Monthly Review, Asset Allocation & Outlook

July 2026

DAMAN INVESTMENTS

Highlights of the Month

- Global financial markets were mixed during July as investors navigated economic and geo-political factors.
- Global equities remained broadly flat, with the MSCI ACW Index ending the month flat amid continued sector rotation.
- Emerging markets (-3.3%) underperformed developed markets (+0.5%).
- The S&P 500 Index and Nasdaq Index declined 0.1% and 3.2%, respectively, while DJIA Index gained 0.3%.
- U.S. Treasury yields moved higher, with the 2Y and 10Y up 12bps and 27bps, respectively.
- Fixed income returns were negative, with Barclays Global Agg. and High Yield indices at -0.5% and -0.3%, respectively.
- Gold gained 1.0% supported by geopolitical uncertainty, continued central bank purchases and a weaker U.S. dollar.
- Dubai (-2.7%) and Abu Dhabi's (+1.1%) equities diverged, while Saudi declined 1.9%.
- The FTSE MENA Broad Bond Index ended the month 1.7% lower.
- We remain overweight on equities, supported by combination of strong earnings growth and resilient global economy.
- We continue to favor a well-diversified portfolio to navigate near-term inflation risk and geopolitical uncertainties.

Global Review

Global financial markets delivered mixed performance during July as investors navigated a combination of resilient global economic activity, a stronger-than-expected corporate earnings season, increase in geopolitical tensions leading to rising oil prices and sovereign bond yields. Investors increasingly focused on the implications of higher-for-longer interest rates, resulting in a rotation away from high-growth technology stocks toward value-oriented and defensive sectors.

Global equities were broadly unchanged during the month, with the MSCI All Country World Index ending flat. Beneath the surface, however, performance diverged significantly across styles and regions. Defensive stocks outperformed cyclical sectors, with the MSCI ACWI Defensive Index gaining 3.3% compared with a 0.7% decline in the Cyclical Index, as investors favored companies with resilient earnings and pricing power amid rising bond yields. Value stocks also materially outperformed growth stocks, advancing 3.0% while growth stocks declined 2.8%, reflecting continued profit-taking in several large-cap technology companies following their exceptional year-to-date performance.

Fixed income markets came under renewed pressure as sovereign bond yields moved sharply higher across major developed markets. The Bloomberg Barclays Global Aggregate Bond Index declined 0.5%, while government bonds underperformed credit as investors reduced expectations for monetary policy easing. The Bloomberg Barclays U.S. Treasury Index fell 1.1%, reflecting the rise in Treasury yields across the curve. Credit markets remained relatively resilient, supported by healthy corporate fundamentals and still-tight credit spreads. Global high yield bonds declined only 0.3%, while U.S. corporate high yield bonds were broadly flat, demonstrating continued investor demand for income-generating assets despite the higher rate environment. Emerging market debt also weakened, with the Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index declining 1.3% and EM High Yield bonds falling 0.8%, as higher U.S. Treasury yields offset the benefit of attractive carry.

Government bond markets experienced a broad sell-off during July as stronger economic data and renewed inflation concerns prompted investors to further scale back expectations for policy easing. The U.S. 2-year Treasury yield increased 12 basis points to 4.29%, while the benchmark 10-year Treasury yield rose 27 basis points to 4.73%, resulting in a steeper yield curve. Longer-duration bonds underperformed, with the 30-year Treasury yield rising 32 basis points to 5.27%. Real yields also continued to move higher, with the 10-year U.S. Treasury real yield increasing 22 basis points to 2.45%, reflecting resilient growth expectations and continued concerns that inflation may remain above central bank targets for longer.

The Federal Reserve maintained its cautious policy stance during the month, emphasizing that future policy decisions would remain data dependent. Although inflation continued to moderate gradually, policymakers reiterated that underlying price pressures and a resilient labour market warranted maintaining restrictive monetary conditions. However, a lack of forward guidance from Fed Chairman contributed to a further rise in government bond yields post his press conference.

Commodity markets rebounded strongly following June's sharp correction, with the Bloomberg Commodity Index advancing 7.2%. Energy prices led the recovery as Brent crude oil surged 23.6% to above USD 90 per barrel, supported by increase in geopolitical risks, improving demand expectations and tighter global inventories. Industrial metals also recovered, reflecting resilient demand linked to electrification, power infrastructure and artificial intelligence investment. Copper gained 3.6%, aluminium advanced 4.8% and nickel rose 6.1%, reinforcing our constructive medium-term outlook on industrial metals that are critical to the global energy transition and AI infrastructure build-out.

Performance across petrochemical markets was more mixed. Higher energy prices lifted upstream feedstock costs, with Japan naphtha rising 25.8% and methanol increasing 2.5%. Monoethylene glycol (MEG) recorded a sharp 25.0% rebound, while fertilizer prices also strengthened as Middle East urea prices rose 3.1% and Egyptian urea increased 20.4%. Downstream polymer markets, however, remained under pressure as polyethylene and polypropylene prices continued to soften amid abundant regional supply and cautious manufacturing demand across Asia.

Gold prices edged 1.0% higher during July despite a significant increase in real interest rates, supported by renewed geopolitical uncertainty, continued central bank purchases and a weaker U.S. dollar. The U.S. Dollar Index declined 1.3% during the month, providing support for precious metals and several emerging market currencies.

We continue to maintain a constructive medium-term outlook on gold, underpinned by sustained central bank reserve diversification and structurally large fiscal deficits across developed markets.

Global Equities:

Developed markets outperformed emerging markets during July, with the MSCI World Index advancing 0.5%, while the MSCI Emerging Markets Index declined 3.3%, mainly driven by a sharp technology-led sell-off in Korea and Taiwan, which are among the three largest markets in the MSCI Emerging Markets Index.

U.S. equities delivered a mixed performance during the month. The S&P 500 was broadly unchanged, declining just 0.1%, as gains in traditional value sectors offset weakness in large-cap technology companies. The technology-heavy Nasdaq Composite fell 3.2%, reflecting continued profit-taking in AI-related stocks following their exceptional year-to-date performance, as well as growing concerns about the sustainability of AI capital expenditure. Forced deleveraging by some hedge funds further amplified the sell-off, with the MVIS US Listed Semiconductor 25 Index declining 17.7%. The Dow Jones Industrial Average edged 0.3% higher, while the Russell 2000 declined 3.1%, as higher bond yields weighed on smaller companies, which are generally more sensitive to financing conditions. The Q2 2026 earnings season has remained strong, with 63% of the S&P 500 companies having reported results and earnings on track to grow 36% YoY. In addition, 85% of companies exceeded analysts' expectations, well above the historical average beat rate of approximately 75%.

Sector performance reflected a continued rotation toward value-oriented industries. Energy emerged as the strongest-performing sector, gaining 12.5% as Brent crude oil rebounded sharply during the month. Financials also outperformed, advancing 6.0%, supported by higher long-term interest rates, which improved their earnings outlook, and strong Q2 2026 results driven by robust equity trading revenues. Healthcare gained 2.2%, while Real Estate advanced 2.5%, supported by resilient earnings and selective buying following recent underperformance. Conversely, Information Technology declined 3.5% as investors reduced exposure to high-valuation growth stocks amid rising discount rates. Industrials fell 3.1%, Materials declined 1.7%, and Utilities lost 2.3%, while Consumer Discretionary and Communication Services posted modest gains of 0.8% and 0.5%, respectively.

The U.S. economy added 57,000 jobs in June, missing consensus estimates of approximately 110,000 and marking the weakest reading since February's negative print. Payroll gains for the prior two months were also revised lower, with May revised down to 129,000 from 172,000 and April to 148,000 from 179,000. The unemployment rate edged down to 4.2%, while the three-month average job gain of 111,000 continued to indicate a resilient labour market. Consumer inflation moderated in June, with headline CPI falling 0.4% MoM, below consensus expectations for a 0.1% decline and following a 0.5% increase in May. The decline, the largest since April 2020, was primarily driven by a 5.7% fall in energy prices. Core CPI, which excludes food and energy, was unchanged during the month, below expectations for a 0.2% increase. On a YoY basis, headline inflation eased to 3.5% from 4.2%, while core inflation moderated to 2.6% from 2.9%.

European equities outperformed most developed markets during the month. The STOXX Europe 600 gained 1.2%, supported by resilient corporate earnings and relatively attractive valuations. The FTSE 100 advanced 3.5%, benefiting from its large exposure to energy, mining and financial companies, all of which were supported by higher commodity prices and rising interest rates. Japan underperformed significantly, with the Nikkei 225 declining 8.1%, as a stronger yen, rising domestic bond yields and profit-taking in export-oriented technology companies weighed on investor sentiment.

Within emerging markets, performance remained highly divergent. Brazil outperformed with a gain of 6.3%, supported by the sharp recovery in commodity prices and improving investor sentiment toward Latin America. Indonesia rebounded strongly, rising 11.9%, while India continued to demonstrate resilience, gaining 2.3% on the back of robust domestic fundamentals. Mexico advanced 1.6%, South Africa gained 0.6%, and Malaysia rose 4.2%. In contrast, Turkey declined 1.1% and Chile was broadly flat. The divergence in returns highlighted the continued importance of country-specific fundamentals, domestic policy developments and commodity exposure in driving emerging market performance.

Taiwan also declined 4.4%, while Korea recorded the weakest performance among major regional markets, falling 23.7%, reflecting substantial weakness across semiconductor stocks after their exceptionally strong gains earlier in the year. China, however, rebounded strongly following several months of underperformance. The MSCI China Index advanced 8.6%, while the Hang Seng China Enterprises Index surged 13.9%, supported by renewed policy stimulus expectations, improving investor sentiment and attractive valuations after prolonged weakness.

Although structural challenges within the property sector remain, investors responded positively to expectations of additional fiscal and monetary support aimed at stabilizing domestic demand.

GCC equity markets were mainly down during the month on increased geopolitical risks. Saudi Arabia declined 1.9%, Qatar fell 3.1%, Bahrain lost 4.2%, and Oman declined 3.1%. Dubai's DFM General Index declined 2.7%. Abu Dhabi outperformed regional peers, with the ADX General Index gaining 1.1%, while Kuwait advanced 0.6%. The broader S&P Pan Arab Composite Index edged lower by 0.6%.

Fixed Income:

The U.S. Treasury curve bear steepened over July, reversing June's front-end-led bear flattening as long-end yields rose materially faster than short-dated maturities. While the Federal Reserve maintained its policy rate unchanged at its July meeting, investors increasingly questioned whether policy was sufficiently restrictive to contain persistent inflation, driving a renewed rise in term premia and pushing the 30-year Treasury yield above 5.20% for the first time since 2007. Short-end yields initially declined following softer-than-expected June payrolls but retraced part of those gains later in the month as the July FOMC reaffirmed the Fed's inflation-fighting stance and revealed growing internal support for further tightening. The result was a steeper yield curve, with long-duration bonds underperforming as investors demanded greater compensation for inflation and fiscal risks. The Bloomberg Global Aggregate Index was down -0.5% MTD and -0.7% YTD, while the Bloomberg U.S. Corporate High Yield Index was nearly flat and still up 1.9% YTD.

The July 28–29 FOMC meeting was the month's defining event. The Committee voted to leave the federal funds target range unchanged at 3.50%–3.75% for a fifth consecutive meeting, but the decision was notably less unanimous than in June, with three members dissenting in favor of an immediate 25bp rate hike. Chair Kevin Warsh reiterated that inflation remained well above the Fed's 2% objective and announced that the Federal Reserve would move away from providing explicit forward guidance, instead allowing incoming economic data and market pricing to play a larger role in shaping expectations. Although no updated Summary of Economic Projections accompanied the meeting, markets interpreted the combination of persistent inflation concerns, multiple dissents and Warsh's comments as leaving the door firmly open to additional tightening later in the year, with September hike expectations remaining elevated.

Economic data released throughout July presented a more balanced picture compared with June, with signs of slowing labour-market momentum offset by moderating inflation pressures. The June employment report showed a significant slowdown in payroll growth, with nonfarm payrolls rising by only 57,000 versus expectations of 113,000, while prior months were revised lower by a combined 74,000. Despite softer hiring conditions, the unemployment rate edged down to 4.2%, largely reflecting lower labour-force participation rather than a meaningful improvement in employment, while wage growth remained broadly stable. On inflation, incoming data provided welcome relief, with June CPI declining 0.4% month-on-month versus expectations of a 0.1% decline, while core CPI was unchanged versus expectations for a 0.2% increase. Producer prices also eased, with June PPI falling 0.3% month-on-month against expectations for no change, and core PCE inflation slowing to 0.1% month-on-month versus 0.2% expected. Lower energy prices contributed to the improvement, although underlying inflation remained sufficiently sticky to limit expectations for a significant shift in the Federal Reserve's policy stance. Markets initially reacted dovishly to the weaker labour-market data and softer inflation releases, with front-end Treasury yields moving lower as investors priced a more supportive policy outlook. However, persistent concerns around core inflation and longer-term price stability ultimately became the dominant driver, particularly at the long end of the Treasury curve.

Emerging Market and GCC credit were down in July with Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) both down 1.3% and 1.8%, respectively. GCC high-yield segments—particularly UAE real estate—remain vulnerable, the pace of moves has slowed, and fundamentals across higher-quality issuers continue to demonstrate resilience, supporting selective opportunities.

MENA Equities:

Regional equity markets were affected by heightened geopolitical tensions following the recent escalation in July, as investors became more risk-averse amid an already challenging macroeconomic backdrop. However, despite elevated macro risks, earnings across the region, particularly within the financial sector in the UAE and Saudi Arabia, continued to support healthy growth momentum, although this was not sufficient to drive a broad-based recovery in regional equities. The S&P Pan Arab Composite declined 0.6% MoM, outperforming global emerging markets, as the MSCI Emerging Markets Index fell 3.3%, while the MSCI Developed Markets Index gained 0.5%.

Within the GCC, performance diverged across markets. Saudi Arabia's TASI declined 1.9% MoM, while Dubai fell 2.7% MoM and Abu Dhabi outperformed, gaining 1.1%. During July, investor focus shifted back to company fundamentals, supported by strong earnings from Saudi banks and resilient UAE corporate performance. The weaker performance in Saudi Arabia partly reflected concerns over potential disruptions to oil exports and trade flows. In the UAE, gains in banking stocks were offset by weakness in real estate names and companies directly exposed to the geopolitical situation, such as Air Arabia. Qatar underperformed, declining 3.1% MoM, as investor sentiment remained weighed down by concerns over potential disruptions to LNG exports through the Strait of Hormuz. Outside the GCC, Egypt outperformed, gaining 5.9%, supported by strong performances from CIB, Telecom Egypt, and TMG, while Morocco declined 2.1%.

Nevertheless, operational continuity did not fully insulate the economy from weaker sentiment and softer commercial activity. Regional banks remained fundamentally healthy, while corporate earnings continued to support the broader growth story.

The UAE continued to accelerate efforts to support the economy, with the CBUAE extending its Financial Institutions Resilience Package through September 2026, allowing affected individuals, SMEs, and corporates to defer loan repayments while suspending related interest and fees. Despite loan deferrals rising to AED13.5bn, they represented only 0.6% of domestic credit, while the system NPL ratio fell to a record low of 2.8%, highlighting the resilience of the UAE banking sector. The sector delivered another strong quarter, with earnings generally exceeding expectations, supported by solid operating performance and lower provisioning. Banks maintained their FY26 loan growth guidance, reflecting confidence in a robust lending pipeline driven by government investment across energy, infrastructure, transport, and logistics. While liquidity remained tighter, leading to higher funding costs and pressure on deposit pricing, asset quality remained resilient, with limited NPL formation and no material impact expected from the expiry of the loan deferral programme. Non-funded income also recovered from the previous quarter, supported by stronger market activity and higher fee income.

Dubai's real estate market remained subdued in 2Q26, with new project launches slowing significantly. Emaar Property recorded property sales of only AED2.4bn during the quarter, compared with AED20bn in 1Q26, reflecting the absence of major new launches. July market data showed early signs of stabilisation, with total sales reaching AED34.9bn, down 45% YoY but up 7% MoM, marking a second consecutive month of sequential recovery. The improvement was driven by the secondary market, where sales increased 22% MoM, although they remained 48% below last year's levels, while off-plan sales declined 7% MoM to their lowest level since January 2025, remaining 42% lower YoY. Among UAE-listed companies, businesses exposed to population growth and tourism, including Salik, DTC, and Empower, reported softer results, reflecting the temporary moderation in activity, which was largely in line with market expectations. Meanwhile, Abu Dhabi's oil and gas companies continued to execute their growth strategies, supported by elevated oil prices and ongoing investment across the sector.

Leading real estate developers continue to maintain sizeable project backlogs, with construction and project execution progressing broadly in line with expectations. The major listed developers maintain conservative balance sheets, with net debt-to-EBITDA ratios generally below 2.0x. Collections from off-plan buyers remain healthy, with payment defaults broadly in line with the long-term average of approximately 1%.

While near-term sentiment remains sensitive to external developments, healthy balance sheets, sustained investment activity, and resilient economic conditions continue to support the medium-term outlook across the GCC.

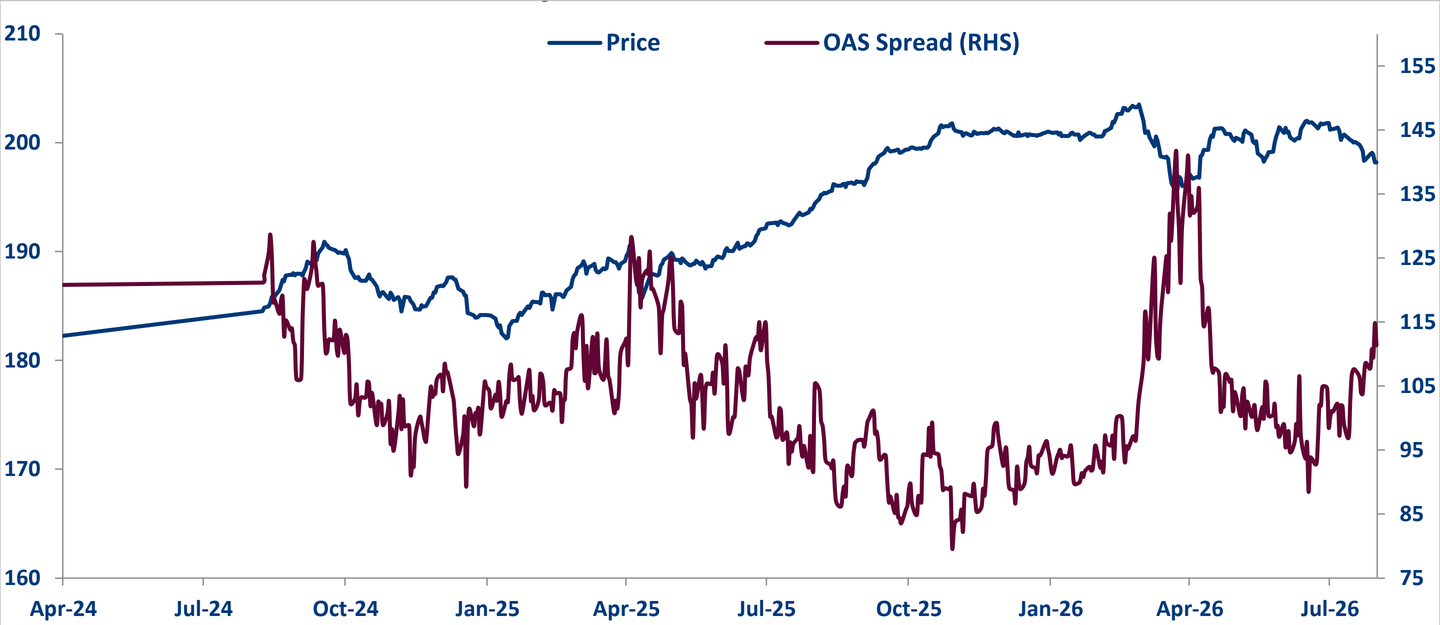
Major Indices Performance

Major Indices Performance	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia - TASI	10,590	-1.9%	0.9%	14.3	2.1	4.1%
Dubai - DFMGI	5,796	-2.7%	-4.2%	10.1	1.6	5.2%
Abu Dhabi – FADGI	9,915	1.1%	-0.8%	11.7	1.8	4.5%
Qatar – DSM	9,921	-3.1%	-7.8%	12.1	1.3	5.0%
Kuwait - All Share	8,757	0.6%	-1.7%	14.2	0.4	4.6%
Oman - MSM30	7,277	-3.1%	24.0%	11.6	0.9	4.1%
Bahrain – BHSEASI	1,956	-4.2%	-5.3%	5.5	0.6	4.4%
Egypt - EGX30	53,442	5.9%	27.8%	8.7	2.4	3.4%
Morocco - MOSENEW	17,844	-2.1%	-5.3%	18.2	3.4	3.0%
S&P Pan Arab Composite	172	-0.6%	0.0%	12.9	1.9	4.2%
Israel - TA35	4,150	2.0%	14.3%	17.4	2.5	2.2%
Turkey - XU100	13,458	-4.7%	19.5%	4.7	0.2	5.9%
Pakistan - KSE100	176,284	-2.1%	1.2%	8.0	1.5	5.4%
S&P 500	7,490	-0.1%	9.4%	21.6	5.2	1.1%
STOXX 600	649	1.2%	9.6%	16.0	2.3	3.2%
MSCI EM	1,666	-3.3%	18.6%	11.6	1.8	2.5%
MSCI All Country World	1,121	0.0%	10.4%	18.7	3.5	1.7%
MSCI World	4,848	0.5%	9.4%	20.3	3.9	1.6%

Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	198	-1.8%	-1.4%
FTSE MENA Broad Bond Index	185	-1.7%	-1.2%
Dow Jones Sukuk	97	-1.2%	-2.7%
Barclays Global Aggregate Index	498	-0.5%	-0.7%
Barclays Global High Yield Index	1,897	-0.3%	1.9%
Barclays US Treasury Index	2,414	-1.1%	-0.8%
Barclays US Corporate Index	3,516	-1.7%	-0.8%
Barclays US Corporate High Yield index	2,964	-0.2%	1.7%
JPM EM Global Bond Index	695	-1.7%	0.9%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,396	-1.30%	0.7%
Bloomberg Barclays US Aggregate Bond Index	2,333	-1.3%	-0.7%
Markit CDX Emerging Markets Index	98	-0.2%	-0.9%
Barclays EM High yield	1,888	-0.8%	3.5%
Barclays EM Corporate Index	326	-0.7%	1.0%
10-year US Treasury yield* (%)	4.73	27	57
30-year US Treasury yield* (%)	5.27	32	43
US Treasury 2-10 Spread*	43.94	15	-25
US Treasury 2-30 Spread*	97.71	20	-39
10-year US Treasury Real yield* (%)	2.45	22	55
10-year Germany Treasury yield* (%)	3.21	35	35
US Breakeven 10 Year*	2.28	5	4
10-year Saudi Arabia Govt USD Bond yield* (%)	5.31	32	71
8-year Abu Dhabi Govt USD Bond yield* (%)	4.98	28	84
4-year Kuwait Govt USD Bond yield* (%)	4.75	37	77
9-year Oman Govt USD Bond yield* (%)	5.28	34	48
10-year Bahrain Govt USD Bond yield* (%)	7.58	65	153
7-year Qatar Govt USD Bond yield* (%)	5.01	47	111
10-year Egypt Govt USD Bond yield* (%)	7.62	31	84
EIBOR 3M* (%)	3.94	12	47
QAIBOR 3M* (%)	3.90	-20	-8
Dubai 5 Year CDS* (bps)	67	5	20
Qatar 5 Year CDS* (bps)	37	8	10
2-year US Treasury yield* (%)	4.29	12	82

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)	90.12	23.6%	48.1%
Natural Gas (USD/mmbtu)	2.75	-16.1%	-25.5%
Gold (USD/Ounce)	4,046	1.0%	-6.3%
Copper (USD/MT)	13,836	3.6%	11.1%
Aluminium (USD/MT)	3,217	4.8%	8.4%
Nickel (USD/MT)	17,064	6.1%	3.4%
Urea Middle East (USD/MT)	420	3.1%	9.8%
Methanol China (USD/MT)	322	2.5%	29.3%
SE Asia Polyethylene (USD/MT)	1,170	-8.6%	34.5%
Polypropylene (USD/MT)	1,140	-5.0%	34.1%
US Dollar Index	99.91	-1.3%	1.6%
MSCI EM Currency index	1,892.45	2.0%	2.2%
JPM EM Currency index	46.60	-0.1%	0.0%
EGP/USD	0.020	-3.4%	-6.7%
TRY/USD	0.021	-1.8%	-9.6%
PKR/USD	0.360	0.1%	0.8%
ILS/USD	0.327	-2.6%	4.2%
EUR/USD	1.15	0.9%	-1.9%
GBP/USD	1.35	1.7%	0.1%
USD/JPY	157.40	-3.2%	0.4%

Global Asset Allocation and Outlook

Global Asset Allocation and Outlook

The global macroeconomic backdrop remains constructive despite higher sovereign bond yields and a more cautious monetary policy outlook. Economic growth across the U.S. and other major developed economies continues to be supported by resilient labour markets, healthy consumer spending and ongoing investment in artificial intelligence, digital infrastructure and industrial reshoring. While inflation has moderated from its recent peaks, underlying services inflation remains sticky, suggesting central banks are likely to maintain restrictive policy settings in the near term.

Despite flare up in geographical risks and concerns regarding the returns on the AI capex, global equities continued to be resilient on a rotation away from growth to value. The recent correction in the chip names and hedge fund and retail deleveraging has made the risk reward favorable for the AI related picks and shovel names.

Looking ahead, markets are likely to remain sensitive to inflation data, central bank communication, geopolitical developments and the sustainability of corporate earnings growth. Rising bond yields could continue to create periods of volatility, particularly for high-valuation growth stocks. Nevertheless, we believe the fundamental backdrop remains supportive for risk assets, with corporate earnings continuing to demonstrate resilience.

We continue to favour a diversified multi-asset portfolio with an overweight allocation to global equities, focusing on high-quality companies benefiting from long-term structural themes such as artificial intelligence, digital infrastructure and electrification. Within fixed income, we prefer credit over duration, as high-yield and emerging market bonds continue to offer attractive carry. We also remain constructive on industrial metals, particularly copper, while maintaining gold as a strategic portfolio diversifier given elevated geopolitical uncertainty, continued central bank demand and persistently high fiscal deficits across developed markets.

We remain overweight on equities as we continue to see the following catalysts supporting the market – i) Fiscal stimulus in DM economies ii) Earnings growth to remain strong on resilient economic growth and AI linked capex and companies benefiting from productivity gains on AI adoption iii) Continued momentum in AI-related stocks. Key risk to the equities is tied to US 10-year yields inching towards 5%.

We stay neutral on fixed income: While the Fed is likely to keep policy rates unchanged on a relatively slower downward progress in services inflation, with a possibility of one additional rate hike if inflation proves more persistent, we do not view this as the beginning of a new tightening cycle. Instead, we expect inflationary pressures to moderate over the next three to four months. US Treasury yield curve to further steepen during H1 on fiscal deficit, and high debt concerns. Long term yields would continue to stay above 4% and potentially touching 4.7% during H1 on fiscal deficit and high debt concern.

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.

We stay overweight on HY fixed income and underweight on IG fixed income. GCC high yield fixed income witnessed a partial recovery. We continue to see attractive opportunities to lock in attractive yields in bank perpetuals and real estate names.

UAE equities witnessed a partial recovery as the traffic and economic activity has partially recovered over last one month since the ceasefire. In the near-term, the UAE equities could stay range bound as investors await to see a resolution to geopolitical escalation and start of recovery in tourism. We expect a potential resolution to happen soon. The UAE benefits from strong fiscal and external buffers, as well as a resilient banking system capable of navigating the current economic turmoil.

Global Asset Allocation and Outlook

Global Equites:

We stay overweight on DM and neutral on EM equities as EM economies will see increased inflation and reduced economic growth due to their high dependency on imports via Strait of Hormuz.

With in DM we stay overweight on the US and neutral on Europe. In EM, we stay overweight MENA and upgrade (China, Korea and Taiwan) to overweight from neutral. We remain overweight LatAm (Brazil, Chile and Peru) and underweight EMEA.

We expect the pick and shovel sectors (memory chip makers, GPU and ASIC chips designers and makers, and power equipment makers) across both DM and EM markets to continue to attract further investor inflows.

Preferred Picks:

Technology and communication services: Microsoft, Nvidia, Amazon, META, Netflix, Broadcom, Alphabet, Micron, SK Hynix, Coherent, Lumentum

Healthcare: Pfizer, Gilead Sciences, Boston Scientific Corp, Abott Laboratories

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

Financials: JPM, Citi, Visa and Mastercard

Utilities: Nextra Energy

Consumer Staples: Walmart

Energy: Chevron, Exxon, Valero, Occidental Petroleum

MENA Equities:

We maintain a positive outlook on GCC equities, particularly the UAE, supported by resilient corporate earnings, strong banking sector fundamentals, and continued government investment. While geopolitical risks may continue to create short-term volatility, the region's healthy fiscal position and solid economic fundamentals provide a supportive backdrop for earnings growth.

In Saudi Arabia, the Cabinet's approval of designated geographical zones where non-Saudis will be permitted to own real estate across Riyadh, Jeddah, Makkah and Madinah represents a positive structural reform. We believe the regulation is more likely to attract expatriate residents rather than foreign investors without Saudi residency. As such, we continue to monitor Masar and Retal, as the regulation could become a medium-term catalyst for residential demand.

We continue to favour leading banks in both the UAE and Saudi Arabia following another strong earnings season, with resilient loan growth, healthy asset quality, and solid capital positions supporting our positive view. We also remain cautiously optimistic on UAE real estate developers given limited launches. However, their sizable escrow balances and strong inventory sold continue to provide earnings visibility despite softer near-term transaction activity. Finally, we retain our preference for UAE energy and infrastructure names, which remain well positioned to benefit from ongoing government investment and long-term capacity expansion post UAE exit from the OPEC and plans to increase production.

Our preferred plays include:

- **Banks**: ADCB, DIB, ENBD, GBK, KFH, NBK, SNB
- **Consumer Discretionary**: Spinneys, Almarai.
- **Energy**: ADNOC Drilling,, ADNOC L&S, NMDC Energy
- **Healthcare/Insurance**: HMG, Tawuniya.
- **Real Estate**: TECOM, Aldar Prop, Dubai Residential, Emaar Dev, Emaar Prop, RAK Prop., MASAR.
- **Industrials**: AD Ports, SGS, East Pipes, Arabian Pipes.
- **Transportation**: Parkin.
- **Utilities**: DEWA, Empower

Global Fixed Income:

We remain neutral on bonds for the rest of 2026. The current higher yields provide attractive income and improve long-term return prospects. In our view, a selective yield-spread approach may offer opportunities, while diversification across geographies could help mitigate country-specific risks. 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. We prioritize earning carry from high-quality fixed income and remain active and flexible in managing duration and sector allocation, and stay mindful of ongoing risks from persistent inflation, fiscal deficits, and geopolitical uncertainty that could continue to drive interest rate volatility through the remainder of 2026. In addition to geopolitical developments and their inflationary spillovers, several other factors could shape market dynamics into the second half of the year. Rising government deficits may lead to higher term premiums and reinforce investor caution toward U.S. Treasuries, particularly at the long end.

Global Asset Allocation and Outlook

Concerns over central bank independence have eased somewhat following Chair Warsh's assertively hawkish debut — his dropped easing-bias language and higher dot plot suggest the new Fed is, if anything, leaning tighter rather than bowing to political pressure for lower rates — though the risk of renewed friction with the administration over that stance remains a factor to monitor and could still contribute to episodic volatility. At the end of July markets priced 1 rate hike in November meeting, and the fed funds rate at near 4% by the end of the year.

EM Fixed Income:
We turn more cautious on EM and GCC fixed income for July, as renewed escalation in the region reintroduced the geopolitical risk premium that had briefly eased in June, pushing Brent crude from roughly $77 to $92 a barrel over the month. Rising oil prices, alongside tight domestic banking-system liquidity, weighed on regional and broader EM bond markets, consistent with the -1.3% and -1.8% declines in the EMUSTRUU and BGCCTRUU indices respectively. Issuance activity was mixed: Saudi Arabia's domestic sukuk program pulled back sharply from June's outsized print, while Kuwait defied the resurgence in regional tensions to complete one of the largest sovereign dollar bond sales of the year, underscoring that investor appetite for high-quality GCC credit remains intact even as headline risk resurfaces.

Bonds at elevated yields continue to provide healthy income and diversification, playing a core role in portfolios given the combination of a long-end-led global rate selloff, renewed geopolitical tensions, and a Fed that has left the door open to further tightening.

Saudi Arabia continued to dominate the GCC fixed-income market, accounting for 59.1% of total GCC issuance volume in Q1 2026, raising $32.54 billion through 42 issuances — a 3.1% year-on-year increase.

The NDMC closed its July SAR-denominated sukuk issuance, raising SR 5.35 billion ($1.42 billion) across five tranches maturing between 2031 and 2041 — a 49% pullback from June's SR 10.57 billion, as the Kingdom scaled back domestic borrowing following June's outsized fundraising round.

The sharp rebound reflects renewed investor demand and issuer confidence following the Iran de-escalation, after a period of pronounced pullback through the height of the conflict.

UAE: The UAE Ministry of Finance successfully completed its July auctions of dirham-denominated Treasury Sukuk and Treasury Bonds, raising AED 1.1 billion. Total bids reached AED 4.83 billion, representing an oversubscription rate of 4.4 times. Pricing moved higher in line with the broader rise in global yields, with the T-Sukuk tranche maturing October 2027 pricing at a 4.49% YTM and the T-Bond tranche maturing January 2031 at 4.48% — both up meaningfully from May's 4.03%/4.30% levels, reflecting the long-end-led backup in global rates over the intervening months.

What we like: Emaar Properties, Aldar Properties, Binghatti Holding, Emirates NBD.

KUWAIT: Kuwait's financing activity was the standout story of the month. The Ministry of Finance raised $6 billion through a three-tranche international dollar bond sale — $3 billion in three-year notes, $1.5 billion in five-year notes, and $1.5 billion in ten-year notes — even as regional tensions escalated further during the month. Order books reached roughly $14.8 billion, more than three times the deal size, allowing pricing to tighten by 25bp across all three tranches from initial guidance. The resilience of demand, even amid heightened regional uncertainty, highlights the depth of international investor confidence in Kuwait's credit profile and fiscal buffers.

INDIA – India's 10-year G-Sec yield rose 17 basis points over the month to approximately 6.85%, reversing June's decline as renewed regional escalation pushed Brent crude from around $77 to $92 per barrel, reawakening imported-inflation concerns. Tight banking-system liquidity and the postponement of India's inclusion in Bloomberg's Emerging Market Index added further upward pressure on yields, with the move visible across both long-term and money-market segments of the curve.

What we like: INCLEN, Adani Ports, Indiabulls Housing, Adani Green, Axis Bank, IIFL.

Global Asset Allocation and Outlook

	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			

Performance of our Funds

Concerto IS Daman MENA UCITS Fund

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

The fund lost 2.4% for the month. The highest contributions to return were NBK, FAB, ADCB, COMI and SNB. Meanwhile, AKBank, Aldar Properties, Emaar Properties, East Pipes and Riyadh Cables were the key detractors to return.
In fixed income the largest detractors to return was OMNYAT'31.

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 contributors to the return were AD Ports, Al Masane Al Kobra Mining, ADNOC Drilling, ADNOC L&S and Pure Health. On the negative side, Salik, Dubai Taxi, NMDC Energy, East Pipes and Talabat were the key detractors to returns.

	2026	**Inception (30 Jul 2020) (Class I)**
Total Return	-4.5%	89.4%
Annualized Return	-	11.2%
Annualized Volatility	-	9.4%
Sharpe Ratio	-	0.9

NAV as of 30th July 2026

	2026	**Inception (Aug 2022) (Class A)**
Total Return	-2.0%	15.5%
Annualized Return	-	3.6%
Annualized Volatility	-	10.7%
Shape Ratio	-	-

NAV as of 31st July 2026

About Daman Investments

Daman Investments stands as a preeminent regional investment firm, distinguished for its comprehensive suite of non-banking financial services catering to institutional clients, corporations, SMEs, and high-net-worth individuals. Our overarching objective is to assume a pivotal role in the burgeoning new Arab World Economy. Propelled by unwavering commitment to ethics, excellence, and client-centricity, we offer innovative and bespoke solutions to assist you in not only meeting but surpassing your financial aspirations. With a legacy spanning over 27 years, Daman Investments has consistently redefined the contours of the financial services landscape.

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