Monthly Review, Asset Allocation & Outlook

June 2026

ضمان للإستثمار
DAMAN INVESTMENTS

Highlights of the Month

- Global markets delivered mixed performance on investors weighing reduced geopolitical risks against hawkish fed.
- Global equities fell, with the MSCI ACW Index down 0.9% MTD majorly on rotation away from AI.
- Emerging markets (-1.7%) underperformed developed markets (-0.8%).
- The S&P 500 Index and Nasdaq Index declined 1.1% and 2.8%, respectively, while DJIA Index gained 2.5%.
- U.S. Treasury yields moved higher, with the 2Y and 10Y up 17bps and 3bps, respectively.
- Fixed income returns were mixed, with the Barclays Global Agg. and High Yield indices at -0.7% and 0.2%, respectively.
- Gold fell 11.7% during June due to strong dollar, rising yields, higher inflation and market pricing out rate cuts in 2026.
- Dubai and Abu Dhabi's closed higher by 3.4% and 1.1%, respectively, while Saudi declined 2.5%.
- The FTSE MENA Broad Bond Index ended the month 0.2% higher.
- 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 in June as investors weighed resilient economic fundamentals and easing geopolitical tensions against a rotation away from AI and technology stocks, renewed energy price volatility, and a more hawkish shift in Federal Reserve rate expectations. During the month, the U.S. and Iran signed a memorandum of understanding to extend the ceasefire, reopen the Strait of Hormuz, and establish a 60-day negotiation window aimed at reaching a broader comprehensive agreement.

Global equities retreated modestly during the month, with the MSCI All Country World Index declining 0.9%, reversing part of the strong gains recorded in May. Performance diverged significantly across regions and sectors. Defensive sectors outperformed as investors sought stability amid heightened uncertainty, with the MSCI ACWI Defensive Index gaining 1.0%, while the Cyclical Index declined 1.3%. Similarly, value stocks marginally outperformed growth stocks, falling 0.7% compared with a 1.1% decline for growth, as weakness in large-cap technology companies weighed on broader market performance.

In Fixed income markets credit outperformed rates. The Bloomberg Barclays Global Aggregate Bond Index declined 0.7% as rising sovereign yields offset coupon income. However, credit markets remained well supported by healthy corporate balance sheets and tightening credit spreads. Global high yield bonds gained 0.2%, while emerging market debt continued to outperform developed market fixed income. The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index advanced 0.6%, and EM High Yield bonds gained 1.1%, supported by attractive carry and improving investor appetite for higher-yielding assets.

Government bond markets experienced modest upward pressure on yields as investors continued to reassess the outlook for policy easing. The U.S. 2-year Treasury yield rose 17 basis points during the month, while the 10-year Treasury yield increased 3 basis points, resulting in a modest flattening of the yield curve. Real yields also moved higher, reflecting resilient economic activity and continued concerns that inflation could remain above central bank targets for longer.

The Federal Reserve left the federal funds rate target range unchanged at 3.50% to 3.75% on Wednesday, as widely expected. However, the central bank's updated Summary of Economic Projections and Chair Kevin Warsh's first post-meeting press conference were largely interpreted as leaning hawkish. The updated projections showed the median policymaker expecting modest tightening by year-end, a notable shift from the March projections, which had pointed to rate cuts. Nine of 18 officials penciled in at least one rate hike in 2026, while only one projected a cut. Policymakers also raised their inflation forecasts, with headline personal consumption expenditures (PCE) inflation now expected to reach 3.6% in 2026 and core PCE inflation projected at 3.3%.

Commodity markets experienced a sharp correction during June, with the Bloomberg Commodity Index declining 8.8%. Energy prices came under significant pressure as Brent crude oil fell 20.8%, reflecting easing supply concerns and expectations of softer global demand despite ongoing geopolitical developments. Industrial metals also weakened amid concerns over slowing manufacturing activity and softer Chinese demand. Aluminum declined 18.5%, nickel fell 14.7%, while copper, which has remained one of our preferred structural commodities given its central role in electrification and AI-related infrastructure, declined a relatively modest 1.8%.

Petrochemical markets also weakened considerably following lower feedstock prices. Japan Naphtha declined 11.5%, while polyethylene prices across Asia fell between 11% and 16%. Methanol prices declined 19.5%, polypropylene fell 10.4% and monoethylene glycol (MEG) declined 18.2%. Fertilizer markets were similarly weak, with Middle East urea prices falling 40.3%, although Saudi DAP prices remained resilient, rising 1.7%.

Gold prices corrected 11.7% during the month as higher real interest rates and a stronger U.S. dollar reduced demand for non-yielding assets. The U.S. Dollar Index strengthened by 2.3% during June, weighing on both precious metals and emerging market currencies. Despite the short-term correction, we continue to maintain a constructive medium-term outlook on gold, supported by central bank diversification away from developed market sovereign reserves, and structurally high fiscal deficits across major developed economies.

Global Equities:

Developed markets outperformed emerging markets during June as investors favored higher-quality markets amid elevated geopolitical uncertainty. The MSCI World Index declined 0.8%, modestly outperforming the MSCI Emerging Markets Index, which fell 1.7%.

U.S. equities experienced a mixed month. The S&P 500 declined 1.1%, while the technology-heavy Nasdaq Composite underperformed, falling 2.8%, reflecting profit-taking across several mega-cap technology companies following their strong year-to-date performance. In contrast, the Dow Jones Industrial Average rose 2.5%, while the Russell 2000 advanced 3.6%, indicating a broadening of market leadership beyond the largest technology stocks.

Sector performance highlighted a meaningful rotation within U.S. equities. Industrials continued to benefit from sustained infrastructure investment and AI-related capital expenditure, gaining 7.2%, while Healthcare advanced 6.5% and Financials rose 4.2%, supported by higher interest rates and resilient credit conditions. Conversely, Communication Services declined 7.9%, Energy fell 5.1%, Consumer Discretionary lost 4.8%, and Information Technology declined 3.3% as investors rotated away from higher valuation growth sectors.

The Bureau of Labor Statistics reported that the U.S. economy added 172,000 jobs in May, well ahead of estimates for around 80,000, while April's reading was revised up to 179,000 from 115,000. May job growth was led by gains in leisure and hospitality, local government, and health care. The unemployment rate was unchanged at 4.3%. Other data from the week generally pointed to continued resilience in the U.S. economy alongside ongoing inflation pressures.

The ISM manufacturing PMI rose 1.3 points to 54.0 in May, ahead of consensus estimates and the highest in four years. New orders expanded for the fifth consecutive month, while the prices index eased modestly but still indicated rising prices for the 20th month in a row. The ISM services PMI also beat expectations, rising to 54.5 from 53.6, with new orders strengthening and the prices index climbing to its highest level since August 2022. The Census Bureau reported that U.S. retail sales increased 0.9% in May, ahead of expectations for a roughly 0.6% gain and up from April's revised 0.4% increase.

The US CPI rose at 0.5%MoM, putting the annual inflation rate at 4.2%, both in line with expectations. The core CPI accelerated 0.2% MoM and 2.9% YoY. While the annual rate was in line with the forecast, the monthly gain was below the 0.3% estimate. The report indicated that much of the inflation surge came from a 3.9% jump in energy prices, putting the 12-month increase at 23.5%. Core commodities prices actually posted a 0.1% decline.

European equities remained relatively resilient. The STOXX Europe 600 gained 2.5%, supported by improving earnings expectations and expectations of continued monetary policy accommodation. The CAC 40 outperformed with a gain of 2.7%, while the FTSE 100 advanced 0.8%. Germany's Germany's DAX Index declined marginally by 0.4%, reflecting weaker industrial data and export uncertainty.

Asian markets delivered mixed returns. Japan remained one of the strongest-performing developed markets, with the Nikkei 225 advancing 5.6%, supported by continued corporate governance reforms, accommodative monetary policy and robust earnings momentum. Taiwan and Korea also generated positive returns of 2.7% and 3.1%, respectively, reflecting continued strength across semiconductor manufacturers benefiting from sustained AI-related investment.

China significantly underperformed regional peers. The MSCI China Index declined 7.5%, while the Hang Seng China Enterprises Index fell 10.3%, reflecting continued weakness in the property sector, subdued domestic demand and lingering investor concerns over economic growth.

Within emerging markets, performance remained mixed. India continued to demonstrate resilience, with the MSCI India Index rising 0.8%. Turkey and Pakistan outperformed, gaining 2.9% and 3.5%, respectively, supported by improving macroeconomic sentiment and attractive valuations. In contrast, Brazil, South Africa, Indonesia and Chile all posted negative returns as commodity weakness weighed on investor sentiment.

GCC equity markets were mixed during June. Dubai continued to outperform regional peers, with the DFM General Index rising 3.4%, while Abu Dhabi gained 1.1% and Bahrain advanced 3.2%, supported by healthy corporate earnings and resilient domestic economic activity. Saudi Arabia declined 2.5%, Qatar fell 3.0%, Kuwait lost 1.2% and Oman declined 3.2%, largely reflecting weaker oil prices and profit-taking following earlier gains. The broader S&P Pan Arab Composite Index declined 1.5%, while the MSCI UAE continued to outperform regional peers, gaining 3.3%.

Within Saudi Arabia, sector performance was mixed. Insurance outperformed with a gain of 2.0%, while Banks declined 1.6%. Materials and Energy underperformed, falling 6.1% and 5.2%, respectively, reflecting weakness across commodity markets.

Fixed Income:

The UST curve bear flattened over June, but the driver reversed from May: this time it was the short-end leading the move as investors repriced a markedly more hawkish Federal Reserve under its first Chairman-led meeting under Kevin Warsh. The 2-year Treasury note yield climbed more than 16 basis points to 4.216% on the FOMC decision, the biggest jump on a Fed meeting day since March 2008, while the 30-year yield declined roughly 7bp on the week as a U.S.–Iran framework deal pushed oil sharply lower and reduced the inflation risk premium embedded in longer maturities. Unlike May, when escalation in the Middle East drove the sell-off, June's story was one of de-escalation on the geopolitical front colliding with a hawkish domestic policy pivot: optimism around a near-term resolution of the conflict and the announcement of a U.S.–Iran memorandum of understanding pushed the oil futures curve and near-term inflation compensation materially lower relative to April FOMC levels. The 2s30s spread compressed roughly 17bp and the 2s10s narrowed about 12bp over the month, with the belly acting as the pivot point. Overall, the durability of the Iran de-escalation and the pace of any further Fed hawkishness will be the key swing factors for rates heading into the summer.

The June 16–17 FOMC meeting — the first chaired by Kevin Warsh — was the defining event of the month. The Committee voted 12–0 to hold the federal funds target range at 3.50%–3.75%, a fourth consecutive hold, but paired it with a hawkish set of projections: the median 2026 dot rose to 3.8% from 3.4% in March, with nine of the eighteen dots now indicating a 2026 rate hike and the Fed's PCE inflation forecast revised up 90 basis points to 3.6% — the largest single-meeting revision in recent history. Notably, Warsh's post-meeting statement ran to roughly 130 words, about half the length of prior statements, and dropped the "easing bias" language that had persisted through three prior meetings; he also declined to submit his own dot and announced five task forces to review the Fed's communications, balance sheet, data sources, inflation framework and labor-market analysis. Following the decision, market pricing converged toward the hawkish view, with futures assigning roughly a 60% probability to a hike by October — a sharp shift from the near-zero odds priced at the end of May.

Inflation data released during June reinforced rather than challenged that hawkish pivot — a reversal from May's late-month softening. May CPI, released June 10, showed headline inflation accelerating to 4.2% year-on-year from 3.8% in April, its highest level since April 2023, with energy costs up 23.5% on the back of the Iran-driven oil shock, while core CPI ticked up to 2.9% from 2.8%, a new high since September 2025. The Fed's preferred gauge told a similar story: May Core PCE rose 0.3% on the month and 3.4% year-on-year, the highest annual pace since October 2023, while headline PCE hit 4.1% year-on-year, the highest since April 2023. The labour market, meanwhile, stayed firm rather than cooling: May payrolls jumped 172,000, far above the roughly 80,000 consensus estimate, with unemployment steady at 4.3%. Together, these releases left little room for the Fed to justify anything other than the hawkish repricing markets delivered mid-month.

On the credit side, the Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) were up 0.6% and 0.2% respectively in June — both softer than May's 0.7% and 0.6% gains, consistent with the front-end-led Treasury pressure from the hawkish FOMC pivot weighing more heavily on GCC credit than the offsetting relief from lower oil and easing Middle East tensions. GCC high-yield segments — particularly UAE real estate — remain the area to watch; the pace of spread widening has been contained so far, and fundamentals across higher-quality issuers continue to demonstrate resilience, supporting selective opportunities even as the rates backdrop turns less favorable.

MENA Equities:

Regional equity markets delivered mixed performance in June as investors weighed easing geopolitical tensions against a still challenging macro backdrop. While the mid-June agreement that included the reopening of the Strait of Hormuz helped improve market sentiment and reduced immediate supply disruption concerns, it was not sufficient to support a broad-based recovery across regional equities. The S&P Pan Arab Composite declined 1.5% MoM, broadly in line with global markets, as the MSCI Emerging Markets Index fell 1.7% and the MSCI Developed Markets Index declined 0.8%.

Within the GCC, performance diverged across markets. Saudi Arabia's TASI declined 2.5% MoM, while Abu Dhabi and Dubai outperformed, gaining 1.1% and 3.4%, respectively. The weaker performance in Saudi Arabia partly reflects profit-taking following the market's strong rally in previous months. Key contributors to June's performance included Arabian Pipes and East Pipes as given the pipeline expansion. Qatar underperformed, falling 3.0% MoM, as investor sentiment remained weighed down by concerns over potential disruptions to LNG exports through the Strait of Hormuz. Outside the GCC, Egypt declined 4.1% amid continued selling pressure from financial institutions, while Morocco fell 3.5%. Egypt's headline urban inflation eased to 14.3% YoY in June from 14.6% in May, broadly in line with expectations.

The UAE continues to accelerate efforts to eliminate its dependence on the Strait of Hormuz by expanding alternative export routes through new pipelines, export terminals and east-coast energy infrastructure, regardless of whether the waterway remains fully operational. AD Ports and Borouge are also expanding capacity at Fujairah Port to strengthen export flexibility. Within the energy sector, ADNOC Drilling is unlikely to accelerate fleet expansion before late 2026, suggesting that any meaningful upside from higher UAE oil production is unlikely to materialise before late 2027, as increased production does not necessarily translate into additional drilling activity in the near term. However, the unconventional gas programme could gather pace from 2027.

Dubai's real estate market remained resilient despite a seasonal slowdown. Total sales reached AED32.7bn in June, down 40% YoY but up 11% MoM. The decline was more pronounced in the secondary market, where transactions fell 53% YoY, compared with a 19% YoY decline in off-plan sales. On a monthly basis, secondary sales increased 17%, while off-plan transactions rose 6%. Abu Dhabi's property market rebounded strongly, with total sales reaching AED12.3bn (+91% YoY, +30% MoM), recovering from May's weaker performance. Growth was primarily driven by off-plan sales, which increased 2.4x YoY and 10% MoM, supported by new project launches and the emirate's lower dependence on tourism compared with Dubai.

Among UAE-listed companies, several names are expected to deliver strong Q2 2026 results. ADNOC Logistics & Services should continue to benefit from favourable freight rates, while Parkin is supported by solid operating momentum, limited exposure to tourism and the VAT pass-through mechanism. Within food retail, Spinneys continues to stand out given its pricing power and resilient demand, whereas Lulu's ability to fully pass through higher costs remains less certain. Americana also remains an attractive recovery story, with management reaffirming its FY2026 guidance, maintaining expectations for mid-single-digit like-for-like sales growth and progressing with the acquisition of MAT. In the mobility sector, DTC completed the acquisition of National Taxi, marking the first presence in the Abu Dhabi market. Conversely, RAK Properties may disappoint due to slower project execution and delays in new launches. Meanwhile, Emaar announced plans for a new 4.5 million sqm urban district in Dubai with an estimated development value of AED200bn and capacity for approximately 150,000 residents.

In Saudi Arabia, one of the most notable developments during the month was the Cabinet's approval of designated geographical zones where non-Saudis will be permitted to own real estate across Riyadh, Jeddah, Makkah and Madinah. We believe the regulation is particularly supportive for developers such as Masar and Retal. Nevertheless, the IMF expects Saudi Arabia's economy to grow by only 1.7% in 2026, reflecting the impact of lower oil prices, reduced oil exports and moderating non-oil activity. Among listed equities, Jarir remains a company we continue to monitor, supported by successful demand generation, continued e-commerce expansion and disciplined store rollouts.

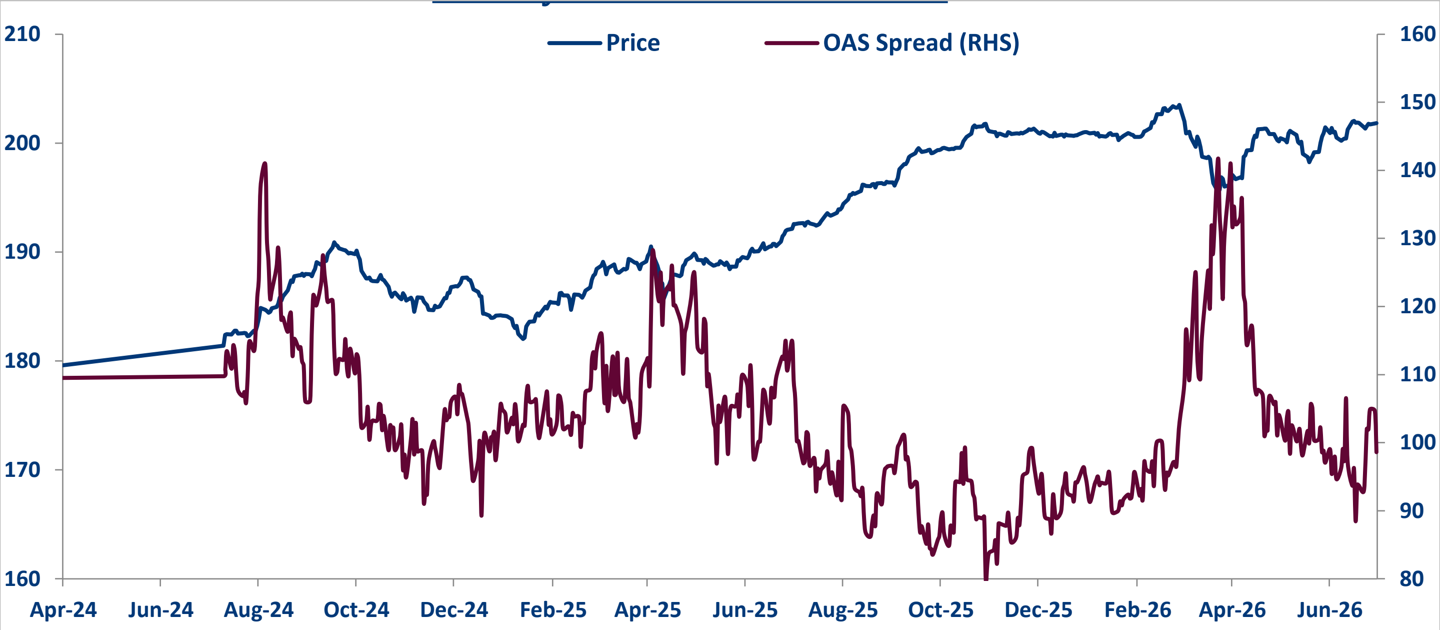
Major Indices Performance

Major Indices Performance	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia - TASI	10,800	-2.5%	2.9%	14.2	2.1	4.1%
Dubai - DFMGI	5,956	3.4%	-1.5%	10.2	1.6	5.1%
Abu Dhabi – FADGI	9,804	1.1%	-1.9%	11.5	1.7	4.6%
Qatar – DSM	10,242	-3.0%	-4.8%	11.6	1.3	5.0%
Kuwait - All Share	8,706	-1.2%	-2.3%	13.8	0.4	4.6%
Oman - MSM30	7,508	-3.2%	28.0%	12.1	1.0	4.0%
Bahrain – BHSEASI	2,043	3.2%	-1.2%	6.6	0.5	4.4%
Egypt - EGX30	50,488	-4.1%	20.7%	7.9	2.2	3.9%
Morocco - MOSENEW	18,217	-3.5%	-3.3%	17.8	3.3	3.4%
S&P Pan Arab Composite	173	-1.5%	0.6%	12.7	1.8	4.2%
Israel - TA35	4,067	-8.7%	12.0%	17.2	2.5	2.3%
Turkey - XU100	14,122	3.4%	25.4%	4.8	0.7	6.0%
Pakistan - KSE100	180,080	3.5%	3.4%	7.7	1.5	5.3%
S&P 500	7,499	-1.1%	9.6%	21.9	5.1	1.1%
STOXX 600	642	2.5%	8.4%	15.6	2.3	3.1%
MSCI EM	1,723	-1.7%	22.7%	12.3	2.2	2.4%
MSCI All Country World	1,120	-0.9%	10.4%	19.0	3.5	1.7%
MSCI World	4,826	-0.8%	8.9%	20.5	3.8	1.6%

Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	202	0.2%	0.4%
FTSE MENA Broad Bond Index	188	0.2%	0.5%
Dow Jones Sukuk	99	-0.2%	-1.6%
Barclays Global Aggregate Index	500	-0.7%	-0.2%
Barclays Global High Yield Index	1,902	0.2%	2.1%
Barclays US Treasury Index	2,442	0.3%	0.3%
Barclays US Corporate Index	3,576	0.2%	0.9%
Barclays US Corporate High Yield index	2,972	0.3%	2.0%
JPM EM Global Bond Index	707	0.8%	2.6%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,415	0.56%	2.0%
Bloomberg Barclays US Aggregate Bond Index	2,363	0.2%	0.6%
Markit CDX Emerging Markets Index	98	0.5%	-0.7%
Barclays EM High yield	1,903	1.1%	4.3%
Barclays EM Corporate Index	328	0.2%	1.7%
10-year US Treasury yield* (%)	4.47	3	30
30-year US Treasury yield* (%)	4.95	-2	11
US Treasury 2-10 Spread*	28.68	-14	-40
US Treasury 2-30 Spread*	77.38	-19	-59
10-year US Treasury Real yield* (%)	2.23	19	32
10-year Germany Treasury yield* (%)	2.86	-8	1
US Breakeven 10 Year*	2.23	-17	-1
10-year Saudi Arabia Govt USD Bond yield* (%)	4.98	10	38
8-year Abu Dhabi Govt USD Bond yield* (%)	4.70	11	56
4-year Kuwait Govt USD Bond yield* (%)	4.38	20	39
9-year Oman Govt USD Bond yield* (%)	4.94	8	14
10-year Bahrain Govt USD Bond yield* (%)	6.93	27	87
7-year Qatar Govt USD Bond yield* (%)	4.53	12	64
10-year Egypt Govt USD Bond yield* (%)	7.31	-2	52
EIBOR 3M* (%)	3.82	13	34
QAIBOR 3M* (%)	4.10	0	13
Dubai 5 Year CDS* (bps)	62	-16	15
Qatar 5 Year CDS* (bps)	29	-3	2
2-year US Treasury yield* (%)	4.17	17	70

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)	72.92	-20.8%	19.8%
Natural Gas (USD/mmbtu)	3.28	-0.5%	-11.2%
Gold (USD/Ounce)	4,008	-11.7%	-7.2%
Copper (USD/MT)	13,349	-1.8%	7.2%
Aluminium (USD/MT)	3,070	-18.5%	3.4%
Nickel (USD/MT)	16,088	-14.7%	-2.5%
Urea Middle East (USD/MT)	408	-40.3%	6.5%
Methanol China (USD/MT)	314	-19.5%	26.1%
SE Asia Polyethylene (USD/MT)	1,280	-11.7%	47.1%
Polypropylene (USD/MT)	1,200	-10.4%	41.2%
US Dollar Index	101.19	2.3%	2.9%
MSCI EM Currency index	1,854.68	-1.0%	0.1%
JPM EM Currency index	46.62	-2.3%	0.1%
EGP/USD	0.020	5.7%	-3.3%
TRY/USD	0.021	-1.7%	-7.9%
PKR/USD	0.359	0.1%	0.7%
ILS/USD	0.336	-5.3%	7.0%
EUR/USD	1.14	-2.0%	-2.8%
GBP/USD	1.33	-1.4%	-1.6%
USD/JPY	162.55	2.1%	3.7%

Global Asset Allocation and Outlook

Global Asset Allocation and Outlook

Following the sharp correction in oil prices during June, we expect Brent crude to stabilize in the US$70–80/bbl range in the near term. While improving supply conditions should limit significant upside, a continued flaring up in geopolitical risks are expected to provide support to prices. We continue to expect inflation to gradually moderate over the remainder of the year as decline in energy prices feed with a lag, although progress is likely to be uneven given resilient services inflation.

Although June witnessed a modest consolidation across global risk assets, the fundamental backdrop remains broadly supportive for multi-asset portfolios. Global economic growth continues to remain resilient, corporate earnings expectations remain constructive, and labor markets across major economies continue to demonstrate strength despite moderating activity. The US labor market remains resilient, and the US consumer continue to spend keeping the real GDP growth above 2%. the U.S. economy added 57,000 jobs in June, missing estimates for around 110,000 and marking the softest reading since February's negative print. Prior months were also revised lower. However, the YTD average job gains of 92,000 were above last year's average of 9,700.

Looking ahead, markets are likely to remain sensitive to incoming inflation data, central bank communication, geopolitical developments and the sustainability of corporate earnings growth. While periods of heightened volatility should be expected, we continue to favour a diversified multi-asset portfolio with an overweight allocation to global equities, particularly beneficiaries of structural AI investment, alongside high-yield and emerging market credit where attractive carry continues to support total returns.

Despite the recent correction in commodities, we remain constructive on structural beneficiaries of electrification, artificial intelligence and the global energy transition, particularly copper over the medium term. We also continue to view gold as an important strategic portfolio diversifier given elevated sovereign debt level and sustained central bank demand.

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: Given the Federal Reserve's more hawkish stance following the recent uptick in inflation, we no longer expect any rate cuts this year. While the Fed is likely to keep policy rates unchanged, 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

	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

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

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 stay positive on UAE markets due to attractive valuation and country's strong fiscal and external buffers. We are keeping an eye on Saudi real estate names like MASAR and Retal post non-Saudis ownership regulation, but we remain selective in our exposure to other names in Saudi and Kuwait. We prefer exposure to top banks in both countries and top healthcare and insurance names in Saudi. We also like exposure to top pipe making companies like East Pipes and Arabian Pipes as we expect Aramco to expand oil and gas transport pipeline network.

We expect the UAE's decision to exit from OPEC , will positively impact ADNOC Drilling, ADNOC L&S, ADNOC Gas, ALEC, NMDC Energy, & Banks. Further capacity expansion beyond current target of 5mbpd will benefit UAE as it has a low fiscal breakeven oil price is around $50/barrel as per the latest IMF estimate.

UAE real estate players such as Emaar Properties and Aldar Properties have slowed down their launches, but we remain positive on them as they have substantial revenue visibility due to off plan sales as well as cash held in escrow accounts to fund ongoing construction projects expect & no slowdown in construction progress giving confidence to the market about project pipeline.

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 expect risk premiums to remain in focus as policy divergence plays out not just across major economies but within the U.S. curve itself, following June's front-end-led repricing. In our view, a selective yield-spread approach may offer opportunities, while diversification across geographies could help mitigate country-specific risks. We also see merit in a more measured approach to duration than a month ago: the long end's rally on Iran-deal optimism argues for some extension, but the front end's vulnerability to a hawkish Fed argues for caution, so we continue to favour maintaining an allocation to short-duration bonds to support liquidity and help manage portfolio volatility.

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. 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.

Global Asset Allocation and Outlook

Markets now assign roughly 75% probability to unchanged rates at the July FOMC meeting, down from near-certainty a month ago, reflecting the shift from a firm-but-steady labor market narrative (May payrolls +172,000, unemployment holding at 4.3%) toward one where the Fed's own projections flag hike risk later in 2026, with futures assigning around a 60% probability of a hike by October. The risk-reward for extending duration remains mixed: the long end has benefited from the retreat in oil-driven inflation risk premium, but that support is contingent on the Iran framework holding, while the front end faces headline risk from any further hawkish Fed communication. Against this backdrop, we continue to emphasize quality and flexibility, focusing on capturing carry through high-quality credit while actively managing interest rate exposure through curve positioning. We remain selective on duration and continue to view an average portfolio duration of around five years as optimal to balance carry, roll-down potential, and volatility.

EM Fixed Income:
We turn modestly more constructive on EM fixed income, as the announcement of a U.S.–Iran framework deal mid-month eased the geopolitical overhang that had weighed on the asset class since the conflict began. New U.S. dollar bond and sukuk issuance from GCC markets, which had been largely on hold since the escalation, began to reopen in June, with Saudi Arabia's sukuk program alone raising 338% more than it did in May — a signal that issuers are moving quickly to re-access markets while the de-escalation holds. That said, the hawkish turn from a Warsh-led Fed, which drove front-end Treasury yields sharply higher over the month, is a partial offset to this improvement and argues against treating the de-escalation as a green light for broad-based risk-taking.

Bonds at elevated yields continue to provide healthy income and diversification, playing a core role in portfolios given the ongoing tension between improving geopolitical conditions and a Fed that has just signalled a higher-for-longer, potentially hiking, policy path.

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 June SAR-denominated sukuk issuance, raising SR 10.576 billion ($2.81 billion) across six tranches maturing between 2029 and 2041 — a 338.6% increase from May's SR 2.42 billion and the Kingdom's largest monthly issuance since April.

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: Rather than a standard T-Bond auction, the UAE Ministry of Finance's headline development in June was the launch of its inaugural Sovereign Retail T-Sukuk Programme, the first of its kind in the UAE. The offering — sized at AED 50 million with a two-year tenor and a profit rate of 4.30% per annum — opened for subscription from June 24–30 and is aimed at broadening retail investor access to sovereign debt via Nasdaq Dubai. While modest in size, the initiative marks a structural step in deepening the UAE's dirham-denominated debt market beyond institutional primary dealers.

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

KUWAIT: Kuwait's bond and sukuk issuances continued to be driven by the need to fund its fiscal shortfall. The Central Bank of Kuwait issued KWD 550 million ($1.77 billion) across four tranches — two-year at 2.75%, three-year at 2.7%, five-year at 3.25%, and seven-year at 3.125% — bringing year-to-date domestic issuance to KWD 1.25 billion for FY 2026/27. EFG Hermes flagged that the growing borrowing pace reflects an expected widening of the budget deficit given Kuwait's exposure to the Strait of Hormuz disruption, projecting a deficit of no less than 13–14% of GDP for the current fiscal year — larger than the KWD 9.8 billion (20% of GDP) shortfall built into the original 2026/27 budget.

INDIA – India's 10-year G-Sec yield eased to approximately 6.84% by late June 2026, down from around 7.03% a month earlier, as the retreat in oil prices following the U.S.–Iran framework deal offset upward pressure from hawkish Fed signalling. The move narrowed the India-U.S. yield spread further even as U.S. 10-year Treasury yields hovered near 4.47–4.50%. Foreign investors remained net buyers of Indian government bonds through the Fully Accessible Route over the month, supported by continued expectations of India's eventual inclusion in Bloomberg's Global Aggregate Index.

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

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 3.9% for the month. The highest contributions to return were Talabat, AKBank, Aldar Properties, Dubai Taxi and Parkin. Meanwhile, NBK, Saudi Arabian Mining, East Pipes and Presight were the key detractors to return.
In fixed income the largest contributors to return was OMNYAT'31.

	2026	**Inception (30 Jul 2020) (Class I)**
Total Return	-2.2%	94.1%
Annualized Return	-	11.8%
Annualized Volatility	-	9.4%
Sharpe Ratio	-	0.9

NAV as of 2nd July 2026

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 1.7% for the month. During the month the highest contributors to the return were Dubai Taxi, Spinneys, DEWA, TECOM and Salik. On the negative side, Al Masane Al Kobra Mining and ADNOC Drilling were the key detractors to returns.

	2026	**Inception (Aug 2022) (Class A)**
Total Return	1.0%	19.1%
Annualized Return	-	4.5%
Annualized Volatility	-	10.8%
Shape Ratio	-	-

NAV as of 30th June 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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