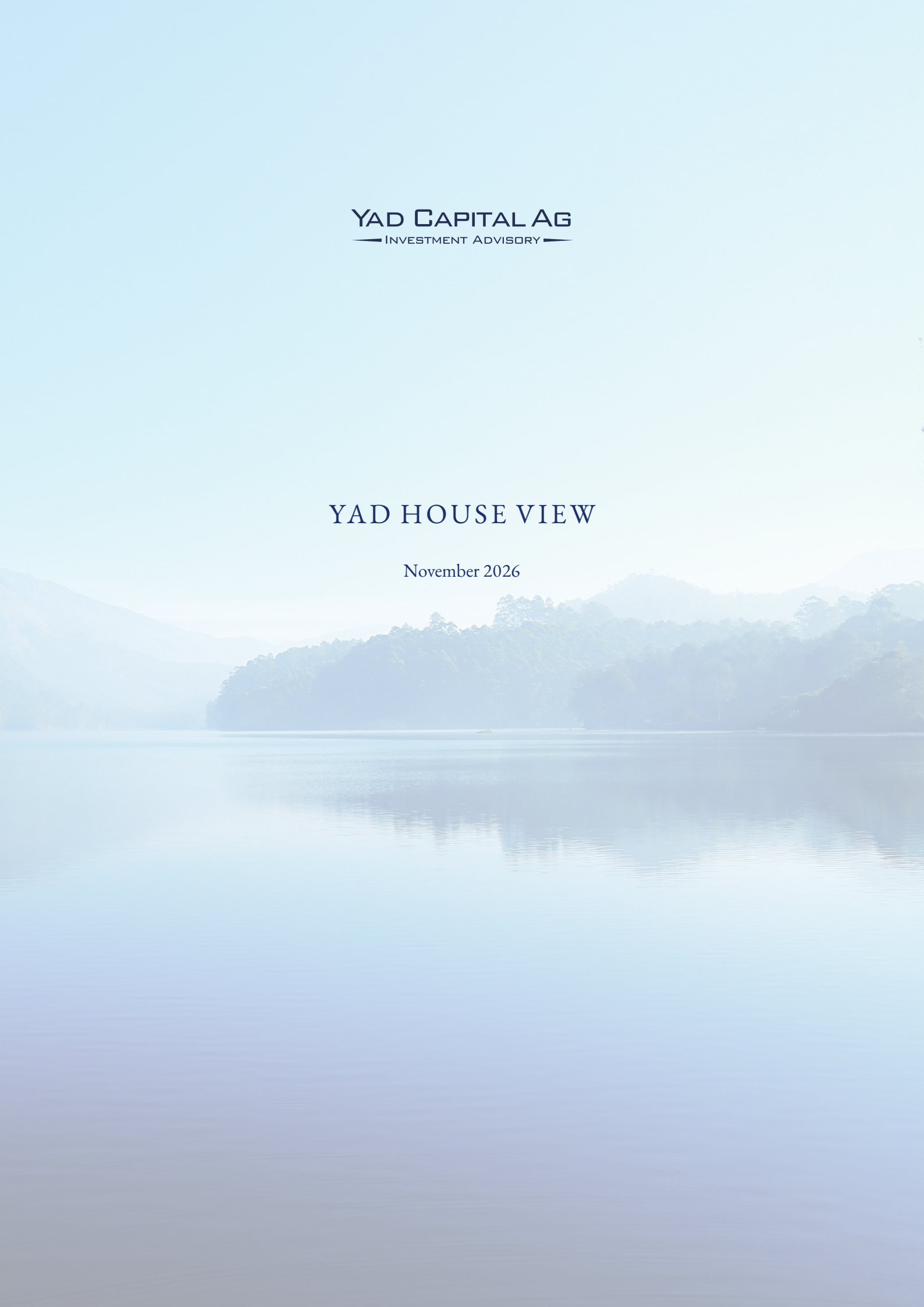
YAD CAPITAL AG
INVESTMENT ADVISORY

YAD HOUSE VIEW

November 2026



Welcome

Dear Reader,

In this report, we present our latest market views and strategic portfolio adjustments. This month's review examines the recent declines in equity markets.

Following YAD Capital's October Investment Committee meeting, we rebalanced our equity sleeve to reflect the Committee's updated outlook and investment convictions.

We are pleased to share our analysis and perspectives with you.

Yours faithfully,

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Managing Partner

Dan Stemmer
Partner

Ron Rabi, PhD
Analyst

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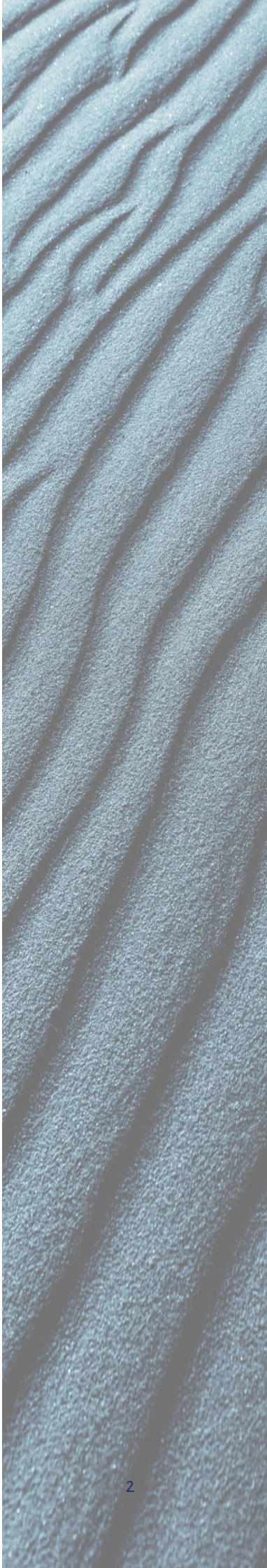
Client Account Manager

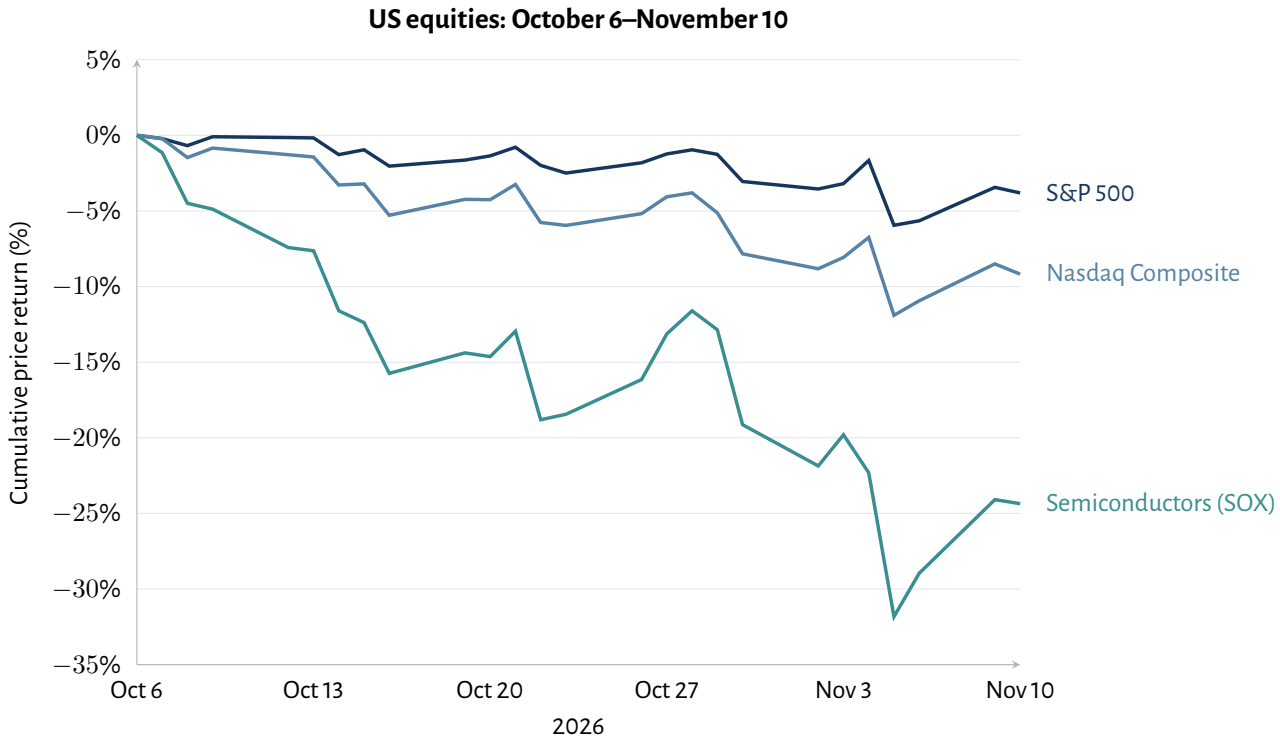


The Perfect Storm?

The past month has been challenging for global equity markets, with the Nasdaq falling approximately 11%. The sell-off has extended beyond technology stocks, with major indices across sectors and regions also recording losses. What brought markets to this point, and what can we expect next?

Over recent months, our House Views have examined geopolitical tensions, inflation, the transformation of the technology sector and whether equity valuations indicate a bubble. An earlier draft of this article, which became outdated before publication, was titled "The Perfect Storm", without a question mark. The main argument was that several of the risks discussed in our previous publications could materialize together and trigger a broader crisis in global markets. Now, after a month of significant declines, we need to ask: was this the perfect storm, or is there more to come? And how should we plan ahead?

To answer these questions, we first need to revisit the risks, assess which have materialized and consider how much of their potential impact is already reflected in market prices.



Cumulative price returns, October 6–November 10, 2026. All series start at 0% at the October 6 close. Daily closes; dividends excluded. Sources: Investing.com, Portfolio Terminal, and FRED (Nasdaq SOX).

The risks we identified included uncertainty surrounding the US midterm elections and Israel's election results, the war in Iran, mounting security threats to Saudi Arabia and unrest in France. Together, these developments raise broader questions about the ability of the United States and Europe to maintain stability at home and shape events abroad. For investors, their significance depends on how they affect economic activity, inflation and company fundamentals.

These risks are also connected. A disruption to energy supply could prolong inflation, limit room for interest-

rate cuts and increase business costs. Higher interest rates, in turn, could weigh on economic activity and valuations. When valuations are elevated, even a modest revision to expected earnings or interest rates can lead to a substantial adjustment in stock prices.

There are many lenses through which we can analyze these risks. To simplify the analysis, we suggest focusing on a force at the center of both financial markets and geopolitics today: AI—or, as President Trump likes to call it, "Super Intelligence" (SI).

AI plays a major role in the growth expectations supporting technology valuations. Its significance also extends to national security and geopolitics. Palantir CEO, Dr. Alex Karp, has compared AI's strategic importance to that of nuclear weapons and argued for a new Manhattan Project to preserve US and allied technological superiority. From this perspective, the race to develop AI is also a race for geopolitical influence.

AI-related stocks approached half of the S&P 500



41 AI-related stocks as a share of S&P 500 market capitalization, late 2022–29 May 2026. Source: Bianco Research, using a JPMorgan list of 41 AI-related stocks, as reported by Jared Blikre, Yahoo Finance, 2 June 2026.

Historian Yuval Noah Harari has warned that countries dependent on foreign AI systems risk becoming "digital vassal states" or "data colonies", with limited control over the technologies shaping their economies and institutions. Building an independent alternative, however, requires substantial investment. The European Commission estimates that developing Europe's own frontier AI capabilities would require hundreds of billions of euros, covering models, computing capacity and data infrastructure.

Put simply, AI has the potential to transform both the global economy and the balance of geopolitical power. The recent reports surrounding Nvidia CEO Jensen Huang's admitted affair and allegations of a Chinese intelligence operation targeting him highlight the security concerns surrounding this race.

For the United States, competing in this race requires securing the full value chain, from raw materials and advanced chips to data centers, electricity grids, power generation and water supply. In our view, long-term leadership will depend partly on the ability to deliver powerful AI reliably and at a low marginal cost. As AI becomes embedded across the economy, that cost could influence productivity and national competitiveness much as oil and gas prices do today. We therefore expect securing this value chain to become a central objective

of geopolitcs, increasingly shaping alliances, wars and peace agreements.

Having explained why we think current risks should be examined through the AI lens, we now return to the risks discussed above.

1. **Stock valuations.** High multiples at the beginning of the quarter may have reflected overly optimistic expectations about future growth. Valuing AI companies using discounted cash flow analysis is particularly difficult because much of their expected value depends on future applications whose adoption, pricing and profitability remain uncertain. A model can incorporate these expectations, but its results are highly sensitive to the assumptions used. Even modest revisions to expected revenue growth, margins or the timing of future cash flows can therefore translate into substantial changes in stock prices.

   Recently, concerns have grown about hyperscalers' spending on computing capacity and the debt used to finance data centers. The concern is whether the scale and timing of future revenues will justify the investment being made today. As infrastructure spending increasingly relies on external financing, disappointing returns could also make debt harder to service and constrain further investment. Lower utilization or pressure on prices could reduce margins and cash flows, prompting investors to revise valuations.

   In our view, the long-term potential of AI remains substantial, and last month's decline could prove to be a correction within a broader upward trend. Nevertheless, we expect equity valuations to remain volatile for years to come, with sharp price declines during periods of bearish sentiment as investors reassess the pace and profitability of AI growth.

2. **US midterm elections.** In the days following the US midterm elections, AI-related stocks fell sharply. On November 5, companies in the Nasdaq 100 lost approximately USD 2.5 trillion in market value. The sell-off partly reflected concerns that the Democratic "blue wave" could bring tighter regulation of AI and data centers, slowing the infrastructure expansion supporting expectations for future growth.[1]

   The political shift was particularly striking in Texas, a longstanding Republican stronghold, where Democrats won the governor's office. Governor-elect Gina Hinojosa has called for a moratorium on new data-center approvals until lawmakers introduce stronger protections for local communities.[2] In the short term, however, we believe this risk is already priced in and do not expect it to drive further significant price adjustments.

3. **Iran War, energy prices and inflation.** The conflict remains an unresolved threat to energy supply and regional stability. Attacks on Gulf shipping and Saudi infrastructure have continued, while diplomatic efforts have yet to produce a durable settlement. Energy disruption therefore remains an ongoing pressure, with further escalation threatening to push energy prices and inflation higher.

   US headline inflation rose to 3.7% year-on-year in September. Energy was a major driver of the monthly increase, with energy prices rising 5.2% in September and 20.4% over the year. The Federal Reserve held interest rates unchanged in October.

   For AI, the impact is twofold. First, persistent inflation can delay rate cuts or prompt further increases. Higher rates raise discount rates and borrowing costs, while making fixed-income investments more

[1] https://www.reuters.com/legal/transactional/ai-data-center-stocks-slip-democratic-sweep-clouds-expansion-plans-2026-11-05/

[2] https://www.texastribune.org/2026/11/04/data-center-texas-pause-gina-hinojosa-governor-policies/

competitive versus equities. Second, higher energy prices increase the cost of operating data centers, putting pressure on margins and investment returns. Both channels can weigh on AI valuations.

In the short term, a durable agreement could ease energy-price pressures, improve the inflation outlook and support equity markets. Renewed military escalation could push these factors in the opposite direction.

Our action plan

Equity markets have declined sharply over the past month, driven by a combination of inflationary pressures and regulatory, geopolitical and financial risks. Although the correction is already well advanced, further weakness is likely and could create buying opportunities. We have prepared an action plan for two scenarios: an energy shock that raises costs and a demand shock that weakens spending. Each scenario creates different risks and opportunities, requiring a different allocation. Regardless of whether either scenario materializes, we expect markets to remain volatile in the years ahead.

An energy shock. Renewed military escalation would be expected to raise energy prices and trigger a broad equity sell-off as household purchasing power weakens and fuel, transportation and production costs rise. A subsequent easing of energy prices could support spending, restore margins and improve earnings expectations. Accordingly, a sell-off in consumer discretionary, industrials and materials could create attractive buying opportunities.

A demand shock. If the decline reflects weaker consumption, tighter credit or a contraction in AI capital spending, our preference would shift toward consumer staples, healthcare and utilities. Demand for essential goods and services is generally more resilient through an economic downturn, providing greater visibility over revenues and cash flows.

Within these sectors, we would prioritize manageable debt, pricing power and the capacity to sustain investment and shareholder distributions. Valuation would remain critical: defensive characteristics can already command a substantial premium. Utilities would require particular scrutiny because financing costs, capital requirements and changes in expected data-center demand can affect their earnings outlook. We would also assess whether falling prices adequately reflect the risk of further downward earnings revisions.

Gold. Both scenarios could strengthen demand for gold. Renewed military escalation would increase geopolitical and inflation risks, while a demand shock could encourage demand for defensive assets and expectations of monetary easing, potentially lowering real interest rates. Gold could still fall as investors raise cash during a broad sell-off or if real yields rise. We would use such weakness to build exposure in stages at more attractive prices, provided the underlying investment case remains intact.

Entry discipline. Purchases would follow a predefined two-tranche approach. The first tranche would be deployed after a 5% decline from the reference level established for each sector or commodity exposure. The second would follow a further 5% decline from the first entry level.

Index Returns

YTD 2026

Equity	YTD Performance
Euro STOXX 50	12.85%
Tel Aviv 125	8.15%
Nasdaq 100	10.21%
S&P 500	10.90%
SPI (214 Swiss Cos.)	15.84%

Fixed Income	YTD Performance
Global High Yield	-0.32%
US Treasury 7–10Y	-2.01%
EM Bonds	-0.02%
IG Bond	-2.10%
Global Agg. Hedged	0.49%

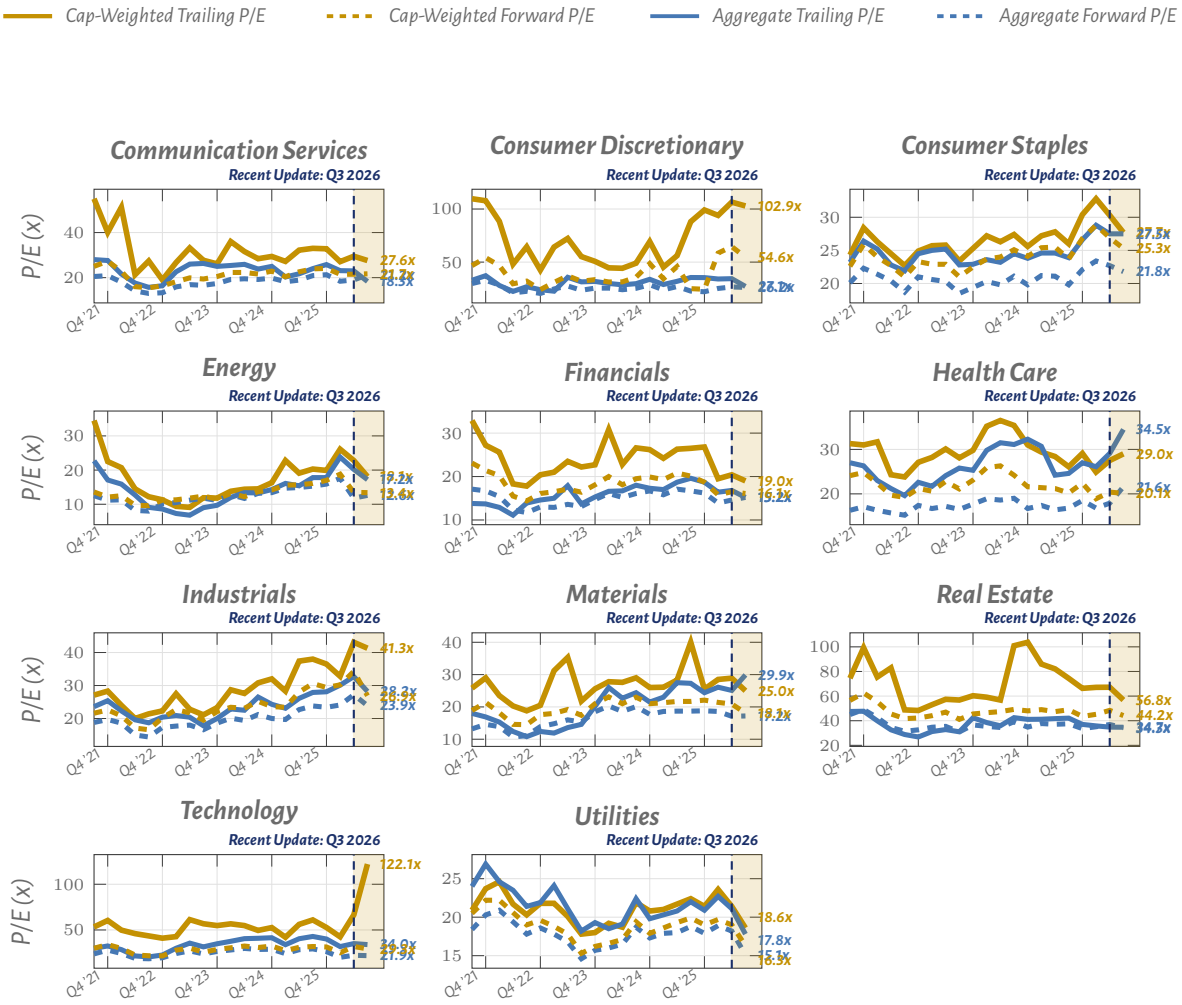
Alternatives	YTD Performance
Global HF (HFRIFWI)	5.42%
Gold	-6.23%
Brent Crude Oil	53.06%
Bitcoin	-15.64%
Global Real Estate	13.77%

Currencies	YTD
USD/ILS	-0.24%
USD/CHF	4.54%
USD/JPY	1.44%
GBP/USD	-1.08%
EUR/USD	-5.15%

As of 11 November 2026, CET 12:00 pm.

S&P 500 P/E Valuation by BICS Sector

Q3 2021 – Q3 2026



What changed in our active allocations?

On October 16, 2026, our Investment Committee convened with Ruli Ben-Michael and Omri Kaftzan from RBM Advisory (Tel-Aviv) participating as an external committee member. Following the committee's deliberations, we resolved to implement the following actions:

Equity – Geography

The Committee decided to exit direct exposure to European equities and reinvest the proceeds in line with the portfolio's average geographic allocation. This would allow the Committee to allocate capital to emerging sectors outside Europe where we see attractive opportunities.

Equity – Sector

The Committee decided to gain exposure to robotics through investments with approximately 70% exposure to technology and 23% to industrials. This move reinforces our overweight positioning in both sectors.

Fixed Income

We continue to closely monitor developments in fixed-income markets, monetary policy decisions and their implications for bondholders. In the coming weeks, the Committee will consider a move to bullet fixed-income instruments, aiming to capture potential capital appreciation while limiting downside risk.

Alternatives

In line with our investment review, the Committee decided to use part of the proceeds from equity sales to gain exposure to gold.

Our current active allocations

Asset Class	*Overweight*	*Underweight*
Equity – Geography	*United States* *Switzerland* *Japan* *India* *Taiwan*	*Eurozone* *UK*
Equity – Sector	*Technology* *Industrials* *Financial* *Healthcare*	*Energy* *Real Estate* *Consumer Discretionary* *Materials*
Alternatives & Commodities		*Gold*[3]

[3] We have added exposure to gold, although we remain underweight.

Closing Thoughts

Thank you for reading the YAD House View – November 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

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