

YAD HOUSE VIEW

September 2025



Welcome

Dear Reader,

We are pleased to share with you the September 2025 edition of the YAD House View. This publication reflects the collective insights of our Investment Committee as we navigate an ever-shifting global landscape.

Our goal is to provide you with a clear perspective on the forces shaping markets highlighting the opportunities we see across geographies, sectors, and asset classes.

Yours sincerely,

Dan Stemmer

Partner

Ygal Abergel

Managing Partner

Damjan Csiba, CFA

Portfolio Manager



What changed in our active allocations?

Equity – Geography and Sector

At our Investment Committee meeting, we decided to sell our position in the Russell 2000 due to its weak return on equity, return on assets, and overall profitability. We reallocated the proceeds into three areas:

- Cybersecurity, as the European Union is set to implement strict cybersecurity regulations that should drive stronger demand;
- Healthcare, which we believe has bottomed out following the recently announced US administration policies;
- India, given the country's strong growth trajectory, underscored by Q2 7.8% year-on-year GDP increase - well above consensus expectations.

Fixed Income

We did not change on our fixed income asset allocation.

Our *Growth Portfolio* has an average yield to maturity (YTM) of 5 and 8.3 modified duration. Our *Yield Portfolio* has an average average YTM of 5.4 and 6.9 modified duration. Our portfolio primarily consists of investment-grade bonds from developed markets, with limited exposure to emerging market and high-yield bonds. According to S&P's methodology, the average credit rating is A for the Yield Portfolio and AA for the Growth Portfolio.

Alternatives

We did not change our alternatives allocation.

Our current active allocations

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

Index Returns

YTD 2025

Equity	YTD Performance
Euro STOXX 50	13.14%
Tel Aviv 125	29.25%
Nasdaq 100	12.29%
S&P 500	10.87%
Swiss Performance Index	9.20%

Fixed Income	YTD Performance
Global Crp High Yield	8.36%
US Treasury 7-10Y	6.14%
Emerging Market (\$)	7.09%
\$ Investment Grade	5.66%
€ Investment Grade	0.62%

Alternatives	YTD Performance
Global Hedge Fund Index	4.15%
Gold	35.43%
Crude Oil	-6.38%
Bitcoin	18.80%
Global Real Estate	4.86%

Currencies	YTD Performance
USD/ILS	-7.32%
USD/CHF	-11.25%
USD/JPY	-5.37%
GBP/USD	7.24%
EUR/USD	12.47%

As of 03 September 2025, CET 15:06pm

Why we're bullish on Cybersecurity

As the global economy navigates uncertainty, one sector continues to show resilient demand and strong growth momentum: cybersecurity.

Structural Demand:

Digitization, cloud migration, and rapid AI adoption have dramatically expanded attack surfaces, forcing enterprises to accelerate investments in security. Unlike discretionary IT projects, cybersecurity is a non-negotiable budget line item. The cost of breaches far outweighs the cost of prevention.

Regulatory Tailwinds:

Governments and regulators are raising the bar for resilience across critical industries, ensuring cybersecurity spend will continue to grow:

- DORA (Digital Operational Resilience Act): Applies EU-wide from January 17, 2025 to banks, insurers, and investment firms - enforcing stricter ICT risk, incident, and third-party requirements. (Source: EIOPA, https://www.eiopa.europa.eu/digital-operational-resilience-act-dora_en)
- NIS2 Directive: Member states must transpose by October 17, 2024. Updated EU technical requirements increase baseline security standards. (Source: European Commission, <https://digital-strategy.ec.europa.eu/en/policies/nis2-directive>)
- Cyber Resilience Act: Entered into force December 2024. Core obligations apply from December 11, 2027, focusing on product lifecycle security. (Source: European Commission, <https://digital-strategy.ec.europa.eu/en/library/cyber-resilience-act>)

Valuation & Growth Justification:

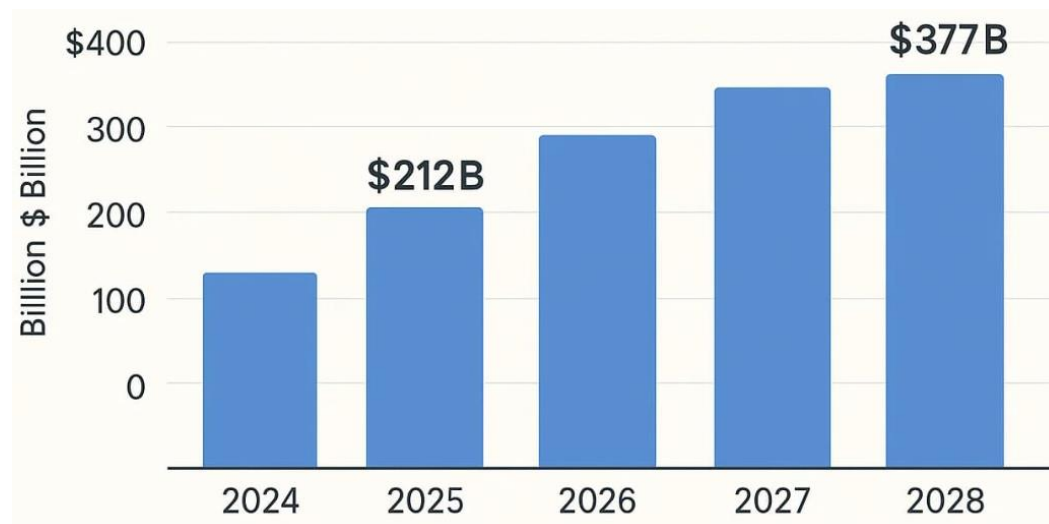
Fast revenue growth, scalable SaaS models, and improving operating leverage, cybersecurity companies justify their valuation premium.

Market Spending Outlook:

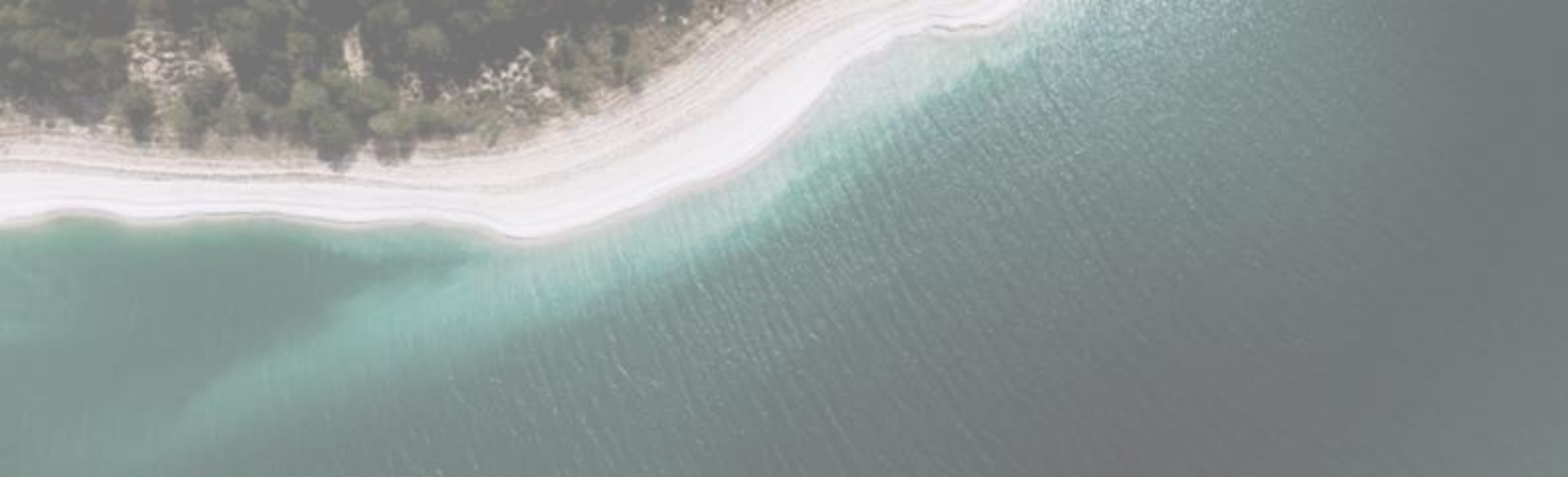
Industry analysts project strong momentum in global security spending:

- \$212 billion projected spend in 2025
- Long-term growth expected to reach \$377 billion by 2028 (20%+annual growth)

Chart 1: Global Cybersecurity Market Growth Projection



Source: DeepStrike, <https://deepstrike.io/blog/top-countries-cybersecurity-spend-2025>



Why we like India?

India continues to stand out as one of the most dynamic and resilient economies among global peers. Recent data further strengthens the investment case.

Growth Leadership:

India's economy grew +7.8% YoY in Q2 25, well ahead of consensus estimates. This upside surprise underscores India's sustained momentum as a global growth leader.

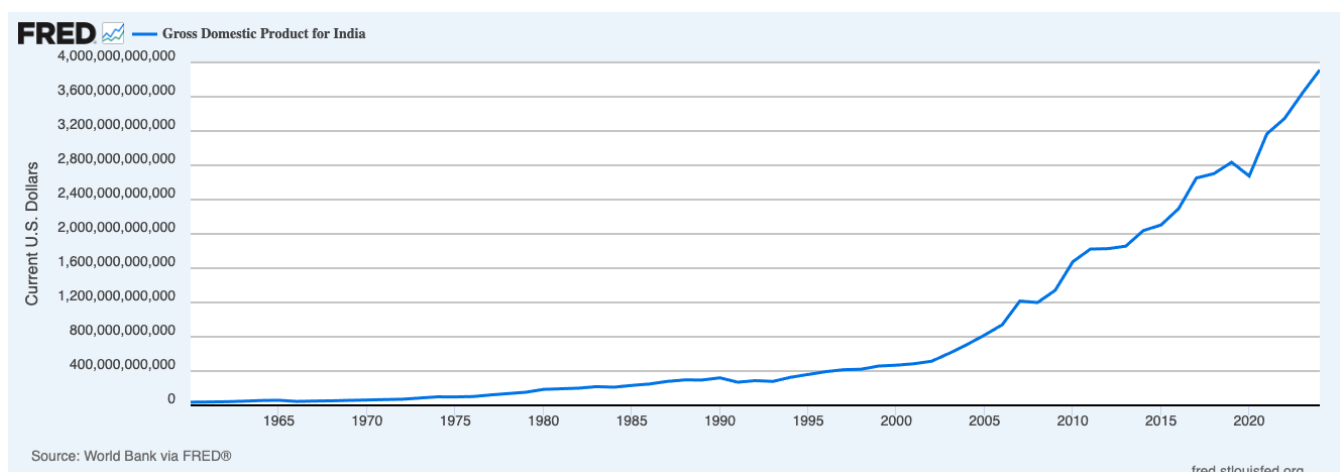
Structural Drivers:

- Demographics: With the world's youngest large labor force (median age ~28), India enjoys a powerful tailwind for consumption and productivity. (Source: EY, https://www.ey.com/en_in/insights/india-at-100/reaping-the-demographic-dividend)
- Policy Reforms: Infrastructure expansion, digital ID/payment rails, and supply-chain diversification strategies continue to drive FDI inflows. (Source: PWC, <https://www.pwc.in/assets/pdfs/industries/powering-indias-usd-5-trillion-economy-by-fostering-innovations.pdf>)
- Earnings Momentum: Corporate earnings CAGR is projected at ~15+%. (Source: Reuters, https://www.reuters.com/world/india/india-file-2025-stock-markets-face-glass-half-full-2024-12-18/?utm_source=chatgpt.com)

Long-Term Opportunity:

India's blend of strong demographics, progressive reforms, and earnings strength provides a compelling case for sustained outperformance in both equities and the broader economy.

Chart 2: Gross Domestic Product for India



Source: FRED, <https://fred.stlouisfed.org/series/MKTGDPINA646NWDB?>

Closing Thoughts

Thank you for your continued trust in YAD Capital. We look forward to guiding you through the next chapter of global investment opportunities.

Warm regards,

The YAD Capital Team

An aerial photograph of a dense forest with a narrow path or streambed cutting through it. The trees are mostly evergreens, and the path is lighter in color, possibly due to sunlight filtering through or a different type of vegetation. The overall tone is dark and moody.

YAD CAPITAL AG

— INVESTMENT ADVISORY —

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