

EVLI

ALLOCATION VIEW JUNE 17, 2026



EVLI PLC

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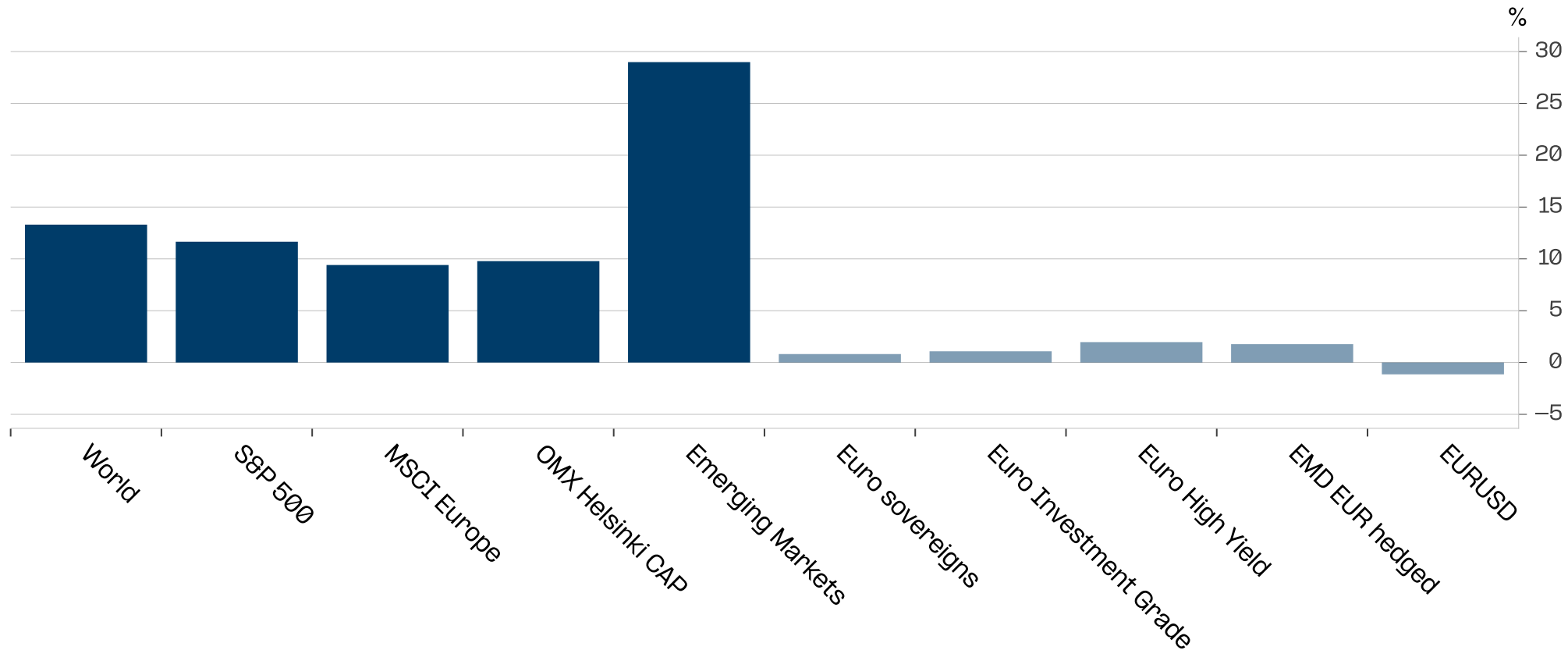
The main points of the allocation meeting

- **Iran and the United States have signed a preliminary peace agreement.** The agreement includes the reopening of the Strait of Hormuz and a 60-day negotiation period during which the parties will seek to resolve disputes related to Iran's nuclear program and reach agreement on a final peace settlement. Around one-fifth of global oil and liquefied natural gas shipments normally pass through the Strait of Hormuz, meaning that the resumption of maritime traffic through the strait would support economic growth and ease inflationary pressures, particularly in Europe and energy-importing Southeast Asian economies. However, traffic through the strait is expected to normalize only gradually rather than immediately after the formal signing of the agreement on Friday. Clearing naval mines will take time, and some shipping companies may continue to avoid the area due to security concerns until they are convinced that the agreement will hold.
- **The agreement between Iran and the United States has pushed oil prices lower and lifted equity markets.** Brent crude has fallen approximately 30% from its early-May peak of USD 115 per barrel to around USD 80 per barrel. Before the war began, Brent traded at around USD 70 per barrel. Equity market gains have been particularly strong among semiconductor companies. The Philadelphia Semiconductor Index (SOX) has risen approximately 10% over the past week. South Korea's KOSPI Index has also risen almost 15% over the same period, driven by semiconductor giants SK Hynix and Samsung. The rapid recovery of semiconductor stocks from their pullback two weeks ago highlights that artificial intelligence remains the most important driver of equity market growth, but also its most significant source of risk.
- **The Federal Reserve is expected to keep its policy rate unchanged at 3.50–3.75% at today's meeting.** While the war with Iran has increased inflation, economic growth and labor market conditions have remained strong. Consensus forecasts expect the U.S. economy to grow by 2.2% this year. May's employment report once again exceeded expectations and marked the third consecutive strong labor market report. As a result, market expectations for Federal Reserve rate cuts this year have disappeared, and Fed funds futures now price in one rate hike by the end of the year. Today's meeting is also the first under the leadership of the new Fed Chair, Kevin Warsh, meaning that particular attention will be paid to his comments and communication style. We do not expect Warsh to provide forward guidance on future rate decisions, however, and instead expect him to emphasize that policy decisions will remain data-dependent.
- **We overweight equities** and underweight money markets. Within equities, we overweight EM equities, underweight European equities, and remain neutral elsewhere. In fixed income investments, we overweight high yield corporate bonds and underweight government bonds, while remaining neutral on emerging market bonds and investment grade corporate bonds.

Asset class returns year to date in EUR

Year to date return in euros

Total return indices in eur or eur hedged in the case of EMD. World is ACWI.



Global stock market return year to date in EUR

Global stock market return in euros year to date and maximum drawdown

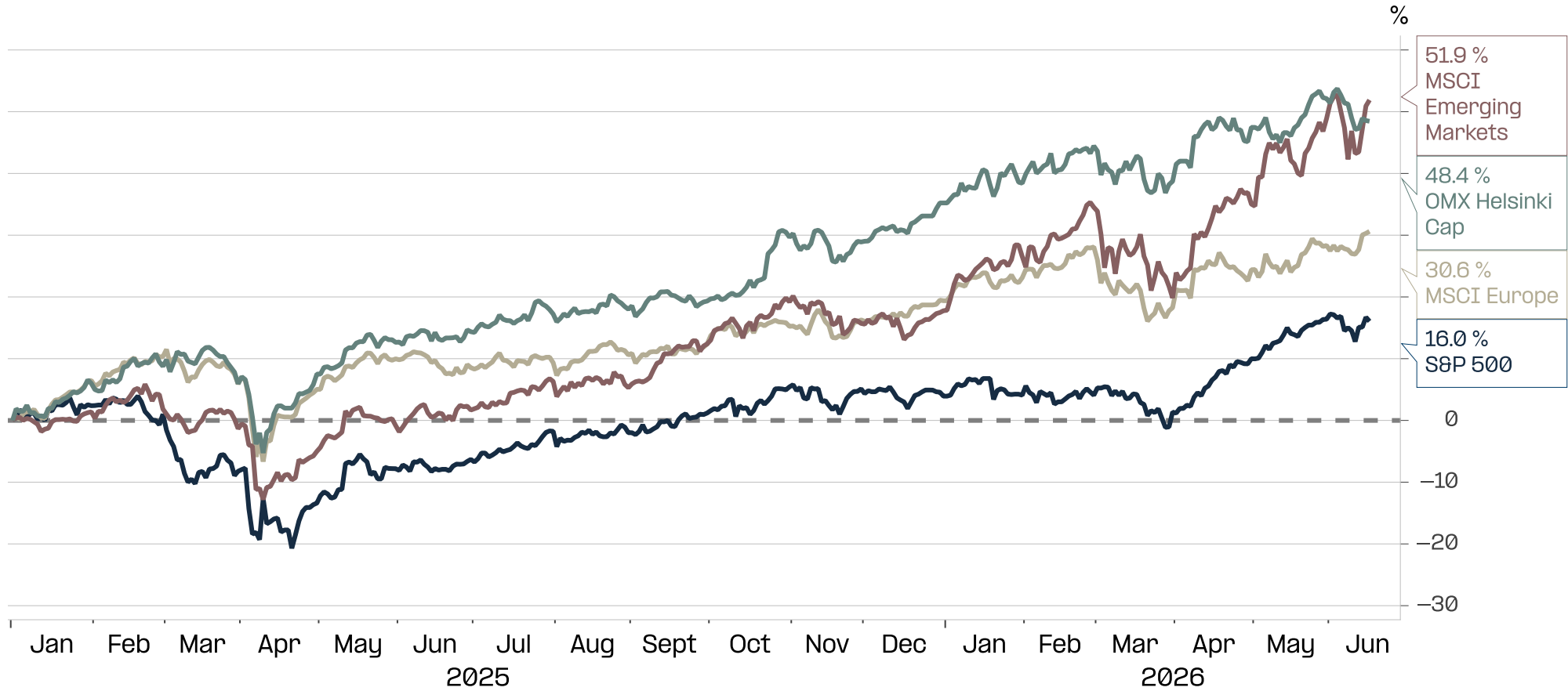
MSCI ACWI Net Total Return EUR Index



Source: Macrobond, Evli

Equity returns from the beginning of 2025 (EUR)

Equity market returns in EUR

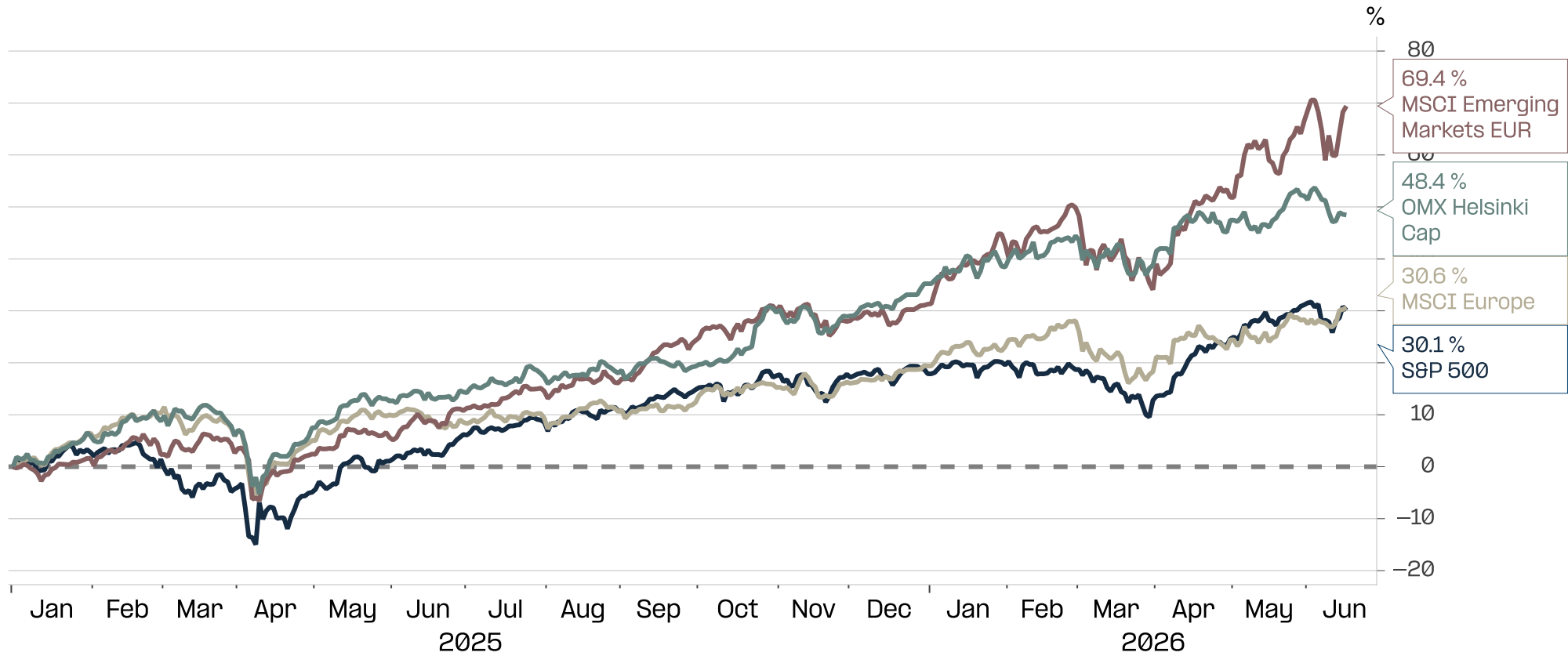


Source: Macrobond, Bloomberg, Evli

Equity returns from the beginning of 2025 (local FX)

Stock market returns from beginning of 2025

Local currency total market returns

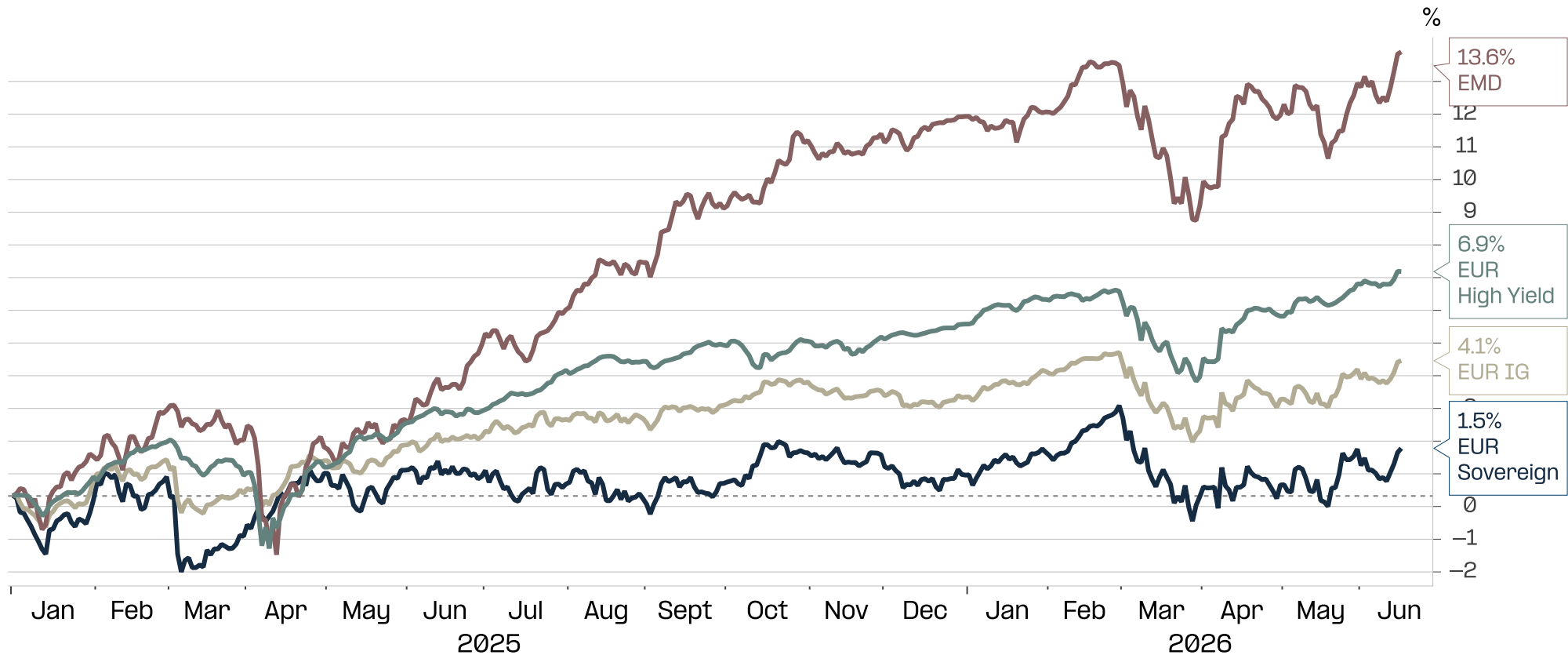


Source: Macrobond, Bloomberg, Evli

Fixed income returns from the beginning of 2025

European and EM fixed income returns from beginning of 2025

European high yield, IG, sovereign bonds and emerging market debt eur hedged



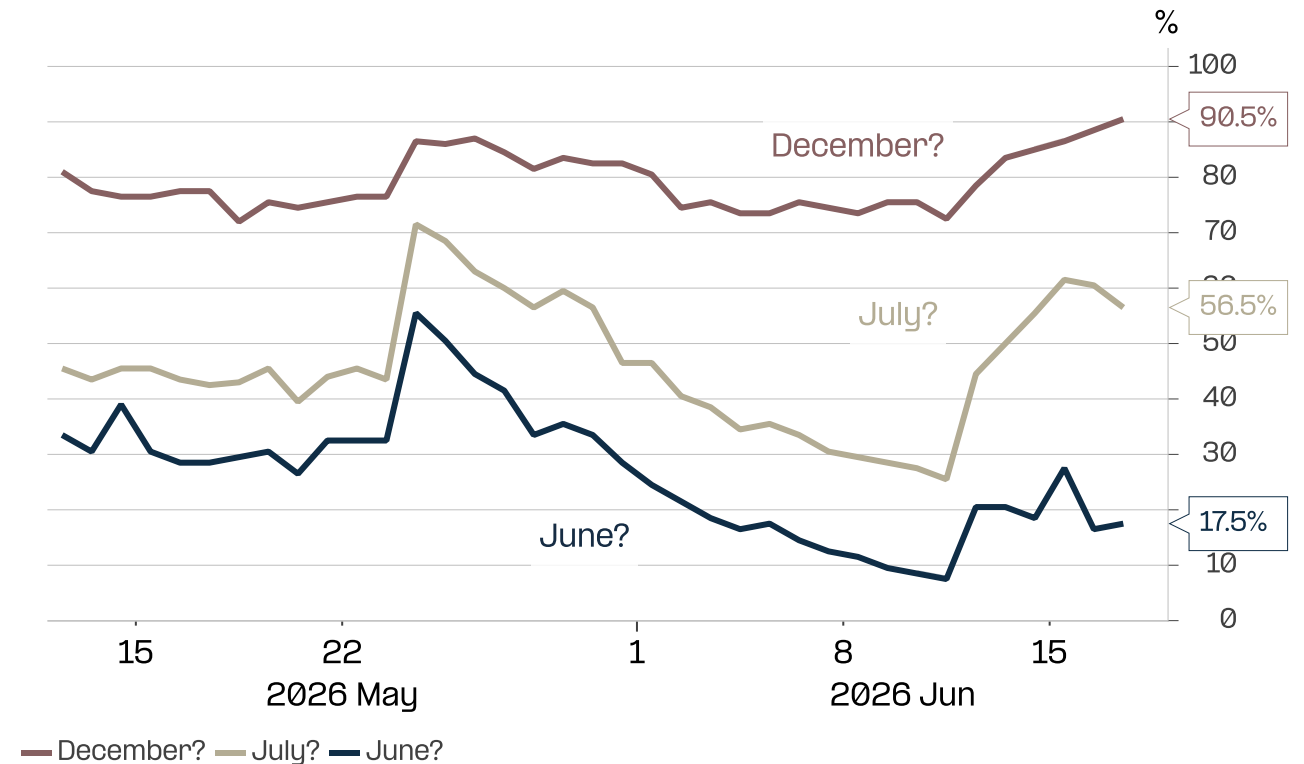
Source: Macrobond, Bloomberg, Evli

Iran and the US have signed a preliminary peace agreement

- The agreement includes the reopening of the Strait of Hormuz and a 60-day negotiation period during which the parties will seek to resolve disputes related to Iran's nuclear program.
- Around one-fifth of global oil and liquefied natural gas shipments normally pass through the Strait of Hormuz, meaning that the resumption of traffic through the strait would support economic growth and ease inflationary pressures.
- However, traffic through the strait is expected to normalize only gradually rather than immediately after the formal signing of the agreement on Friday. Clearing naval mines will take time, and some shipping companies may continue to avoid the area due to security concerns until they are convinced that the agreement will hold.

Does traffic at the Strait of Hormuz return to normal by the end of...

Polymarket odds for a "yes" answer for selected months this year



Source: Macrobond, Evli, Polymarket

The agreement between Iran and the US has pushed oil prices lower and lifted equity markets

- Brent crude has fallen almost 30% from its early-May peak of USD 115 per barrel to just above USD 80 per barrel. Before the war began, Brent traded at around USD 70 per barrel.
- Equity market gains have been particularly strong among semiconductor companies. The Philadelphia Semiconductor Index (SOX) has risen approximately 10% over the past week and South Korea's KOSPI Index has also risen almost 15% over the same period.
- The rapid recovery of semiconductor stocks from their pullback two weeks ago highlights that AI remains the most important driver of equity market growth, but also its most significant source of risk.

The MSCI AC World Index has risen to a near record high while oil prices have fallen



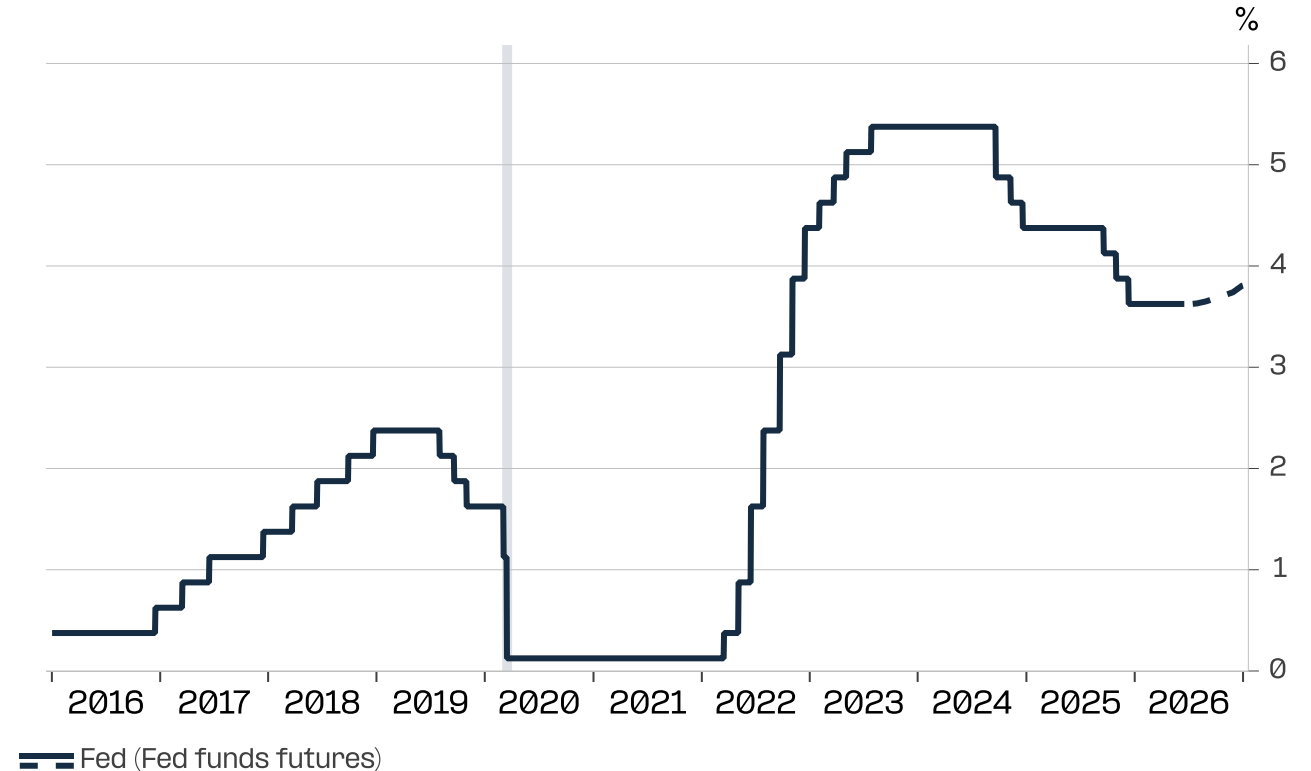
Source: Macrobond, Evli, MSCI

The Fed is expected to keep its policy rate unchanged at 3.50–3.75% at today's meeting

- While the war with Iran has increased inflation, economic growth and labor market conditions have remained strong.
- May's employment report once again exceeded expectations and marked the third consecutive strong labor market report. As a result, market expectations for Federal Reserve rate cuts this year have disappeared, and Fed funds futures now price in one rate hike by the end of the year.
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The Fed's implied rate hike path

The dashed line represents market expectations for policy rates based on Fed funds futures



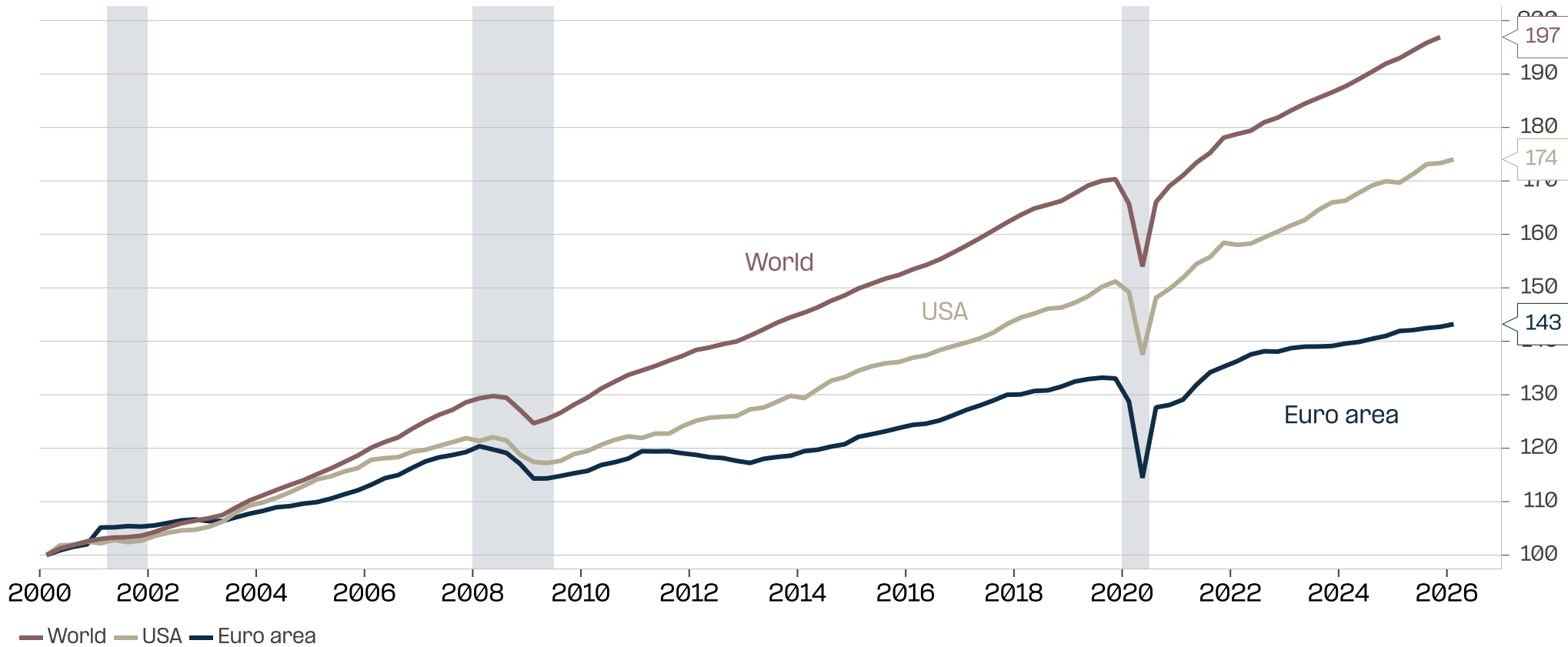
— Fed (Fed funds futures)

Source: Macrobond, Evli, CME Group

Growth

Real GDP

Normalized to 100 = 1/2000



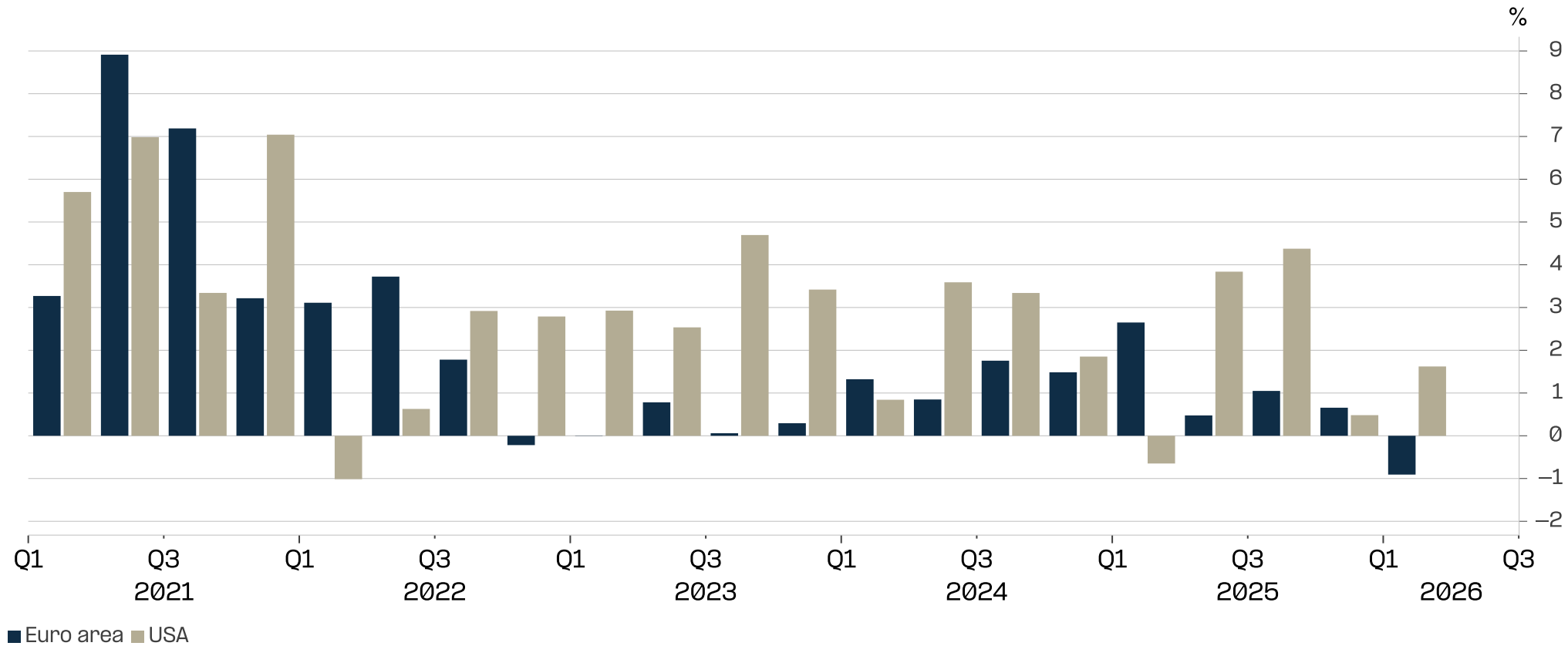
— World — USA — Euro area

Source: Macrobond, Evli, Eurostat, BEA, World Bank

Growth

Real GDP growth

QoQ annualized



■ Euro area ■ USA

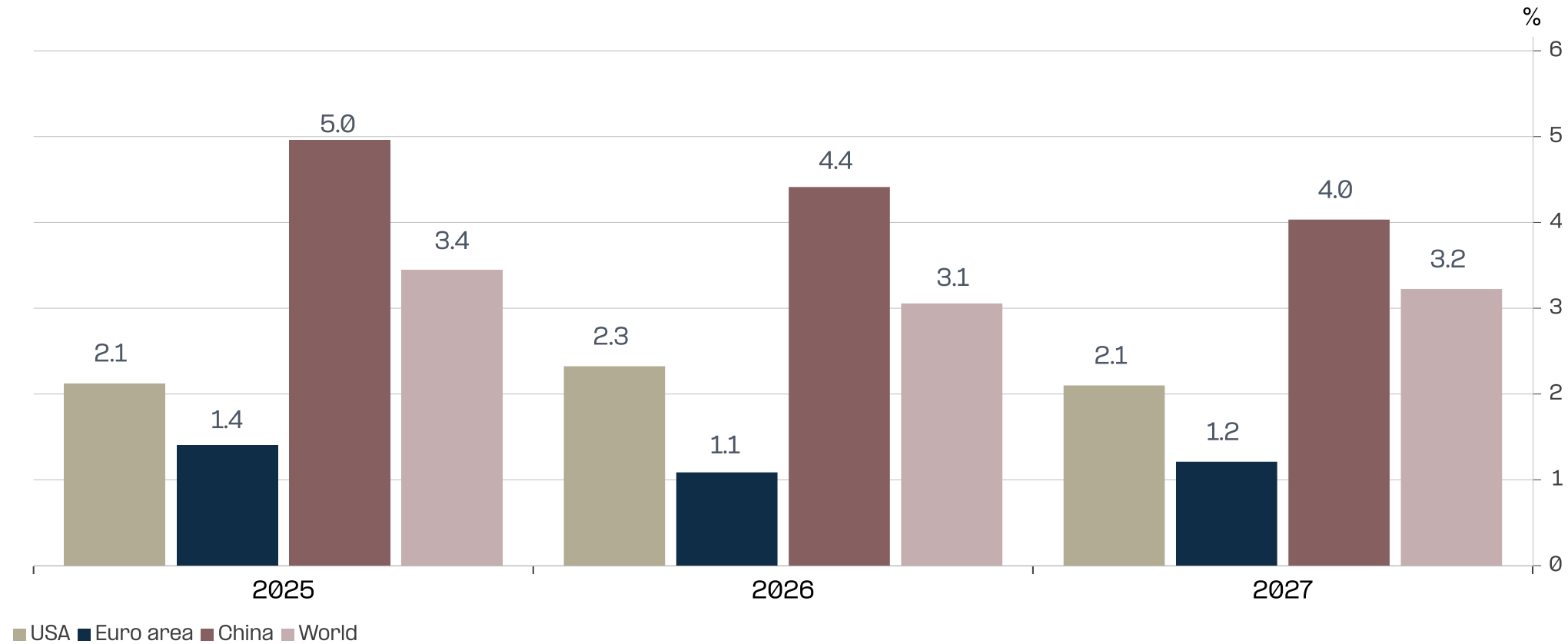
Source: Macrobond, Evli, Eurostat, BEA

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GDP growth expectations

IMF GDP growth estimates

Year-over-year % change

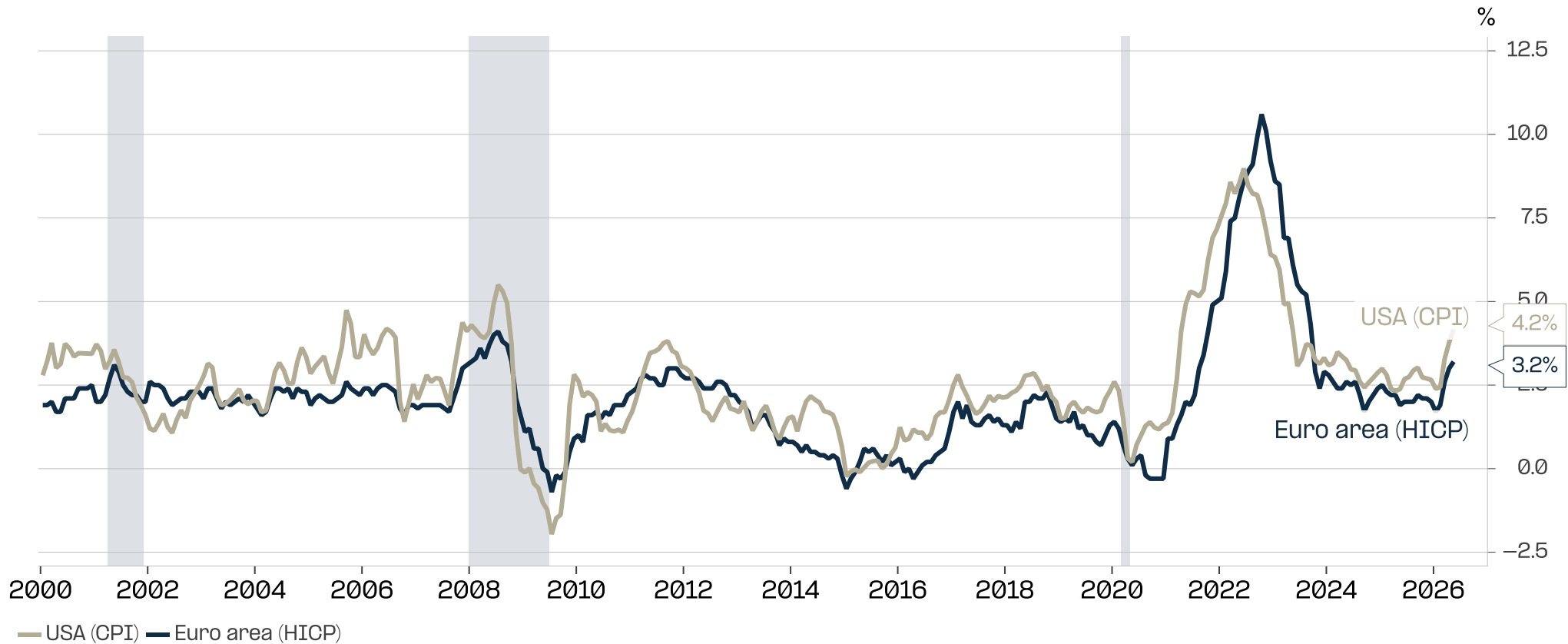


Source: Macrobond, Evli, IMF

Inflation

Inflation

Year-over-year change in consumer prices (U.S. CPI and euro area HICP)

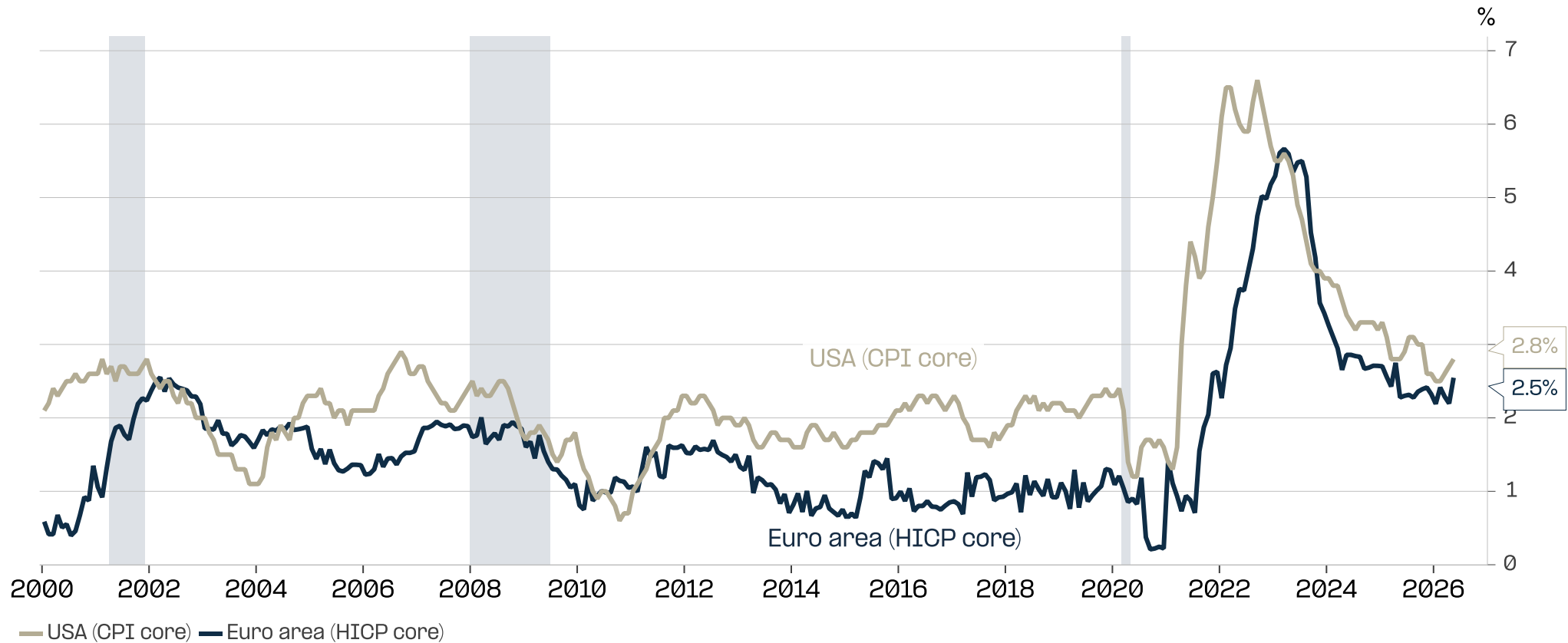


Source: Macrobond, Evli, ECB, BLS

Core inflation

Core inflation

Inflation excluding energy and food (U.S. core CPI and euro area core HICP)



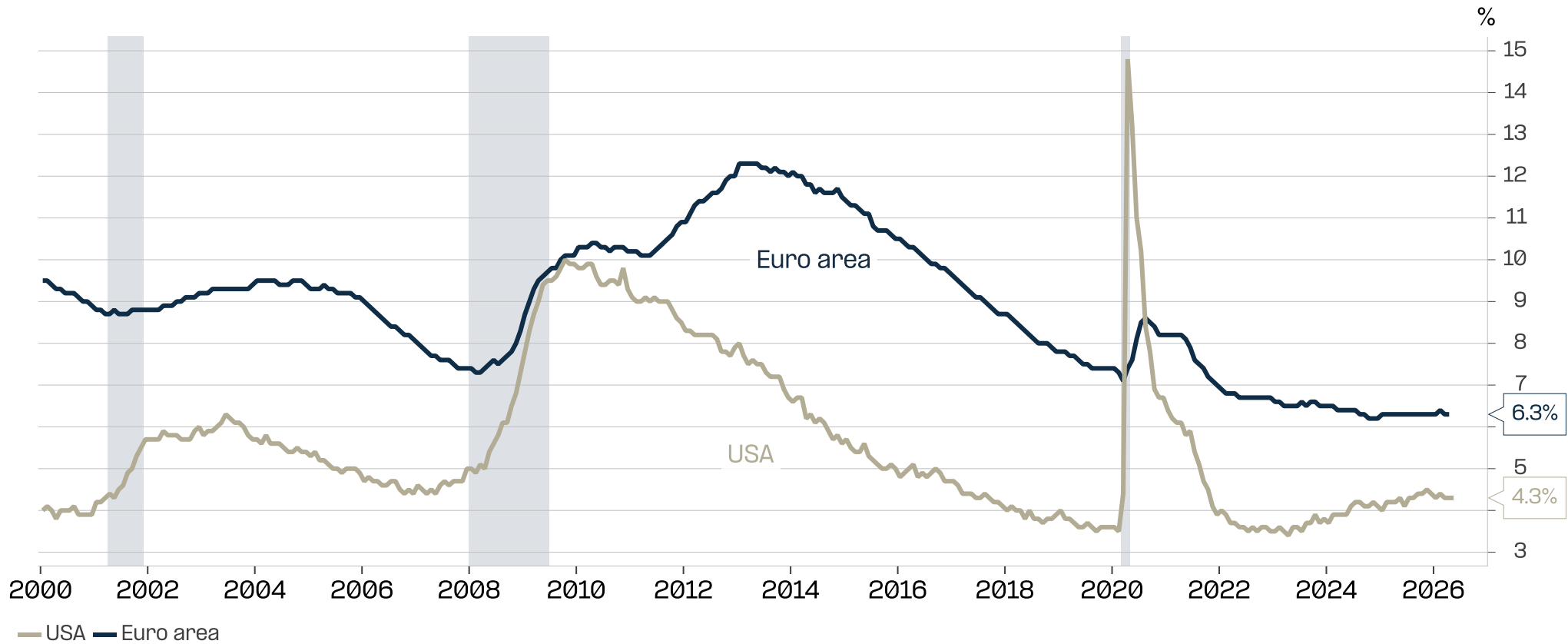
— USA (CPI core) — Euro area (HICP core)

Source: Macrobond, Evli, BLS, Eurostat

Unemployment

Unemployment rate

Unemployment rates in the United States (age 16 and over, seasonally adjusted) and the euro area (harmonised)

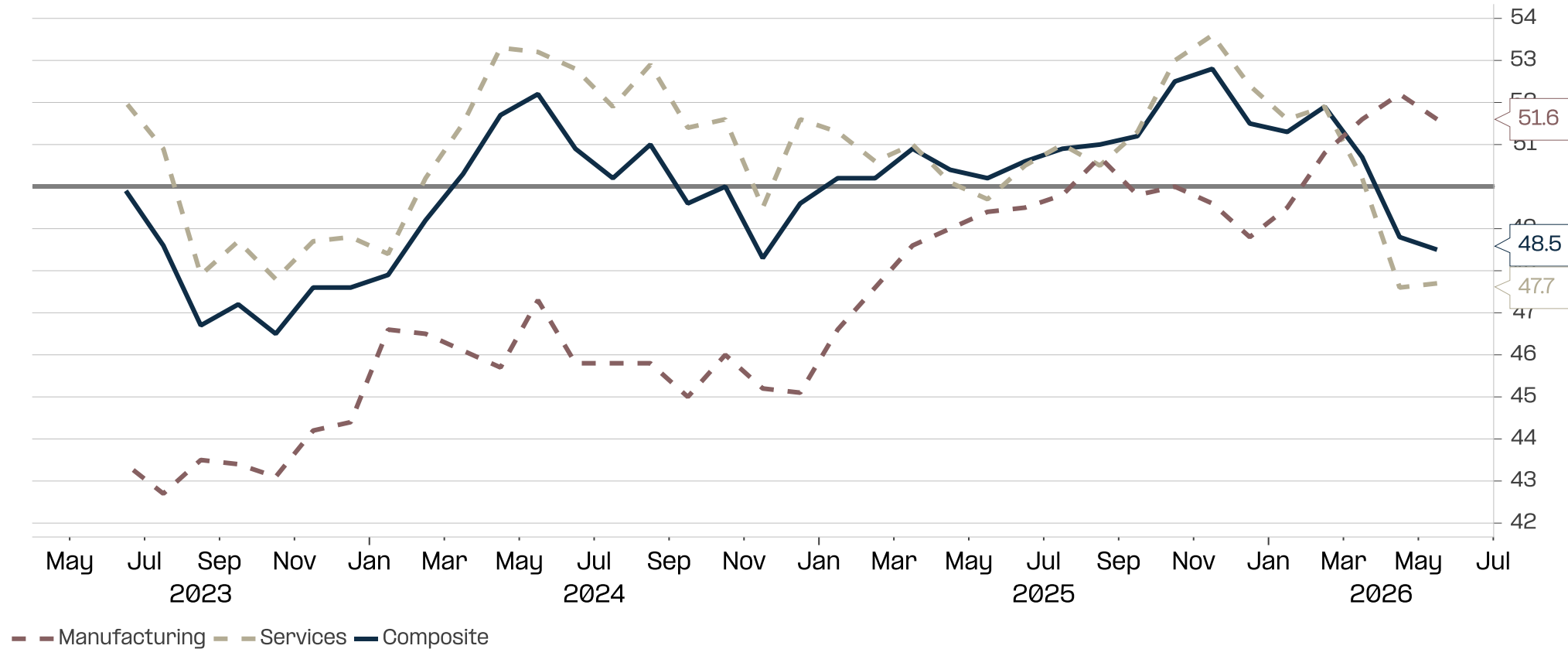


Source: Macrobond, Evli, Eurostat, BLS

Euro area PMIs

Euro area PMIs

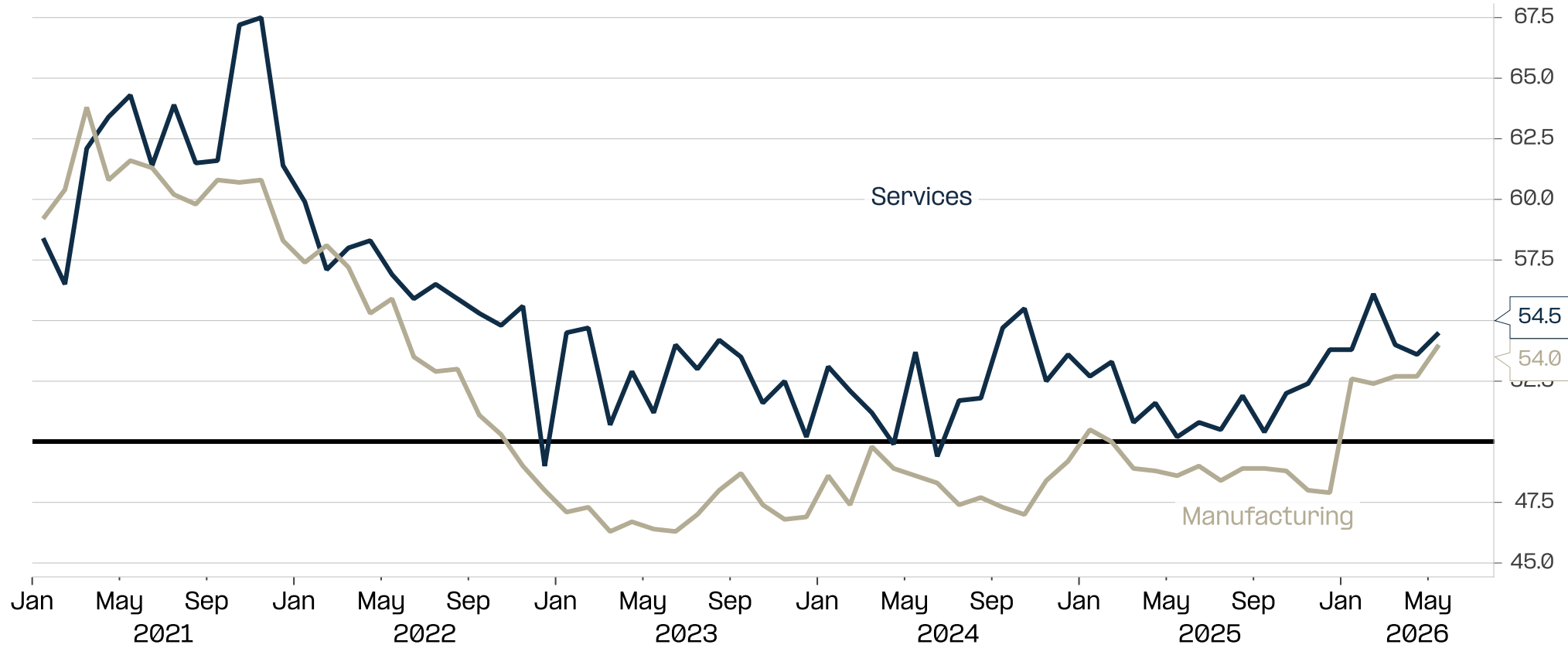
S&P Global PMI



Source: Macrobond, Evli, S&P Global

US PMIs

US PMIs
ISM Report On Business

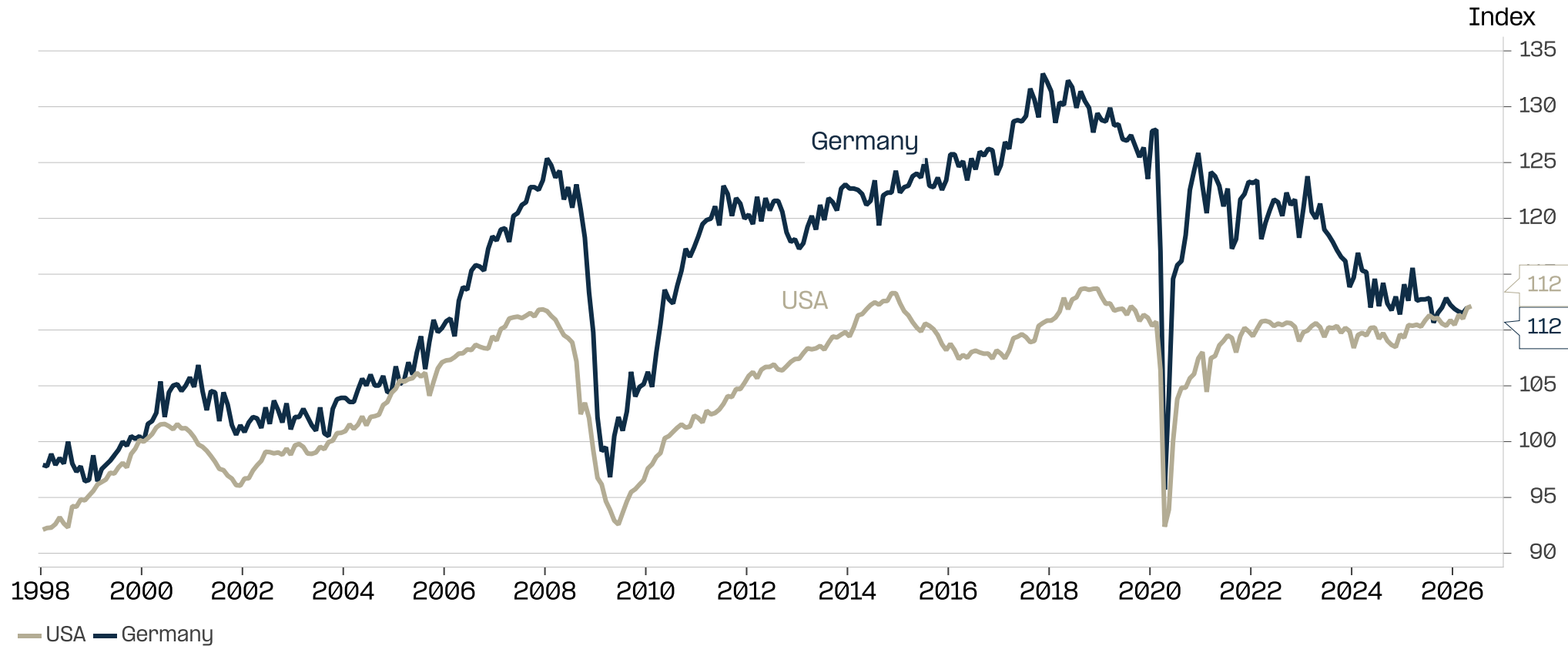


Source: Macrobond, Evli, ISM

Industrial production

Industrial production

Inflation and seasonally adjusted, rebased to year 2000

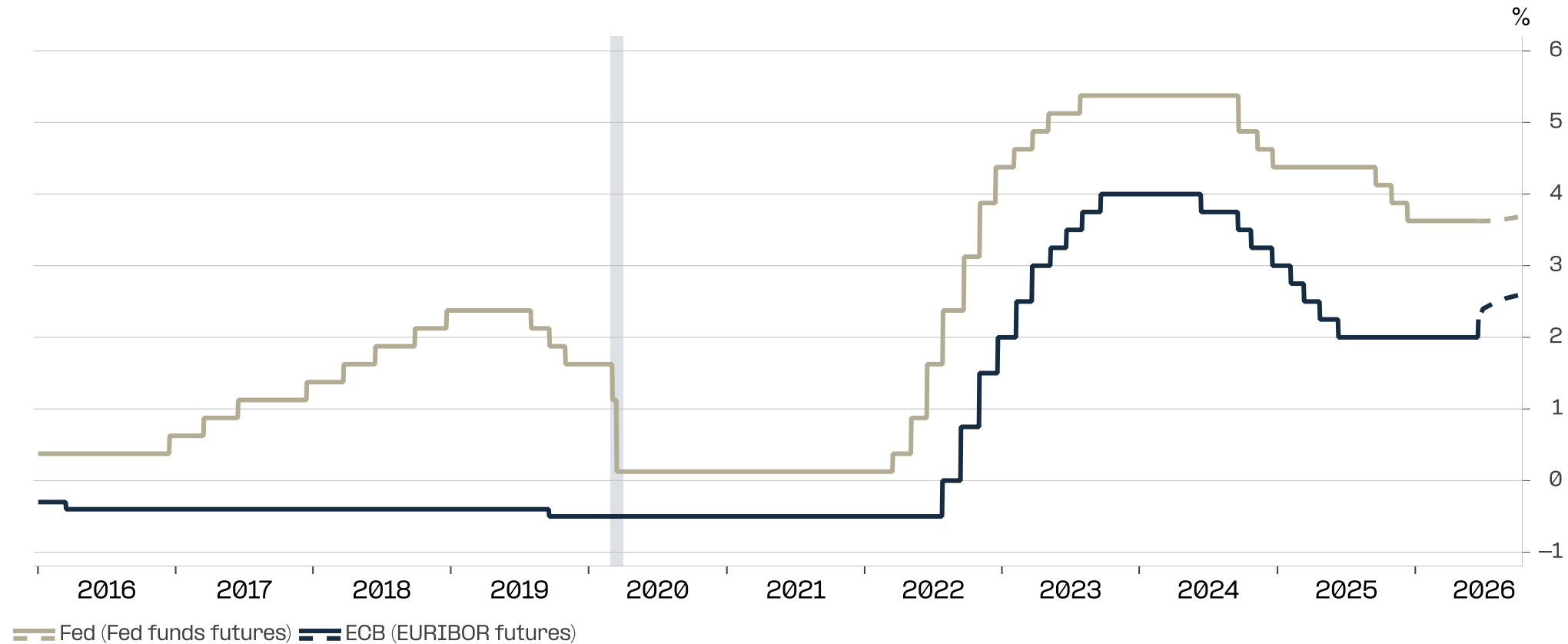


Source: Macrobond, Evli, Federal Reserve, German Federal Statistical Office

Fed and ECB rates

Fed and ECB implied rate hike paths

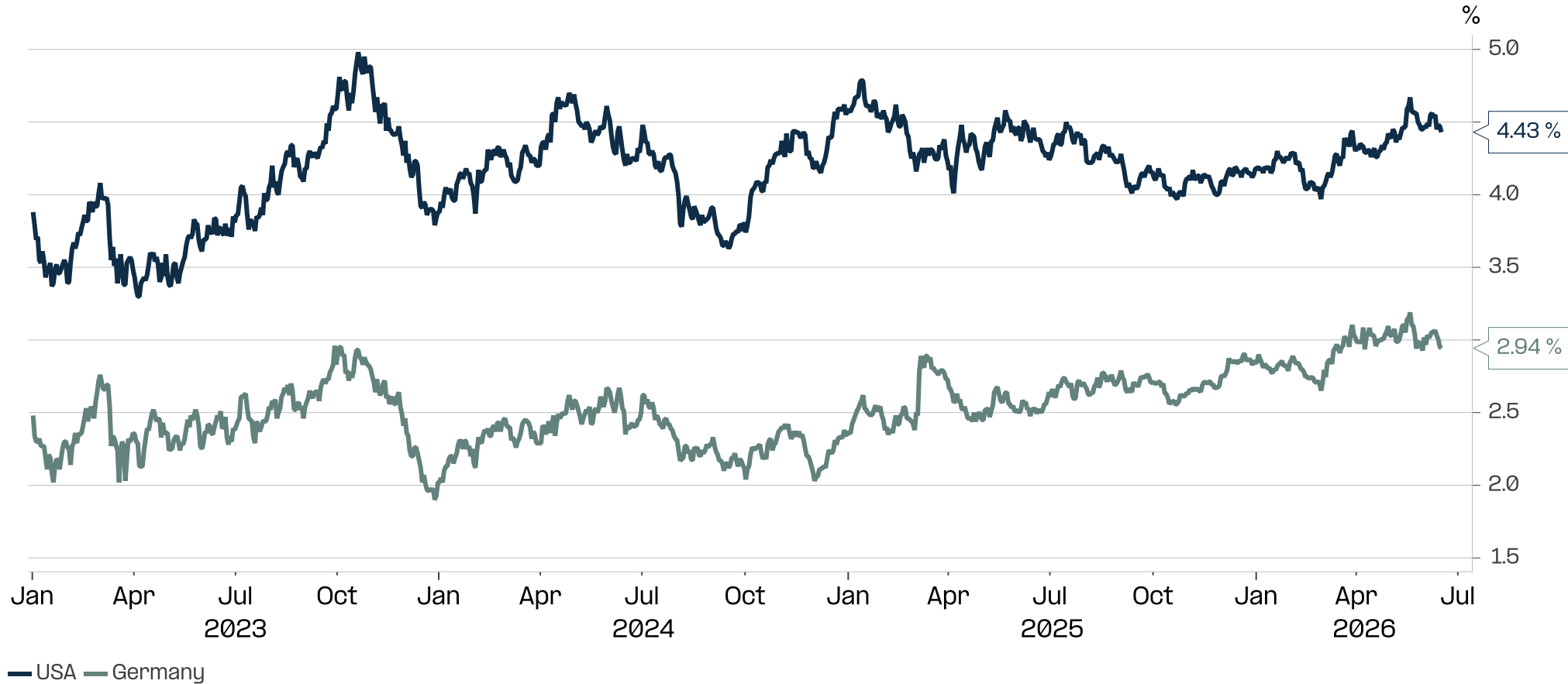
The dashed line represents market expectations for policy rates based on Fed funds and EURIBOR futures



Source: Macrobond, Evli, Eurex Exchange, CME Group

Bond yields

US and Germany 10 year bond yields



Source: Macrobond, Evli, Deutsche Bundesbank, U.S. Department of Treasury

Information set above is not intended as investment recommendation.

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