



Highlights of the Month

- Global markets faced a downturn in September due to a sharp rise in bond yields.
- Global equities declined during the month, with the MSCI ACW Index down 1.3% and MSCI World Index down 1.3%.
- Emerging markets (-0.8%) outperformed developed markets (-1.3%).
- The S&P 500 Index and DJIA Index declined 0.5% and 4.3%, respectively, while Nasdaq Index advanced 1.9%.
- U.S. Treasury yields moved sharply higher, with the 2Y and 10Y up 55bps and 53bps, respectively.
- Fixed income returns were negative, with Barclays Global Agg. and High Yield indices at -2.4% and -3.0%, respectively.
- Gold declined 6.3% driven primarily by higher real yields and a stronger U.S. dollar.
- Dubai (+2.1%) and Abu Dhabi's (+0.6%) equities increased, while Saudi declined 6.2%.
- The FTSE MENA Broad Bond Index ended the month 3.0% Lower.
- We remain overweight on equities, focusing on structural themes such as AI, digital infrastructure and electrification.
- We continue to favor a well-diversified portfolio to navigate near-term inflation risk and geopolitical uncertainties.
- In fixed income, we remain underweight on duration, prioritizing 2-5 year maturities.



Global Asset Allocation and Outlook

Fed communication and cooler PCE and jobs data has helped stabilize rates volatility:

Since our last update, Federal Reserve communication has become more balanced and effective. While Chair Kevin Warsh has maintained a firm stance on inflation and reiterated that price stability remains the Fed's primary objective, other senior policymakers have emphasized the need to assess incoming data before considering additional tightening. This has helped reduce fears of an aggressive hiking cycle and contributed to a more orderly adjustment in bond markets following the sharp rise in yields seen during September. In our view, preserving confidence in the Fed's commitment to price stability while avoiding unnecessary policy surprises is supportive for risk assets. Following a string of cooling economic data—including core PCE falling to 3.4% and September payrolls adding just 29,000 jobs—market participants have aggressively dialed back expectations for a rate hike at the upcoming October 28, 2026 FOMC meeting.

Our views on long-term yields and interest rates:

We continue to believe that structurally higher long-term yields are likely to remain a feature of the investment landscape. Persistent inflation, elevated fiscal deficits, increased Treasury issuance and strong nominal economic growth continue to place upward pressure on government bond yields. The US 10-year Treasury yield has already moved above 5%, highlighting the market's reassessment of the neutral rate and the longer-term cost of capital. While the pace of future Fed hikes remains uncertain, we do not expect a rapid return to the low-yield environment that investors became accustomed to over the past decade. We expect the fed to hike rate only one more time this year in September and one more time next year. We believe 2-Year US Treasury yields are pricing in almost 4 rate hikes, which may not be the case. Hence, we see value in the short-end of the yield curve.

We remain constructive on risk assets:

The global macroeconomic backdrop remains constructive, although the increased geopolitical risk can create volatility in markets. However, markets can absorb an orderly rise in yields as corporate profit growth remains strong. Consensus expects global earnings growth to be 23% in next 12 months and high yields credit spreads continue to stay low. The U.S. economy continues to demonstrate resilience; corporate profitability remains strong and capital expenditure related to artificial intelligence and digital infrastructure is accelerating. 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. However, in the near-term we are cautious on precious metals given increasing rate expectations and higher USD.

We remain overweight on equities as we continue to see the following catalysts supporting the market – i) Earnings growth to remain strong on resilient economic growth and AI linked capex and companies benefiting from productivity gains on AI adoption ii) Continued momentum in AI-related stocks.

We stay neutral on fixed income, and 2-5 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.

Global Equities:

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. Nvidia CEO Jensen Huang reaffirmed that demand for AI infrastructure remains robust and guided for approximately 70% revenue growth in next fiscal year. Despite the strong performance of the S&P 500 year-to-date, its forward P/E multiple has declined to approximately 21x from 22x at the beginning of 2026, as forward earnings estimates have been upgraded by approximately 16%.

In EM, we stay overweight on Korea and Taiwan. We remain overweight LatAm (Brazil, Chile and Peru) and underweight EMEA.



Global Asset Allocation and Outlook

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, Abbott 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 medium-term outlook on GCC equities while being careful of the geopolitical risk in the near-term, particularly the UAE, supported by resilient corporate earnings, strong banking fundamentals and continued government investment. However, August's market recovery does not remove the risks from the prolonged conflict. We remain selective, favoring companies with strong cash generation, healthy balance sheets and visible earnings, while recognizing that renewed regional tensions could delay the recovery in tourism, trade and domestic activity.

We continue to favour leading UAE and Saudi banks, supported by solid capital positions and healthy asset quality. In Saudi, however, slower credit demand, elevated funding costs and increasing government financing requirements warrant a more measured growth outlook. Potential easing of foreign-ownership limits remains an additional catalyst for market inflows, although the timing and scope are uncertain.

We remain cautiously constructive on leading UAE real estate developers, whose existing sold backlogs support earnings visibility despite weaker transaction activity. Our focus remains on collections, and the pace of new sales, with a sustained demand recovery needed to support a broader sector re-rating. In Saudi, we continue to monitor Masar supported by housing needs and religious-tourism growth, while affordability and mortgage costs remain near-term constraints for Retal.

We retain our preference for UAE energy and infrastructure companies benefiting from and long-term capacity expansion. Progress in restoring operations and advancing gas projects supports the medium-term outlook, although export constraints remain a near-term risk.

Our preferred picks include:

- **Banks:** ADCB, ADIB, 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., MASAR
- **Industrials:** AD Ports, East Pipes, Arabian Pipes
- **Transportation:** Parkin
- **Utilities:** DEWA, Empower

Global Fixed Income:

We remain neutral on bonds for the rest of 2026 and **underweight duration**. 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 two to five years as optimal to balance carry, roll-down potential, and volatility, while avoiding overexposure to the long end. We prioritize earning carry from high-quality fixed income and remain active and flexible in managing duration and sector allocation, mindful of ongoing risks from persistent inflation, the oil-price shock, fiscal deficits, and geopolitical uncertainty that could continue to drive interest rate volatility through year-end. Within credit, we continue to prefer high yield over investment grade for carry, but remain selective as spreads widen from tight levels and heavy issuance tests market capacity. Rising government deficits with the U.S. debt above \$40 trillion continue to reinforce investor caution toward the long end of the Treasury curve, and September showed the limits of the Treasury's buybacks in containing long-end yields. Concerns over central bank independence remain contained following the Fed's unanimous decision to hike, which has reinforced its inflation-fighting credibility. At the end of September, markets priced roughly 39% probability of a further rate hike at the October meeting, down from about 71% a week earlier.



Global Asset Allocation and Outlook

EM Fixed Income:

We turn more cautious on EM and GCC fixed income for September, as a Fed rate hike and a further climb in U.S. yields pushed global bond markets into a broad risk-off move. On September 16 the FOMC voted unanimously to raise the federal funds target range by 25bp to 3.75%–4.00%, its first hike since July 2023. Chair Warsh described it as removing "a dose of accommodation", and the 10-year Treasury yield moved above 5%, reaching about 5.3% by month-end. Brent crude stayed elevated at roughly \$98–105 a barrel amid continued geopolitical tensions, adding pressure on oil-importing EM rates. The Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) fell 2.91% and 2.9% respectively, in line with the -2.4% decline in the Bloomberg Global Aggregate Index and the -2.5% decline in U.S. high yield. GCC issuance reflected the move: Saudi Arabia raised \$3.25 billion in a two-tranche international sukuk early in the month, with orders of about \$16.5 billion, but its domestic sukuk program pulled back sharply. Regional commentary pointed to higher funding costs dampening issuers' appetite for new debt, while demand for high-quality GCC paper stayed firm.

Bonds at elevated yields continue to provide healthy income and diversification, playing a core role in portfolios, though the first Fed hike in over three years, 10-year Treasury yields above 5%, and elevated oil argue for selectivity and a focus on quality.

Saudi Arabia remains the dominant issuer in the GCC. The Ministry of Finance's 2026 borrowing plan projects funding needs of SAR 217 billion (about \$58 billion), almost 56% higher than in 2025.

The NDMC closed its September SAR-denominated sukuk issuance, raising SR 1.64 billion (\$437 million) across six tranches maturing between 2029 and 2041, an 83% decline from August's SR 9.52 billion. The Kingdom turned to international markets instead, raising \$3.25 billion through a two-tranche sukuk (\$1.25 billion due 2031 and \$2 billion due 2036) that was roughly five times oversubscribed.

UAE: The Ministry of Finance's main September activity was the second issuance under its Sovereign Retail T-Sukuk Programme, a five-year tranche with a target size of AED 50 million and a profit rate of 5.06%. The inaugural two-year issuance priced at 4.30% and drew orders of AED 445 million, nearly nine times its target. Subscriptions ran from September 23 to 28, with trading on Nasdaq Dubai due to begin on October 1. The higher profit rate reflects both the longer tenor and the rise in global yields since the first offering.

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

KUWAIT: Kuwait continued to fund its fiscal shortfall in the domestic market. The Central Bank of Kuwait issued KD 100 million (\$324 million) of seven-year Treasury bonds and Tawarruq at a uniform yield of 3.625%, with bids of about \$991 million, roughly three times the amount offered. The seven-year yield is 50bp above the 3.125% achieved in June, which shows how far funding costs have risen. The issuance followed August's KD 100 million five-year tranche at 3.375%. Demand has remained solid even as pricing moved higher.

INDIA – India's 10-year G-Sec yield rose by roughly 25bp over the month to about 7.18%, its highest level in nearly two years. It crossed 7% on September 11 as the Fed hike, U.S. 10-year yields above 5%, and Brent near \$100 reinforced one another. Heavy government and state borrowing, RBI open-market bond sales draining surplus liquidity, and August CPI of 4.82% added to expectations of an RBI rate hike at its October meeting. Foreign investors sold about INR 102 billion of FAR-eligible bonds in the first half of the month, the largest monthly outflow of FY27.

What we like: INCLIN, Adani Ports, Indiabulls Housing, Adani Green, Axis Bank, IIFL, Capri Global.



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			



Monthly Review



Global Markets

Global financial markets during September as a combination of higher energy prices, rising government bond yields, a stronger U.S. dollar and renewed geopolitical tensions weighed on investor sentiment. The Federal Reserve raised its policy rate by 25 basis points during the month, taking the target range to 3.75%-4.00%, while persistent inflation pressures and resilient economic activity kept markets concerned that monetary policy may remain restrictive for longer. The rise in Treasury yields was further amplified by elevated fiscal deficits and the significant financing requirements associated with AI and digital infrastructure investment.

Global equities declined broadly, with the MSCI All Country World Index falling 1.3% and the MSCI World Index declining 1.3%. Emerging markets were relatively more resilient, falling 0.8%, although performance remained highly differentiated across countries. However, despite a sharp MoM rise of 53bps in 10-Year US Treasury yield, the decline at the index levels were not significant as Technology remained the key area of strength. The Nasdaq Composite gained 1.9%, while the MSCI ACWI Growth Index declined only 0.4%. In contrast, Value fell 2.1% and Defensive stocks declined 2.8%. The continued outperformance of technology highlights the strong earnings growth and growing investment in AI capex, even as broader market breadth weakened.

Fixed income markets came under significant pressure as the sharp rise in government bond yields translated into negative returns across both sovereign and credit markets. The Bloomberg Global Aggregate Index declined 2.4%, the U.S. Treasury Index fell 2.2%, while Global High Yield declined 3.0% as spreads widened sharply. Emerging market debt also weakened, with the EM Hard Currency Aggregate Index falling 2.9% and EM High Yield declining 3.1%. The sell-off was driven primarily by duration rather than a deterioration in corporate fundamentals, although credit spreads also widened as investors reassessed the outlook for inflation, interest rates and corporate leverage.

Government bond yields rose sharply across major markets. The U.S. 2-year Treasury yield increased 55 basis points to 4.89%, while the 10-year yield rose 53 basis points to 5.28% and the 30-year yield increased 39 basis points to 5.63%. Real yields increased 49 basis points to 2.92%, while 10-year inflation breakeven rose 5 basis points to 2.37%. The move higher in yields reflected a combination of the Fed's more restrictive policy stance, persistent inflation pressures, higher oil prices, strong issuances from AI linked companies and strong economic growth. Importantly, the increase was not confined to the front end: long-dated yields also moved materially higher, highlighting growing concerns around fiscal sustainability and the large amount of capital required to finance both government deficits and private-sector AI infrastructure investment.

The September FOMC reinforced this environment. The Fed raised rates by 25 basis points while maintaining a cautious approach to further easing, with policymakers continuing to emphasize the upside risks to inflation. The Fed's minutes also highlighted the impact of higher energy prices and heavy AI-related debt issuance on Treasury yields and term premiums. We therefore continue to favour credit over duration within fixed income, while remaining cautious on long-duration government bonds until there is greater evidence of a sustained decline in inflation and reduced fiscal deficit concerns.

Commodity markets were mixed, with the Bloomberg Commodity Index broadly unchanged, gaining 0.3% during September. Energy was the strongest component, with Brent crude rising 14.4% to USD 103.53 per barrel. Natural gas also gained 3.1%. In contrast, precious and industrial metals weakened, with gold declining 6.3%, aluminium falling 2.3% and nickel declining 5.8%, while copper was broadly unchanged at USD 14,453 per tonne.

Energy prices were supported by persistent geopolitical tensions. Brent crude moved above USD 100 per barrel during the month, creating an additional inflationary impulse at a time when central banks remain focused on containing underlying price pressures.

Petrochemical markets strengthened significantly during September. Southeast Asian polyethylene and polypropylene prices increased 8.1% and 16.3%, respectively, while HDPE, LDPE and LLDPE rose 8.1%, 13.0% and 13.7%. Methanol was particularly strong, increasing 34.7%, while MEG rose 12.2% and naphtha gained 3.1%. Urea markets also strengthened, with Middle East urea rising 14.3% and Egyptian urea increasing 10.9%. The broad-based improvement across the petrochemical complex points to stronger pricing momentum, although substantial global capacity additions and the uneven recovery in manufacturing demand remain important constraints to a sustained upcycle.



Agricultural commodities were more mixed. Wheat declined 10.7% and corn fell 2.8%, while soybean prices increased 1.4%. The decline in wheat prices represents some moderation in the supply-risk premium that had supported agricultural commodities in previous months. Nevertheless, geopolitical disruptions and weather-related supply risks remain important sources of volatility across global agricultural markets.

Gold declined sharply by 6.3% during September to USD 4,157 per ounce, reversing a significant portion of August's rally. The correction was driven primarily by higher real yields and a stronger U.S. dollar, which increased the opportunity cost of holding a non-yielding asset. The U.S. Dollar Index rose 2.0% during the month. The combination of higher real yields and a stronger dollar warrants a more measured near-term stance.

Global Equities:

Emerging markets outperformed developed markets during September, with the MSCI Emerging Markets Index declining 0.8%, compared with a 1.3% decline in the MSCI World Index. However, the aggregate EM number masks significant dispersion. Taiwan and Korea remained the strongest markets, gaining 4.3% and 1.3%, respectively, supported by continued strength in the semiconductor and AI ecosystem. Brazil also performed well, gaining 3.0%. In contrast, India declined 6.3%, South Africa fell 8.2%, Mexico declined 6.8% and Indonesia fell 6.9%.

The continued strength of Asian technology markets highlights the extent to which AI-related capital expenditure remains the dominant structural theme in global equities. Taiwan and Korea have delivered exceptionally strong year-to-date returns of 70.6% and 83.7%, respectively, supported by strong semiconductor earnings expectations and demand for AI-related hardware. However, the increasingly narrow leadership warrants greater selectivity, particularly as higher financing costs raise questions around the sustainability of capital-intensive AI investment. We continue to favour companies with strong balance sheets, high free-cash-flow generation and clear exposure to the AI infrastructure build-out, while remaining cautious on highly leveraged beneficiaries of the theme.

U.S. equities were relatively resilient despite the sharp rise in Treasury yields. The S&P 500 declined only 0.5%, while the Nasdaq Composite gained 1.9%. The Dow Jones fell 4.3% and the Russell 2000 declined 5.4%, highlighting the significant divergence between large-cap technology and the broader market. Sector performance was similarly concentrated: Information Technology gained 4.4% and Communication Services rose 4.3%, while Financials declined 7.3%, Materials fell 6.9%, Real Estate declined 6.7%, Consumer Discretionary fell 5.9% and Utilities

declined 6.1%.

The resilience of technology stocks despite higher discount rates reflects continued investor confidence in AI-related earnings growth. The September FOMC minutes also noted that companies directly benefiting from AI infrastructure investment continued to outperform, while the broader equity market was increasingly driven by earnings rather than valuation expansion. We remain constructive on secular AI beneficiaries, particularly across semiconductors, memory, networking, optical connectivity, power infrastructure and cooling, but continue to favour companies with strong balance sheets and visible free-cash-flow generation.

European equities underperformed the U.S. during September. The STOXX Europe 600 declined 2.5%, while Germany's DAX fell 4.0%, France's CAC declined 4.4% and the FTSE 100 fell 2.0%. The combination of higher global bond yields, elevated energy prices and geopolitical uncertainty created a challenging backdrop for European equities, particularly for economically sensitive sectors.

Japan was comparatively resilient, with the Nikkei 225 gaining 0.7%. Meanwhile, Chinese equities remained under pressure, with the Shanghai Composite declining 3.6%, the Hang Seng China Enterprises Index falling 3.4% and the MSCI China Index declining 4.7%.

Within the GCC, performance was highly divergent. Dubai was the strongest market, with the DFM General Index gaining 2.1%, followed by Abu Dhabi, where the ADX General Index rose 0.6%. In contrast, Saudi Arabia declined 6.2%, Qatar fell 5.7%, Bahrain declined 1.5%, Kuwait fell 1.3% and Oman declined 0.5%. The broader S&P Pan Arab Composite Index declined 3.6%.

The sharp underperformance of Saudi Arabia was particularly notable given the strength of the oil market. The TASI declined 6.2%, with weakness broad-based across materials, food & beverage, retailing, banks, real estate and insurance. The combination of higher global yields, foreign investor flows and profit-taking following the earlier recovery contributed to the correction. Qatar also remained under pressure, declining 5.7% during the month and 14.1% year to date.

In contrast, UAE equities demonstrated considerable resilience. Dubai's DFM General Index gained 2.1%, while the MSCI UAE Index increased 3.3%, bringing its year-to-date gain to 2.5%. Abu Dhabi's ADX rose 0.6%. The relative outperformance of the UAE reflects the continued strength of domestic liquidity, economic activity and corporate earnings, as well as



the UAE's relatively diversified economic base. We therefore maintain our constructive view on UAE equities within the GCC, while remaining selective given the broader global backdrop of higher rates and elevated geopolitical risks.

Fixed Income:

The U.S. Treasury selloff deepened sharply in September, shifting from July and August's long-end-led bear steepening to a front-end-led repricing as the Federal Reserve delivered its first rate hike since 2023. The 2-year yield rose 55bp to 4.89%, the 10-year rose 53bp to 5.28% and the 30-year rose 39bp to 5.63%, leaving the 2s10s spread broadly unchanged at 39bp while the 2s30s flattened 16bp. The 10-year reached 5% on September 15, its highest level since 2007, and the 30-year hit its highest since 2004 on September 24 before climbing further into month-end. The move was driven by real yields rather than inflation expectations, where the 10-year real yield rose 49bp to 2.92%, while the 10-year breakeven rose only 5bp, pointing to tighter policy expectations and rising term premia. The Treasury's buyback programme offered little support: at its upsized September 10 operation, the Treasury bought \$5.19 billion of 10- to 20-year securities against a \$6 billion maximum, and the 10-year rose 11bp to 4.95% that day as investors questioned whether buybacks could address the structural deficit. Unlike August, there was no currency cushion, as the U.S. Dollar Index rebounded 2.0%. The Bloomberg Global Aggregate Index fell 2.4% MTD (-2.7% YTD), while the Bloomberg Global High Yield Index fell 3.0% MTD, cutting its YTD return to -0.1%, as high-yield spreads widened to around 306bp, their widest since April, amid the heaviest monthly high-yield issuance of 2026 and continued AI-related corporate supply.

The FOMC meeting on September 15–16 was the month's defining event. The Committee voted unanimously to raise the federal funds target range by 25bp to 3.75%–4.00%, stating that inflation "remains elevated" and the move would "support a timelier return" to its 2% goal. The dot plot was hawkish: the 2026 median rose to 4.1% from 3.8% in June, implying one further hike this year, with sixteen of eighteen participants expecting at least one more increase, while the 2027 median rose to 4.1% from 3.6%. Chair Warsh stated that "inflation is too high, and has been for too long" and that the summer's softer readings did not show a meaningful improvement in underlying trends. Markets lifted the probability of a further hike in October to around 71% in the final week of the month, before New York Fed President Williams said on September 29 that there was "no need for urgency". Tightening was not limited to the U.S.: the ECB raised its deposit rate by 25bp to 2.50% on September 10, its second hike in three months, as euro area energy inflation jumped to 14.3%, and the 10-year Bund yield rose 26bp to 3.59%.

Economic data released throughout September, covering August, pointed to a stronger economy and renewed energy-driven inflation pressure. August nonfarm payrolls rose 162,000, well above expectations of around 55,000, with June and July revised up by a combined 55,000; the unemployment rate held at 4.2%, and wage growth was 3.0% year-on-year. August CPI rose 0.4% month-on-month and 3.4% year-on-year, above the 3.3% consensus, as gasoline prices jumped 27.4% year-on-year, while core CPI rose 0.3%, 0.1 percentage point above expectations. The S&P Global flash composite PMI for September jumped to 58.4, the fastest pace since July 2021, with input costs rising at the steepest rate in four years. August PCE, released September 30, offered some relief with headline PCE rising 0.3% month-on-month and 3.4% year-on-year, and core PCE rising 0.2% and 3.0%, below the 3.3% expected. However, much of the improvement reflected BEA methodology revisions, which lowered July's readings from 3.7% and 3.3% to 3.4% and 3.0%, respectively, leaving inflation well above the Fed's 2% target.

Emerging Market and GCC credit came under pressure in September, with the Emerging Markets Aggregate Index down 2.9% and the Bloomberg EM GCC Credit + HY Index down 2.9%, as higher U.S. yields and a stronger dollar coincided with renewed geopolitical escalation. Attacks on Saudi oil infrastructure, including a temporary shutdown of the East-West pipeline Brent crude up 14.4% to \$103.5/bbl. GCC sovereign yields rose more than U.S. Treasuries, with 10-year Saudi and Abu Dhabi USD bond yields up 65bp and 67bp to 6.05% and 5.73%, respectively, though the move was driven mainly by rates rather than credit, with Saudi 5-year CDS widening only 10bp and Dubai's unchanged. Regional central banks followed the Fed, lifting 3-month EIBOR 47bp to 4.32%, while primary markets stayed open.



MENA Equities:

Regional equities fell in September on increased geopolitical tensions and global financial conditions tightened. The S&P Pan Arab Composite fell 3.6% MoM, underperforming the MSCI Emerging Markets Index (-0.8%) and the MSCI World Index (-1.3%). Saudi Arabia led the declines: TASI fell 6.2% to 10,441, its lowest close of the month. Sell-off was mainly driven by the large-cap banking and energy names, because of their substantial weights in TASI, with SNB, Saudi Aramco and Al Rajhi among the main drags. Qatar fell 5.7% (-14.1% YTD), pressured by QNB and continued disruption to LNG flows. The UAE held up better. DFM gained 2.1%, supported by banks and real estate, and Abu Dhabi rose 0.6%, holding above 10,000. Kuwait and Oman declined 1.3% and 0.5%, respectively. Outside the GCC, Egypt's EGX30 fell 5.4% after a correction from 20 September, and the pound weakened 2.0% against the dollar. Morocco's MASI fell 4.9% (-5.9% YTD).

September data point to a broad recovery in Gulf economic activity following the disruption seen earlier in the year. In both the UAE and Saudi Arabia, the non-oil economy remained resilient, with the S&P Global PMI reaching 55.3 in September in both markets. In the UAE, the PMI was unchanged from August, supported by strong output, new orders and a continued recovery in export demand. Saudi Arabia saw a more pronounced improvement, with PMI rising from 53.8 in August to 55.3, reflecting stronger domestic demand, new orders and employment.

The UAE continues to have the stronger underlying growth profile. Real GDP increased 3.0% year-on-year in Q1 2026, with non-oil GDP growing 4.8%. The Central Bank of the UAE expects full-year growth of 1.6%, with a much stronger rebound expected in 2027 as oil production normalizes. The main concern is increasingly on the inflation side: while overall inflation remains moderate, September PMI data showed the sharpest increase in companies' selling prices in more than 15 years, reflecting higher input, freight and logistics costs. Saudi Arabia presents a more mixed picture. Headline GDP contracted 4.7% year-on-year in Q2, primarily because of a 24.8% decline in the oil sector, while the non-oil economy still expanded by 0.9%. This highlights the resilience of domestic activity despite the significant oil-sector disruption. Inflation remains well contained, with consumer prices rising just 1.8% year-on-year in August. The recovery in oil production and exports during September should provide additional support to growth going into the fourth quarter.

Monetary conditions remain relatively tight in both economies. The UAE raised its base rate to 3.90% in September, while Saudi Arabia increased its repo rate to 4.50%, broadly following the Federal Reserve given both countries' dollar pegs. Overall, September data suggest that the Gulf economies are moving into a recovery phase, with the UAE benefiting from stronger and more diversified non-oil growth, while Saudi Arabia remains more dependent on the normalization of oil production. The key risks for the coming months are renewed geopolitical disruption, higher logistics costs and rising inflationary pressure, particularly in the UAE.

The relative outperformance of the UAE reflects the continued strength of domestic liquidity, economic activity and corporate earnings, as well as the UAE's relatively diversified economic base. We therefore maintain our constructive view on UAE equities within the GCC, while remaining selective given the broader global backdrop of higher rates and elevated geopolitical risks.

Brent rose 14.4% MoM to USD 103.5/bbl as attacks on Saudi infrastructure and shipping tightened supply. This happened even though Saudi Arabia restarted the East-West pipeline and resumed loadings at Yanbu late in the month. Goldman Sachs estimates that Gulf oil exports doubled during September to about 23.3mb/d, in line with their 2025 average. Exports of diesel, gasoline and jet fuel, however, remain at about half of 2025 levels. Petrochemical prices rallied: methanol rose 34.7%, polypropylene 16.3%, urea 14.3% and polyethylene 8.1%. Producers still face production and export disruption, and Methanol Chemicals (Chemanol) applied for a SAR 350m rights issue.

Valuations are more supportive after the decline. The S&P Pan Arab Composite trades at 12.4x forward earnings, and dividend yields are 4.2% for TASI, 5.2% for Qatar and 5.4% for Dubai. Several factors could support markets: restored Saudi Red Sea exports and recovering Gulf crude flows. A possible increase in Saudi Arabia's 49% foreign-ownership limit remains a catalyst, but its timing is still unclear.



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	10,441	-6.2%	-0.5%	14.0	2.0	4.2%
Dubai - DFMGI	5,961	2.1%	-1.4%	10.0	1.6	5.4%
Abu Dhabi - FADGI	10,070	0.6%	0.8%	11.1	1.7	4.3%
Qatar - DSM	9,245	-5.7%	-14.1%	11.2	1.2	5.2%
Kuwait - All Share	8,779	-1.3%	-1.4%	15.6	0.1	3.9%
Oman - MSM30	7,567	-0.5%	29.0%	11.2	1.0	3.8%
Bahrain - BHSEASI	1,908	-1.5%	-7.7%	11.7	0.6	4.2%
Egypt - EGX30	51,895	-5.4%	24.1%	8.4	2.3	3.2%
Morocco - MOSENEW	17,733	-4.9%	-5.9%	21.0	3.6	2.7%
S&P Pan Arab Composite	3,407	-3.6%	0.0%	12.4	0.6	4.2%
Israel - TA35	4,204	1.6%	15.8%	16.3	2.4	2.5%
Turkey - XU100	11,947	-16.7%	6.1%	5.0	0.1	7.6%
Pakistan - KSE100	169,969	-4.0%	-2.4%	7.3	1.6	5.7%
S&P 500	7,652	-0.5%	11.8%	21.3	5.1	1.1%
STOXX 600	635	-2.5%	7.2%	15.2	2.3	3.2%
MSCI EM	1,705	-0.8%	21.4%	11.4	1.9	2.6%
MSCI All Country World	1,135	-1.3%	11.8%	18.2	3.4	1.7%
MSCI World	4,903	-1.3%	10.7%	19.8	3.8	1.6%

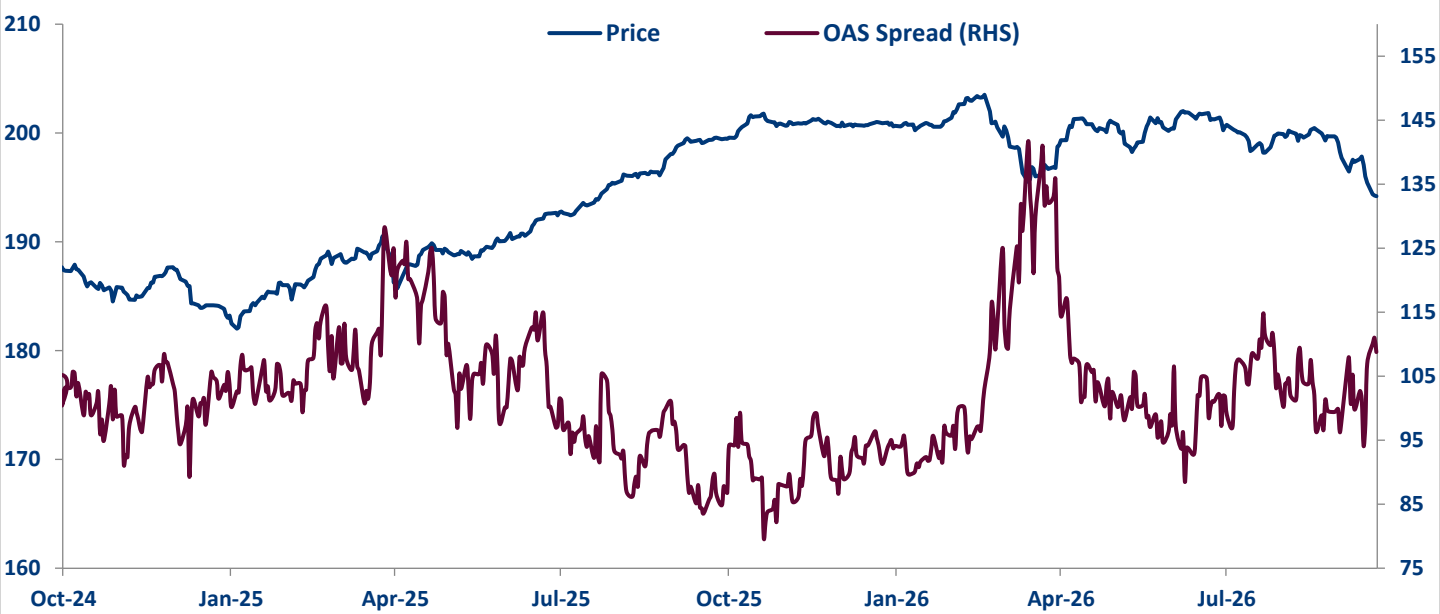
Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	194	-2.9%	-3.4%
FTSE MENA Broad Bond Index	181	-3.0%	-3.3%
Dow Jones Sukuk	95	-2.6%	-4.9%
Barclays Global Aggregate Index	488	-2.4%	-2.7%
Barclays Global High Yield Index	1,860	-3.0%	-0.1%
Barclays US Treasury Index	2,368	-2.2%	-2.8%
Barclays US Corporate Index	3,435	-2.7%	-3.1%
Barclays US Corporate High Yield index	2,917	-2.5%	0.1%
JPM EM Global Bond Index	676	-3.6%	-1.9%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,366	-2.91%	-1.5%
Bloomberg Barclays US Aggregate Bond Index	2,280	-2.6%	-2.9%
Markit CDX Emerging Markets Index	97	-1.1%	-1.6%
Barclays EM High yield	1,845	-3.1%	1.1%
Barclays EM Corporate Index	321	-2.2%	-0.6%
10-year US Treasury yield* (%)	5.28	53	112
30-year US Treasury yield* (%)	5.63	39	79
US Treasury 2-10 Spread*	39.38	-1	-30
US Treasury 2-30 Spread*	73.75	-16	-63
10-year US Treasury Real yield* (%)	2.92	49	101
10-year Germany Treasury yield* (%)	3.59	26	73
US Breakeven 10 Year*	2.37	5	12
10-year Saudi Arabia Govt USD Bond yield* (%)	6.05	65	110
10-year Abu Dhabi Govt USD Bond yield* (%)	5.73	67	138
10-year Kuwait Govt USD Bond yield* (%)	6.08	57	54
6-year Oman Govt USD Bond yield* (%)	5.97	76	117
10-year Bahrain Govt USD Bond yield* (%)	8.61	86	141
9-year Qatar Govt USD Bond yield* (%)	5.55	72	118
8-year Egypt Govt USD Bond yield* (%)	8.55	99	105
EIBOR 3M* (%)	4.32	47	84
QAIBOR 3M* (%)	4.30	20	33
Dubai 5 Year CDS* (bps)	62	0	15
Qatar 5 Year CDS* (bps)	41	8	13
2-year US Treasury yield* (%)	4.89	55	141

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)	103.53	14.4%	70.1%
Natural Gas (USD/mmbtu)	3.03	3.1%	-17.9%
Gold (USD/Ounce)	4,157	-6.3%	-3.7%
Copper (USD/MT)	14,453	0.1%	16.1%
Aluminium (USD/MT)	3,159	-2.3%	6.4%
Nickel (USD/MT)	15,738	-5.8%	-4.6%
Urea Middle East (USD/MT)	440	14.3%	15.0%
Methanol China (USD/MT)	485	34.7%	94.8%
SE Asia Polyethylene (USD/MT)	1,330	8.1%	52.9%
Polypropylene (USD/MT)	1,430	16.3%	68.2%
US Dollar Index	101.45	2.0%	3.2%
MSCI EM Currency index	1,927.42	0.1%	4.0%
JPM EM Currency index	45.69	-1.5%	-1.9%
EGP/USD	0.019	-2.0%	-8.6%
TRY/USD	0.020	-1.5%	-12.4%
PKR/USD	0.361	0.2%	1.1%
ILS/USD	0.325	-2.7%	3.6%
EUR/USD	1.13	-2.5%	-3.5%
GBP/USD	1.33	-2.1%	-1.6%
USD/JPY	157.41	-1.5%	0.4%



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 1.8% for the month. The highest contributions to return were ADCB, Emaar Properties, Aldar Properties, and Emirates NBD. Meanwhile Commercial International Bank, Gulf Bank, AKBank QNB and SNB were the key detractors to return. In fixed income ARACEN, Vakif & YK Bank were key detractors while Omniyat being sole marginally positive contributor.

	2026	Inception (30 Jul 2020) (Class I)
Total Return	-2.4%	93.7%
Annualized Return	-	11.3%
Annualized Volatility	-	9.4%
Sharpe Ratio	-	0.9

NAV as of 01st October 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 0.6% for the month. During the month the highest contributors to the return were Space42, Parkin, SK Hynix ADR, and Presight. On the negative side, AMAK, NMDC Energy, Spinneys and Alec were the key detractors to returns.

	2026	Inception (Aug 2022) (Class A)
Total Return	3.3%	24.3%
Annualized Return	-	5.3%
Annualized Volatility	-	10.6%
Shape Ratio	-	-

NAV as of 30th September 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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