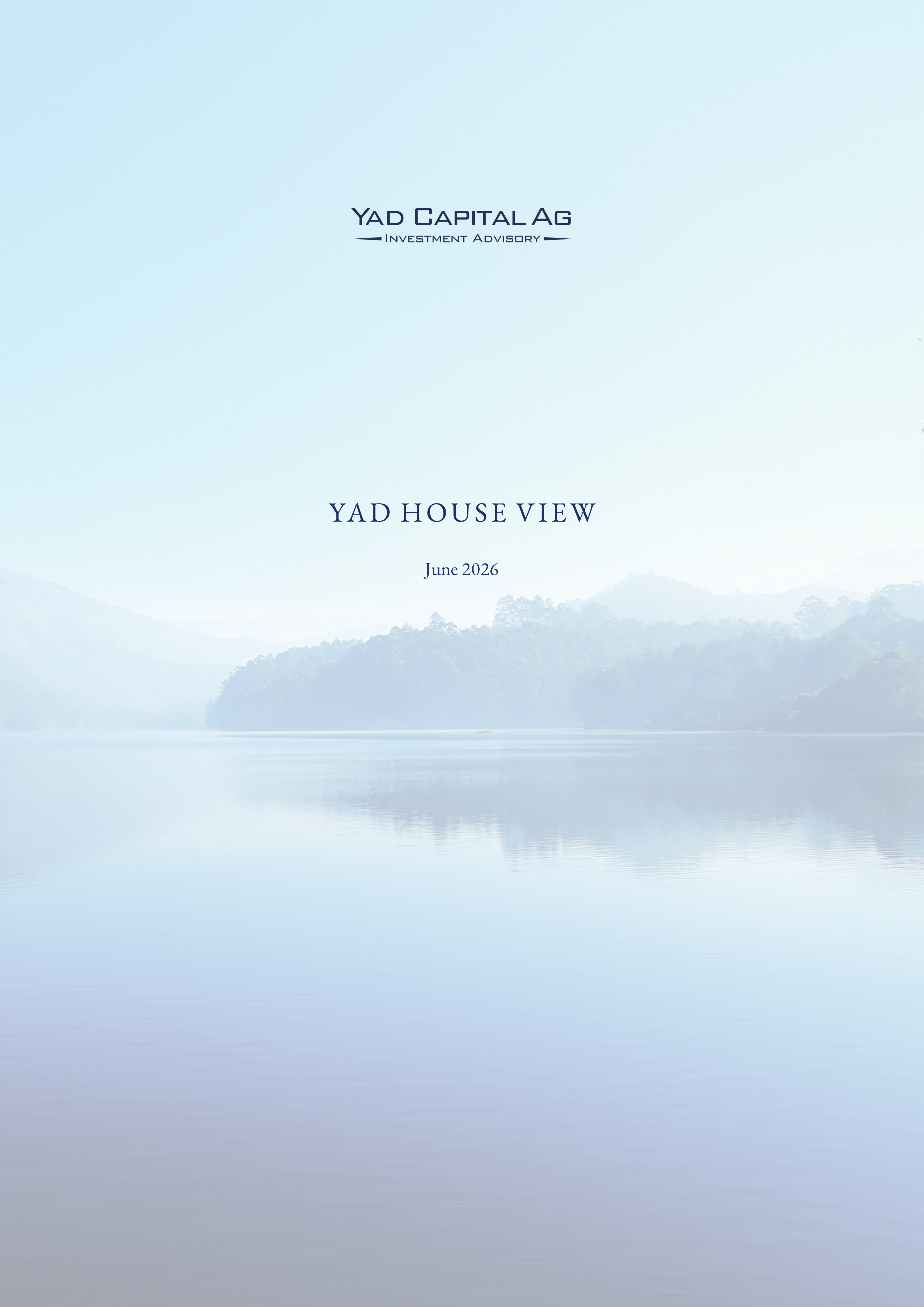
YAD CAPITAL AG
INVESTMENT ADVISORY

YAD HOUSE VIEW

June 2026



Welcome

Dear Reader,

In this report, we outline our latest market insights and strategic adjustments. This month's review focuses on the growing distress in the technology credit markets.

We have adjusted our positioning in our liquid portfolios and submitted a redemption request for an illiquid private credit investment.

We are pleased to share our perspectives with you.

Yours faithfully,

Dan Stemmer

Partner

Ygal Abergel

Managing Partner

Ron Rabi, PhD

Financial Analyst

Sarit Weininger

Client Account Manager

AI Drives Distress in Tech Markets

In our March 2026 Houseview newsletter, we announced our intention to redeem our clients' investment in private credit funds. Since then, we have successfully redeemed approximately one-third of the position and have submitted an additional redemption request for the remaining balance, which we expect to be settled during the next redemption window.

Our decision to fully exit this position reflects the profound sector rotation currently underway as a result of the AI revolution. As artificial intelligence reshapes industries and economic activity, technology has become the primary sector positioned to capture the benefits of AI adoption while simultaneously bearing the risks associated with its rapid evolution.

The companies developing the core AI infrastructure stand to capture a disproportionate share of the productivity gains generated by AI as demand continues to expand across the global economy. At the same time, however, two structural forces are creating increasing pressure on the broader technology sector: intensifying competition within software and structural barriers to competition in the foundational AI segment.

First, software companies—particularly SaaS businesses that have historically enjoyed exceptionally high margins—are increasingly competing directly with AI-native solutions. As AI automates a growing share of software functionality, pricing power is likely to decline, placing downward pressure on margins across the sector.

Second, the enormous capital requirements associated with building frontier AI models and infrastructure have fundamentally changed the industry's economics. The race for computational capacity has forced many participants to finance unprecedented capital expenditures with debt, increasing financial leverage. Meanwhile, economies of scale are concentrating competitive advantages in the hands of a small number of dominant players, making it increasingly difficult for smaller competitors to remain viable.

These structural shifts have important implications for credit markets. As competitive pressures intensify and capital requirements continue to rise, the credit quality of many technology issuers is likely to deteriorate. This trend is already becoming visible in public markets, where distress levels among technology issuers have risen sharply over the past year. In contrast, distress levels in the energy sector have continued to decline, reflecting the sector's increasingly strategic role as the primary supplier of electricity to AI infrastructure and data centers.

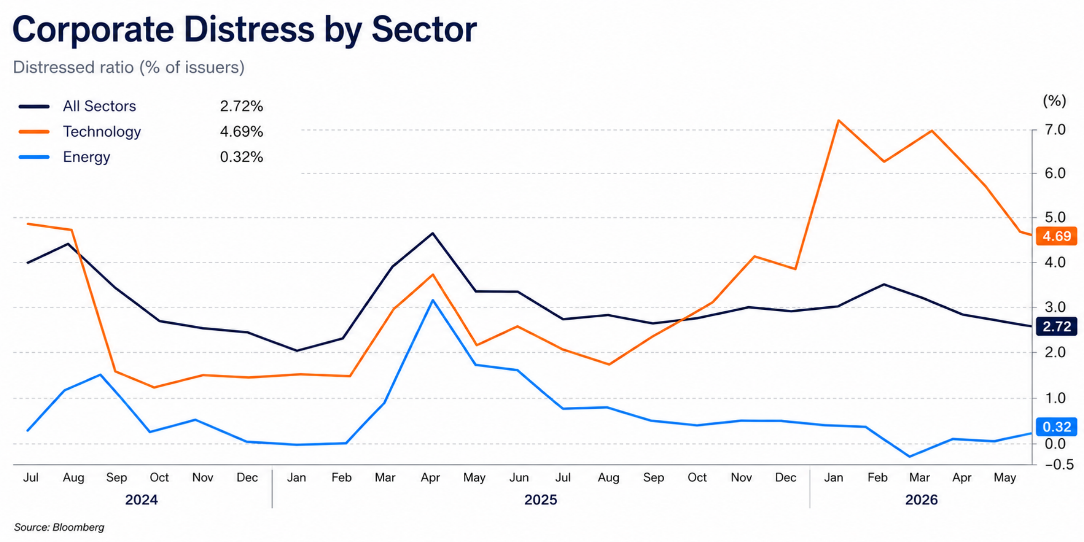


Figure 1: United States - Corporate Distress Levels as % of Total Issued Bonds

Source: Bloomberg, BI STRTN <GO>

How is this related to our private credit allocation?

Our private credit allocation provides secured loans to corporate borrowers, with approximately 20–25% exposure to the technology sector. Although a significant portion of the portfolio consists of first-lien and senior secured loans, concerns over rising default risk in the technology sector have triggered substantial investor redemptions. These outflows have, in turn, raised concerns that managers may be forced to exit positions prematurely in order to meet redemption requests. Such forced sales can occur at unfavorable prices, reducing realized returns and ultimately impacting investor performance.

How to Think of Alternatives?

Alternatives are an important sleeve of a well-diversified portfolio. Yet, they are often overlooked or misunderstood by investors, who tend to view the asset class as a highly risky "black box." The reality is far more nuanced. Alternative investments encompass a broad range of strategies and instruments, each offering a distinct risk-return profile. When carefully selected and professionally constructed, an alternatives allocation can enhance diversification, improve risk-adjusted returns, and add stability to a portfolio.

What are alternatives? Broadly speaking, alternative investments include all investable assets that fall outside traditional public equities and fixed income. These range from real estate, private equity, and venture capital to hedge funds, commodities, digital assets, and derivatives.

What is the role of an alternatives sleeve? The role of an alternatives allocation depends on the construction of the rest of the portfolio. Before selecting an alternative investment, investors should ask a simple question: *What is it an alternative to?*

Today's public equity markets have become increasingly concentrated in a handful of technology companies and are therefore heavily exposed to the AI investment cycle. Consequently, a well-constructed alternatives sleeve should not simply seek higher returns—it should provide exposure to different return drivers while complementing the traditional portfolio.

We believe this is best achieved through a two-pillar strategy that we refer to as *Hedge & Capture*. The *Hedge* pillar seeks to diversify away from public market risk through investments with largely uncorrelated return streams, such as infrastructure funds with long-term contractual cash flows, regulated assets, government-backed payment structures, and selected real estate investments. The *Capture* pillar seeks exclusive access to opportunities unavailable in listed markets, including private equity and venture capital investments in AI, next-generation technologies, and transformational businesses. Together, these two pillars strengthen portfolio resilience while expanding the investment opportunity set.

Are alternative assets liquid? Liquidity varies considerably across alternative investments. Most alternative strategies are either *semi-liquid*, offering periodic redemption windows—typically quarterly—or *illiquid*, where capital is committed for a fixed investment horizon. Examples include closed-end private equity and venture capital funds, direct real estate investments, infrastructure, and art collections.

Index Returns

YTD 2026

Equity	YTD Performance
Euro STOXX 50	11.57%
Tel Aviv 125	9.91%
Nasdaq 100	17.76%
S&P 500	9.00%
Swiss Performance Index	7.06%

Fixed Income	YTD Performance
Global Crp High Yield	1.64%
US Treasury 7-10Y	-0.55%
Emerging Market ($)	1.93%
$ Investment Grade	0.53%
€ Investment Grade	0.94%

Alternatives	YTD Performance
Global Hedge Fund Index	7.09%
Gold	-0.58%
Crude Oil	31.78%
Bitcoin	-26.58%
Global Real Estate	11.34%

Currencies	YTD	Rate
USD/ILS	-7.24%	2.9417
USD/CHF	1.68%	0.8043
USD/JPY	2.50%	160.93
GBP/USD	-1.56%	1.3229
EUR/USD	-2.20%	1.1464

As of 18 June 2026, CET 10:00 pm

What changed in our active allocations?

On June 19, 2026, our Investment Committee convened with Gal Sellam from GS Advisory participating as an external committee member. Following the committee's deliberations, we resolved to implement the following actions:

Equity – Geography

For the second consecutive committee meeting, we decided to reduce our portfolio's exposure to European equities, lowering our conviction from Neutral to Underweight. This decision follows an extended period during which we maintained an overweight allocation to Europe—a position that has performed exceptionally well.

Despite this strong performance, we believe Europe's long-term outlook remains constrained by structural economic challenges and an increasingly burdensome regulatory environment. These factors limit the region's ability to capture the upside of the AI revolution, both through direct exposure to AI leaders and through second-order beneficiaries across the broader AI infrastructure value chain.

The reduction in European exposure will be reallocated to Japanese equities, where our conviction has been raised from Neutral to Overweight. Japan occupies a strategic position within the global AI supply chain through its leadership in semiconductor equipment, precision manufacturing, industrial automation, and advanced materials. As investment in AI infrastructure continues to accelerate, Japanese companies are well positioned to benefit from rising capital expenditure by U.S. hyperscalers and persistent shortages across critical components, particularly semiconductors.

Equity – Sector

over the past month, We've changed our conviction for Consumer Staples from slight over weight to Neutral/Underweight. While the sector offers resilient cash flows and defensive characteristics, we believe it is among the least exposed to the structural growth opportunities created by the AI revolution. As capital continues to rotate toward sectors benefiting directly from AI infrastructure, computing, automation, and electrification, the relative opportunity cost of holding defensive consumer businesses has increased. Given the sector's modest long-term growth profile and relatively demanding valuations, we continue to see more attractive opportunities elsewhere in the portfolio.

The capital released from this position has been reallocated to U.S. Financials, where we have increased our conviction to Overweight. This decision is supported by broad market expectations for a recovery in capital markets activity.

Fixed Income

This month, we rebalanced fixed income exposure across several portfolios to bring allocations back in line with mandate levels, following the strong performance of equities in recent months.

Alternatives

Alternative investments continued to generate solid performance year-to-date. Our private credit allocation returned 4.64%, while our hedge fund strategies generated returns of 5.22% and 5.14%, respectively. Our volatility allocation contributed 4.00%, and our infrastructure strategy delivered a return of 7.44%.[1]

Our current active allocations

Asset Class	Overweight	Underweight
Equity – Geography	Switzerland Emerging Markets United States	Europe UK
Equity – Sector	Industrials Financial IT	Energy Real Estate Consumer Discretionary

[1] Alternative return metrics are subject to reporting delays.

Closing Thoughts

Thank you for reading the YAD House View – June 2026.

As always, we are here to discuss these insights and their implications for your portfolio. We appreciate your trust in YAD Capital and look forward to navigating the next chapter of market opportunities together.

Warm regards,

The YAD Capital Team


Yad Capital Ag
Investment Advisory