, Salik, SGS
- **Utilities:** AWPT, DEWA, Empower



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 4.37% up 14bp from the previous month. Barclays Global Aggregate Index closed 0.8% up during the month, while High Yield Index closed the month 0.9% up. Interestingly, the global aggregate index has returned 5.8% in 2025, while the High Yield Index is up 7.2% YTD. The MENA Broad Bond index was up 0.8% on a MTD basis.

Saudi Arabia. SAUDI Yield curve inched higher during the month. Yields on KSA 5.75 2054 were up by 5bps in July. Issuance in Saudi continued with ALINMA BANK coming to the debt market. The Bloomberg Global Aggregate- Saudi Arabia (I14669US Index) gave a positive return of 0.9%.

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 RAKBANK, ARADAD, BINGHATTI 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 6bp during the month ending at 6.37%. An increasing liquidity support provided by the central bank has helped yields move lower in 2025. Investors will continue to watch out for how growth unfolds and look out for signs of a proactive FX policy from the central bank.

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



Performance of our Funds

Concerto IS Daman MENA UCITS Fund

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

The fund gained 3.0% during the month, primarily due to gains in ADCB, NBK, Boursa Kuwait and Spinneys. From a geographical standpoint, UAE, Kuwait and Turkey were mainly responsible for the gains. Saudi Arabia underperformed. From an asset class standpoint, equities were the key contributor to the returns.

During the month we increased our positions in ADNOC L&S, Aldar, RAKPROP and TECOM while we trimmed our positions in UAE consumer staples. We also realized some gains by reducing our positions in UAE and Kuwaiti banks after a strong rally. Within fixed income, we took exposure to ARACEN’26.

	2025	Inception (30 Jul 2020) (Class I)
Total Return	5.9%	101.8%
Annualized Return	10.1%	15.0%
Annualized Volatility	9.8%	8.0%
Sharpe Ratio	0.6	1.5

NAV as of 31st July 2025

Daman UAE IPO Fund

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

The fund was up 1.6% for the month, primarily due to gains in names such as Pure Health, Spinneys, DTC and NMDC Energy. From a geographical standpoint, UAE and Kuwait contributed to the gains while Saudi Arabia underperformed.

During the month we further added weight to our existing positions in names such as AD Ports, ADNOC Drilling, ADNOC L&S, Americana, DEWA, Parkin, Salik and TECOM.

	2025	Inception (Aug 2022) (Class A)
Total Return	-2.4%	23.5%
Annualized Return	-	7.3%
Annualized Volatility	-	9.2%
Shape Ratio	-	0.3

NAV as of 31st July 2025



About Daman Investments

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

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