JUNE 2026

QUARTERLY INVESTMENT OVERVIEW

EMIRATES INVESTMENT BANK

Asset Class Views

Asset Class	View	Current Allocation*	Benchmark Allocation*
Equities	↗	41.0%	37.5%
Fixed Income	↔	50.0%	55.0%
Commodities	↔	3.0%	2.5%
Cash & Cash Equivalents	↗	6.0%	5.0%

↑ Overweight, ↗ Favour, ↔ Neutral,
↘ Cautious, ↓ Underweight

* Allocations are based on a Balanced Risk Profile

About Emirates Investment Bank

EIBank is an independent private bank based in Dubai. It offers a wide-range of investment and banking services to an exclusive, but diverse, client base of high-net-worth individuals from across the region and around the world.

Emirates Investment Bank seeks to build long-term partnerships based on a foundation of trust, stability and integrity, which allows it to appreciate the unique circumstances and objectives of each of its clients. This personalised approach guides the Bank when providing its clients with bespoke banking solutions in connection with their wealth, business, and every day affairs.

Month in brief

- US headline CPI accelerated to 4.2% year-on-year in May, a third consecutive increase and a three-year high, driven by energy prices up 23.5% over the year, while core CPI rose just 0.2% month-on-month, suggesting second-round effects remain contained. The labour market stayed firm: payrolls rose 172,000 against consensus of 80,000, unemployment held at 4.3% and wage growth eased to 3.4%.
- Monetary policy turned decisively more hawkish. In Kevin Warsh's first meeting as Chair, the Fed unanimously held rates at 3.50-3.75% but removed its easing bias and lifted the median year-end dot to 3.8%, implying a possible hike, while raising 2026 inflation forecasts to 3.6% headline and 3.3% core; markets now price one 25bp hike by October and no easing before 2027.
- The ECB moved first, hiking 25bp on June 11, its first increase since 2023, taking the deposit rate to 2.25% against eurozone inflation of 3.2%. The Bank of Japan followed, raising its policy rate to 1.00%, a three-decade high, on energy-driven inflation risks, while the Bank of England held at 3.75% on a 7-2 vote.
- The AI investment cycle remains the structural bright spot. Hyperscaler commitments were unchanged, and capital rotated into broader leadership rather than out of risk: a valuation reset within an intact trend, with confidence now anchored in delivered earnings rather than multiple expansion.
- Fixed income traded in two phases. Yields rose sharply into mid-June on the hot CPI print and hawkish Fed repricing, with the 10-year Treasury touching 4.55%, before the peace agreement and falling oil prices reversed the move, leaving the 10-year near 4.40% at month-end. Credit gave back a modest portion of its strong first-half carry: global investment grade returned -0.4% in June (+0.2% YTD) and global high yield -0.1% (+1.5% YTD), preserving its lead over duration-sensitive segments.
- June was an active month for GCC primary debt markets, with major issuance aggregating approximately US$9.4 billion across financials, corporates and sovereigns on oversubscribed books. Our positioning is unchanged: we continue to favors carry and spread products over long duration while the rate path clarifies.
- Global equities consolidated after the powerful post-March rally, with June defined by rotation rather than direction. The MSCI All Country World Index slid 0.8% (+11.2% YTD), the S&P 500 slipped 1.0% (+10.2%) and the Nasdaq fell 2.7% (+13.1%) as investors took profits in the AI complex after a 21.6% rally from the March 31 trough.
- We view rotation as healthy: breadth improved, leadership broadened beyond the AI complex, and the technology pullback reflected valuation discipline rather than a weaker earnings outlook. With the principal geopolitical overhang removed and earnings doing the work, the foundations of this advance remain intact, in our view.

Macro & Market Commentary

June marked a decisive turning point. After more than one hundred days of conflict, the US and Iran signed a 14-point framework agreement ending hostilities and extending the ceasefire for a 60-day window to negotiate a final deal. Brent fell to the low-$80s, a three-month low, as the geopolitical risk premium unwound, though prices remain above pre-war levels and full normalisation of shipping and production is expected to take months.

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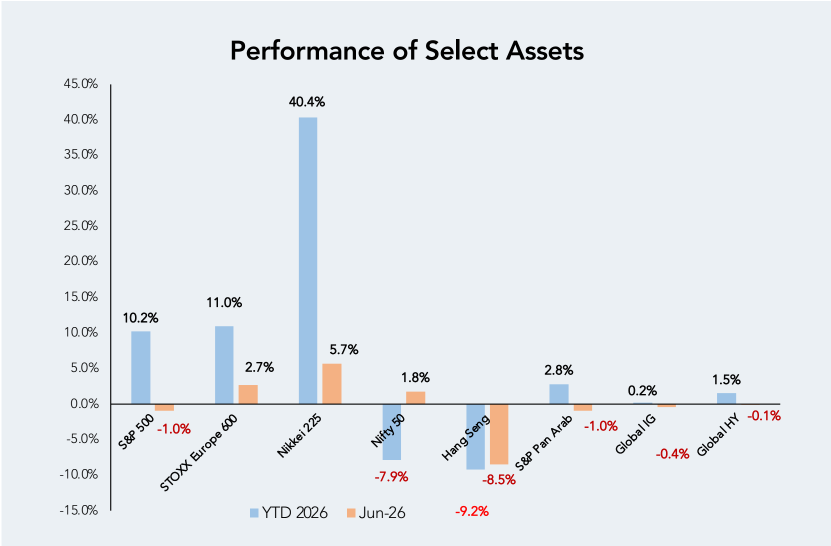
The AI investment cycle remains the structural bright spot, and the Fed itself noted strong productivity and capital investment, but June brought its first real stress test. Crowded positioning in the Asian memory complex unwound sharply late in the month: Korea's KOSPI, up nearly 100% in the first half with Samsung and SK Hynix over 40% of the index, corrected roughly 13% peak-to-trough, while Taiwan drew down around 6% from its highs, with the sell-off spilling into US semiconductors. Notably, Taiwan still closed June higher, hyperscaler commitments were unchanged, and capital rotated into broader leadership rather than out of risk: a valuation reset within an intact trend, with confidence now anchored in delivered earnings rather than multiple expansion.

Global Fixed-Income

Fixed income traded in two phases. Yields rose sharply into mid-June on the hot CPI print and hawkish Fed repricing, with the 10-year Treasury touching 4.55%, before the peace agreement and falling oil prices reversed the move, leaving the 10-year near 4.40% at month-end. Credit gave back a modest portion of its strong first-half carry: global investment grade returned -0.4% in June (+0.2% YTD) and global high yield -0.1% (+1.5% YTD), preserving its lead over duration-sensitive segments.

MENA credit was the regional bright spot. The relief rally accelerated after the peace agreement, with GCC investment-grade spreads narrowing towards pre-war levels: the S&P GCC Bond Index tightened to 89bp from 126bp in March, and sukuk spreads to 67bp, though high-yield sukuk spreads remain elevated. June was an active month for GCC primary debt markets, with major issuance aggregating approximately US$9.4 billion across financials, corporates and sovereigns on oversubscribed books. Our positioning is unchanged: we continue to favour carry and spread product over long duration while the rate path clarifies.



Global Equities

Global equities consolidated after the powerful post-March rally, with June defined by rotation rather than direction. The MSCI All Country World Index slid 0.8% (+11.2% YTD), the S&P 500 slipped 1.0% (+10.2%) and the Nasdaq fell 2.7% (+13.1%) as investors took profits in the AI complex after a 21.6% rally from the March 31 trough. The month also delivered the largest IPO in history: SpaceX debuted on Nasdaq on June 12 at $135 per share, a valuation near $1.8 trillion and briefly exceeded a $2 trillion market value before retracing to around $153 by month-end, still above issue. The smooth absorption of an offering of this scale is expected to open the window for further mega-cap listings.

Leadership shifted to Europe and Japan. The Euro Stoxx 50 gained 4.7% (+11.7% YTD) and the Stoxx Europe 600 rose 2.7% (+11.0%), with European markets at record highs on the US-Iran peace breakthrough, while the Nikkei 225 advanced 5.7% to fresh records (+40.4% YTD). Emerging markets diverged: MSCI EM eased 1.4% (+24.0% YTD), India's Nifty rebounded 1.8% (-7.9% YTD) and Hong Kong's Hang Seng fell 8.5% (-9.2% YTD).

Regional Arab markets were mixed, with the S&P Pan Arab Composite easing 1.0% (+2.8% YTD), masking divergence beneath the surface. With the regional risk premium unwinding, we see scope for continued normalisation in risk appetite into the second half.

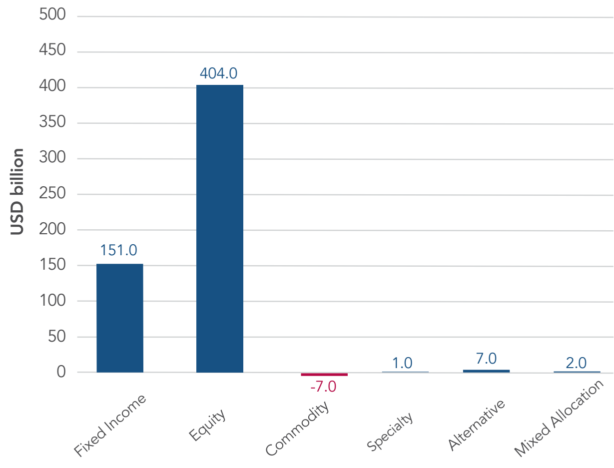
Within the S&P 500 in June, Industrials (+7.3%), Health Care (+6.6%), Financials (+4.4%) and Utilities (+2.7%) led, while Communication Services (-7.8%), Energy (-5.1%), Consumer Discretionary (-4.7%) and Information Technology (-3.3%) retreated.

Meanwhile year-to-date, Industrials (+20.2%) has now overtaken Technology (+19.8%) and Energy (+19.7%). We view the rotation as healthy: breadth improved, leadership broadened beyond the AI complex, and the technology pullback reflected valuation discipline rather than a weaker earnings outlook. With the principal geopolitical overhang removed and earnings doing the work, the foundations of this advance remain intact, in our view.

Fund Flows

- Net equity inflows in Q2 2026 remained strong, averaging approximately USD135 billion per month after net inflows of USD152 billion per month in Q1 2026. Investors continued favouring global equities as expectations of stronger economic growth supported the outlook for above average earnings growth.
- Net fund flows into fixed-income as well continued to remain high supported by an attractive carry environment. In Q2, inflows came in at an average of USD50 billion per month versus Q1 2026, which also saw strong inflows at USD48 billion per month on average.
- Commodity ETFs continued to witness outflows aggregating USD 7billion for the quarter. The commodity ETF outflows reflected improving risk sentiment and reduced safe-haven demand.

Quarterly ETF Flows - Apr-Jun 2026



Source: EIBank, Bloomberg

Multi Asset Strategies

Asset Class	Conservative		Balanced		Aggressive		Views
	Current Weight	Strategic Weight	Current Weight	Strategic Weight	Current Weight	Strategic Weight	
Fixed-Income	**69.5%**	**75.0%**	**50.0%**	**55.0%**	**24.0%**	**25.0%**	↔
Developed Markets	62.0%	67.5%	39.0%	46.7%	16.0%	18.7%	↔
Developed Market Sovereigns	*12.0%*	*15.0%*	*2.0%*	*5.5%*	*1.0%*	*1.3%*	↔
Developed Market Investment Grade	*50.0%*	*52.5%*	*28.5%*	*30.2%*	*11.0%*	*11.2%*	↔
Developed Market High Yield	*0.0%*	*0.0%*	*8.5%*	*11.0%*	*4.0%*	*6.2%*	↔
Emerging Markets (including GCC)	7.5%	7.5%	11.0%	8.3%	8.0%	6.3%	↔
Equities	**25.0%**	**20.0%**	**41.0%**	**37.5%**	**66.0%**	**65.0%**	↗
Developed Markets	19.5%	17.0%	34.0%	31.9%	54.6%	55.2%	↗
US Equities	*16.0%*	*13.0%*	*27.0%*	*24.4%*	*43.0%*	*42.1%*	↗
European Equities	*2.5%*	*3.0%*	*5.0%*	*5.6%*	*8.3%*	*9.8%*	↔
Japanese Equities	*1.0%*	*1.0%*	*2.0%*	*1.9%*	*3.3%*	*3.3%*	↔
Emerging Markets Equities	5.5%	3.0%	7.0%	5.6%	11.4%	9.8%	↗
Commodities	**0.0%**	**0.0%**	**3.0%**	**2.5%**	**4.0%**	**5.0%**	↔
Gold	*0.0%*	*0.0%*	*2.5%*	*1.0%*	*3.0%*	*2.0%*	↔
Diversified	*0.0%*	*0.0%*	*0.5%*	*1.5%*	*1.0%*	*3.0%*	↔
Cash & Equivalents	**5.5%**	**5.0%**	**6.0%**	**5.0%**	**6.0%**	**5.0%**	↗

↓ Underweight ↘ Cautious ↔ Neutral ↗ Favour ↑ Overweight

Asset Allocation Views

Key positioning actions taken during Q2:

- **Fixed Income:** Neutral. Reduced duration within global DM investment grade, consistent with our carry-led stance. Increased EM with shorter-duration positioning for higher local currency carry against contained depreciation risks.
- **Equities:** Favour. Maintained overweight US; rebalanced within the AI complex toward power and data-centre cooling beneficiaries, momentum position retained, selective on services, with diversification into healthcare and quality cyclicals maintained. Held slight underweight Europe; reduced India on stretched valuations and limited growth catalysts; maintained overweight China on valuations.
- **Gold:** Neutral. Trimmed allocation; expect range-bound trading as a stronger USD, hawkish policy and rising opportunity cost cap upside. Retained as a strategic diversifier, not a tactical add.
- **Cash:** Favour. Maintained elevated cash and equivalents following the strong recovery. With anchored rates offering attractive carry and complex geopolitics likely to bring further bouts of volatility, cash provides both yield and the flexibility to re-deploy into markets as opportunities arise.

Key Market Highlights

Navigating Global Markets | From Risk Repricing to Earnings-Led Recovery

Global markets enter Q3 having fully reversed the March drawdown. The US–Iran framework agreement removed the principal geopolitical overhang, driving a powerful recovery: the MSCI World rose 13.3% in Q2, led by Japan (Nikkei +37.2%) and a 21.4% Nasdaq rebound. The energy shock has subsided, with Brent settling in the low-to-mid $70s as the risk premium unwound, though ceasefire violations and the fragility of the interim agreement keep supply chains under watch.

Inflation remains elevated but pressures are easing at the margin. Policy has turned hawkish, with the Fed dropping its easing bias and the ECB and BOJ hiking, yet our base case is an extended Fed pause, not a hike; only a broadening of cost pressures beyond energy would change that. The ECB is expected to act, and the USD retains cushion at the current implied terminal rate.

Crucially, this recovery has been earned, not re-rated: multiples compressed even as indices advanced, with earnings growth, led by AI capex and buildout bottlenecks, doing the work. The June unwind in the Asian memory complex was a valuation reset within an intact trend, with capital rotating into broader leadership rather than out of risk.

Regime Shift: From Risk Premia to Earnings Delivery

- Market driver shifted back to earnings expansion, with multiples now a constraint rather than a tailwind
- Curves bear-flattening as easing is priced out
- Leadership broadening beyond the AI complex into industrials, financials and healthcare
- Persistent supply-side inflation from resource scarcity and security-driven spending
- Elevated dispersion, reinforcing active allocation and rotation

Key Risks

- Peace fragility: failure of the negotiation window would re-introduce the energy risk premium
- Earnings delivery: with multiples in the 87th percentile, an AI-linked earnings miss is the principal market risk
- Concentration and capital needs: crowded semiconductor positioning remains vulnerable to sharp unwinds, as June demonstrated, while a heavy issuance pipeline competing for capital could pressure high performers and drive interim volatility and rotation
- Term premium: heavy sovereign issuance keeps upward pressure on long-end yields

Near-Term Catalysts

- Conversion of the interim framework into a durable agreement; full energy normalisation
- Q2 earnings season testing elevated AI-linked estimates
- Central bank trajectory as energy base effects fade
- Re-opening of the mega-cap listing window post the SpaceX debut, where potential landmark AI-lab listings and cross-border secondary listings (SK Hynix) would deepen investable AI exposure while absorbing significant capital

Strategic Positioning: Rotation, Carry, and Selective Deployment

We remain constructive on risk assets, with earnings growth justifying the valuation premium. Elevated expectations imply higher volatility; corrections should be used to re-acquire crowded AI capex exposure at better levels, not to de-risk.

Equities

- Overweight US, diversified across AI beneficiaries, power and data-centre infrastructure and adjacencies, not just mega-cap tech
- Rotation over static single-theme exposure; financials supported by anchored rates and contained credit risk, with defence and infrastructure spending favouring the value chain
- Diversification into healthcare and quality cyclicals maintained; slight underweight Europe; selective in EM, favouring China on valuations

Fixed Income

- Low-to-moderate duration: carry-led, not rates-led; long-dated allocations selective amid an elevated term premium
- Fixed income unlikely to diversify equity risk in this regime; favour short-term governments, low-duration global HY, EM local currency debt and securitized segments
- USD strength supported by stable rates and lingering tensions

Alternatives

- Gold neutral, in line with strategic allocation; opportunity cost and elevated yields keep it range-bound
- High-carry diversified lending strategies and evergreen private equity with immediate deployment into seasoned deals via established managers
- Energy security and data-centre buildout continue to drive the infrastructure case

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IMPORTANT INFORMATION