YAD CAPITAL AG
INVESTMENT ADVISORY

YAD HOUSE VIEW

July 2025

Welcome

Dear Reader,

As we move through the midpoint of 2025, global markets continue to adjust to evolving macroeconomic conditions and policy expectations. Our Investment Committee has reviewed current positioning across asset classes in light of recent developments in inflation, labour market dynamics, and fiscal policy, with a particular focus on the US economy. This update provides an overview of our tactical shifts in equity, fixed income, and alternative allocations, along with our latest assessment of the global macro landscape.

Your faithfully,

Dan Stemmer
Partner

Ygal Abergel
Managing Partner

Damjan Csiba, CFA
Portfolio Manager

What changed in our active allocations?

Equity – Geography

We reduced our exposure to US and Israeli equities due to stretched valuations and increased our allocation to Japanese equities from underweight to neutral in the Growth portfolio to align with the relatively positive market outlook for the country's stocks.

Equity – Sector

We reduced our allocations to Consumer Discretionary and Information Technology by taking some profits on the Nasdaq 100. This move reflects signs of a slowing U.S. economy and the fact that the IT sector already represents over 25% of the MSCI World Index. Nevertheless, our largest exposure remains in IT, at around 22–23%.

Fixed Income

Our Growth Portfolio has an average yield to maturity (YTM) of 5.28% and a modified duration of 7.51. The Yield Portfolio offers a slightly higher average YTM of 5.54% with a shorter modified duration of 6.72.

The Investment Committee has decided to increase the high-yield US corporate bonds within the Yield Portfolio. We are optimistic about US high-yield bonds due to their low default rates.

In the Growth Portfolio, we reduced our allocation to long-duration U.S. Treasuries, as we are concerned about the country's elevated fiscal deficit. The recently proposed "Big Beautiful Bill" fails to address these concerns and may worsen the situation.

We continue to maintain a diversified fixed income allocation across short-, medium-, and long-term maturities. With the near to target PCE inflation rate and the labor market showing signs of softening, we believe current restrictive monetary policy provides room for potential rate cuts.

Our bond exposure is focused on investment-grade issuers from developed markets, with limited exposure to emerging markets and high-yield debt. According to S&P's methodology, the average credit rating is BBB.

Alternatives

We subscribed to a semi-liquid Royalties fund in the Growth portfolio.

Our current active allocations

Asset Class	Overweight	Underweight
Equity - Geography	Developed Markets in general, Eurozone and Switzerland	Emerging Markets in general, UK, Australia, United States and Japan in Yield
Equity - Sector	Industrials, Utilities and Consumer Staples	Communications, Energy, Financials and IT

Index Returns

YTD 2025

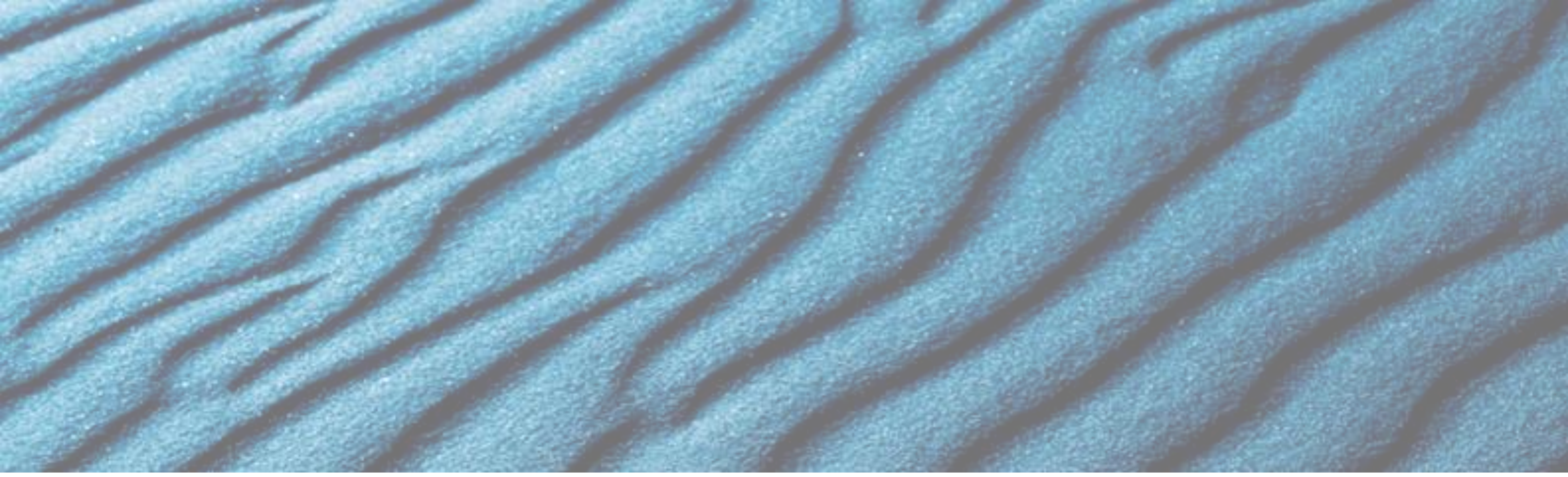
Equity	YTD Performance
Euro STOXX 50	11.44%
Tel Aviv 125	28.58%
Nasdaq 100	8.02%
S&P 500	6.60%
Swiss Performance Index	6.60%

Fixed Income	YTD Performance
Global Crp High Yield	7.04%
US Treasury 7-10Y	4.93%
Emerging Market ($)	5.13%
$ Investment Grade	4.53%
€ Investment Grade	0.75%

Alternatives	YTD Performance
Global Hedge Fund Index	2.40%
Gold	27.83%
Crude Oil	-3.94%
Bitcoin	16.93%
Global Real Estate	5.12%

Currencies	YTD Performance
USD/ILS	-7.56%
USD/CHF	-12.78%
USD/JPY	-8.52%
GBP/USD	9.23%
EUR/USD	13.99%

As of 03 July 2025, CET 10:35am



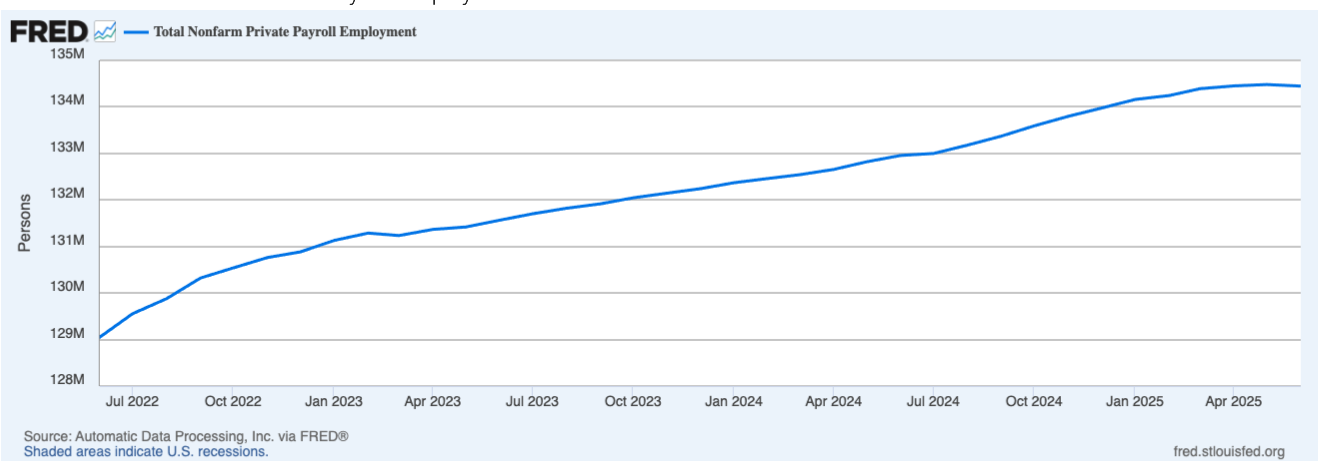
US Employment Trends Overview

The US job market remained relatively resilient in June, with the unemployment rate at 4.1% that is unchanged from a year earlier. While it has risen from a low of 3.4% in April 2023, it is slightly lower than the 4.2% recorded in May 2025. The labour force participation rate decreased to 62.3% from 62.6% a year ago. The continuing jobless claims have been trending upward, now nearing two million, the highest level since November 2021 indicating that unemployed individuals are taking longer to find new jobs.

At the same time, ADP reported a decline of 33,000 in total nonfarm private payrolls - the first negative reading since March 2023. Additionally, DOGE announced a significant number of layoffs in the first half of the year, which are expected to continue, albeit at a slower pace, even in the absence of Elon Musk. Average weekly hours have dropped to 34.2 - down from 35 in April 2021 - and are now only slightly above levels seen during the COVID-19 crisis (March 2020) when unemployment was considerably higher. This suggests a weakening labour market, as more people are taking part-time jobs that offer lower overall income.

Meanwhile, the US economy has been losing momentum, with GDP contracting by 0.5% in Q1. Tariffs have further weighed on growth. These factors are contributing to disinflationary pressure as wage growth and consumer spending weaken, although prices may still rise due to higher import costs. We expect the Federal Reserve to implement further rate cuts later this year, particularly after May next year if Trump replaces Chair Powell with a more dovish candidate, which would likely exert additional downward pressure on the US dollar.

Chart 1: Total Nonfarm Private Payroll Employment



Closing Thoughts

Thank you for reading the YAD House View .

While risks remain elevated - particularly around US fiscal uncertainty, softening labor market signals, and ongoing trade tensions - we continue to believe that select opportunities can be found through active allocation and disciplined portfolio construction. Our portfolios remain broadly diversified, with a tilt toward higher quality instruments. Should disinflationary trends persist, we expect central banks to maintain or expand monetary support, offering potential tailwinds to all asset classes. We will continue to monitor economic data and adjust positioning prudently as we navigate the remainder of the year.

Warm regards,

The YAD Capital Team

Yad Capital AG

Investment Advisory