

EVLI

ALLOCATION VIEW JUNE 24, 2026



EVLI PLC

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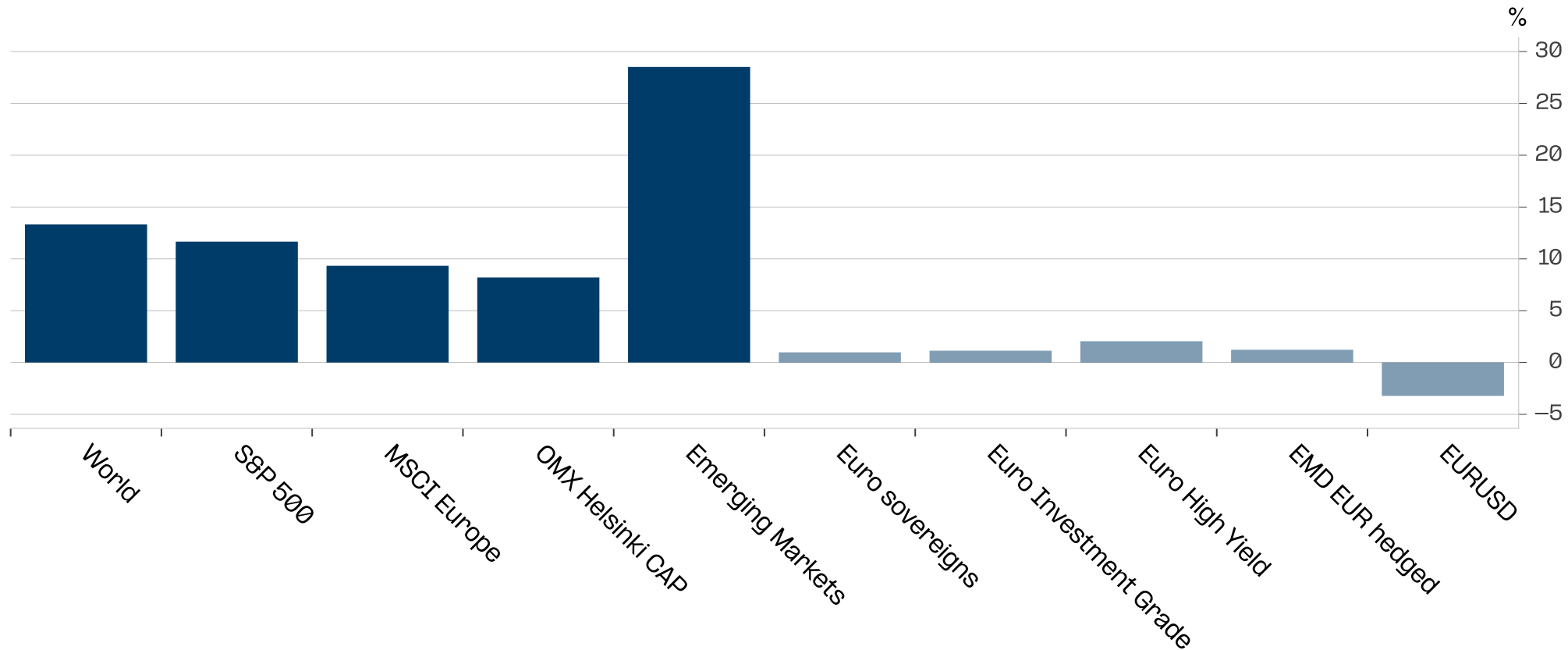
The main points of the allocation meeting

- **The U.S. Federal Reserve left its policy rate unchanged at 3.50–3.75% at last week’s meeting, but its overall tone was more hawkish than expected.** The Fed’s new Chair, Kevin Warsh, placed particular emphasis on maintaining price stability, and half of the Federal Open Market Committee members who submitted forecasts indicated that a rate hike is possible this year. At the beginning of the year, markets expected two rate cuts in 2026, but Fed funds futures are now pricing in at least one rate increase. In its concise statement, the Fed emphasized that economic growth, investment, and labor markets have remained resilient despite elevated uncertainty, while inflation remains too high relative to the 2% target. The Fed expects the U.S. economy to grow by 2.2% and inflation to average 3.6% this year.
- **Negotiations between the United States and Iran on a final peace agreement are progressing, which has calmed energy markets.** The United States has lifted its naval blockade and granted a 60–day license allowing Iranian oil exports to resume on international markets. Brent crude oil is currently trading at around \$77 per barrel, compared with roughly \$70 per barrel before the war began. However, key issues remain unresolved, including control of the Strait of Hormuz and Lebanon. President Donald Trump has faced growing pressure to bring the conflict to a definitive end, as higher energy prices have pushed inflation higher and weighed on Republican support ahead of the November midterm elections. The memorandum of understanding has also drawn criticism for providing Iran with substantial economic relief without imposing sufficient restrictions on its ballistic missile program.
- **U.S. semiconductor company Micron will report strong earnings this evening.** The results and outlook are widely viewed as an important gauge of the strength of the AI investment cycle, as Micron is one of the world’s three leading memory manufacturers alongside South Korea’s SK Hynix and Samsung. Training and running AI models require large amounts of memory, which has driven strong demand for these companies’ products and lifted their share prices significantly this year. According to consensus estimates, Micron is expected to deliver nearly 1,000% year–on–year earnings growth. Technology stocks, and semiconductor shares in particular, have nevertheless come under pressure in recent days, with South Korea’s tech heavy KOSPI Index falling as much as 10% on Tuesday. Micron’s results, and especially its outlook, could determine the short–term performance of AI and semiconductor stocks.
- **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

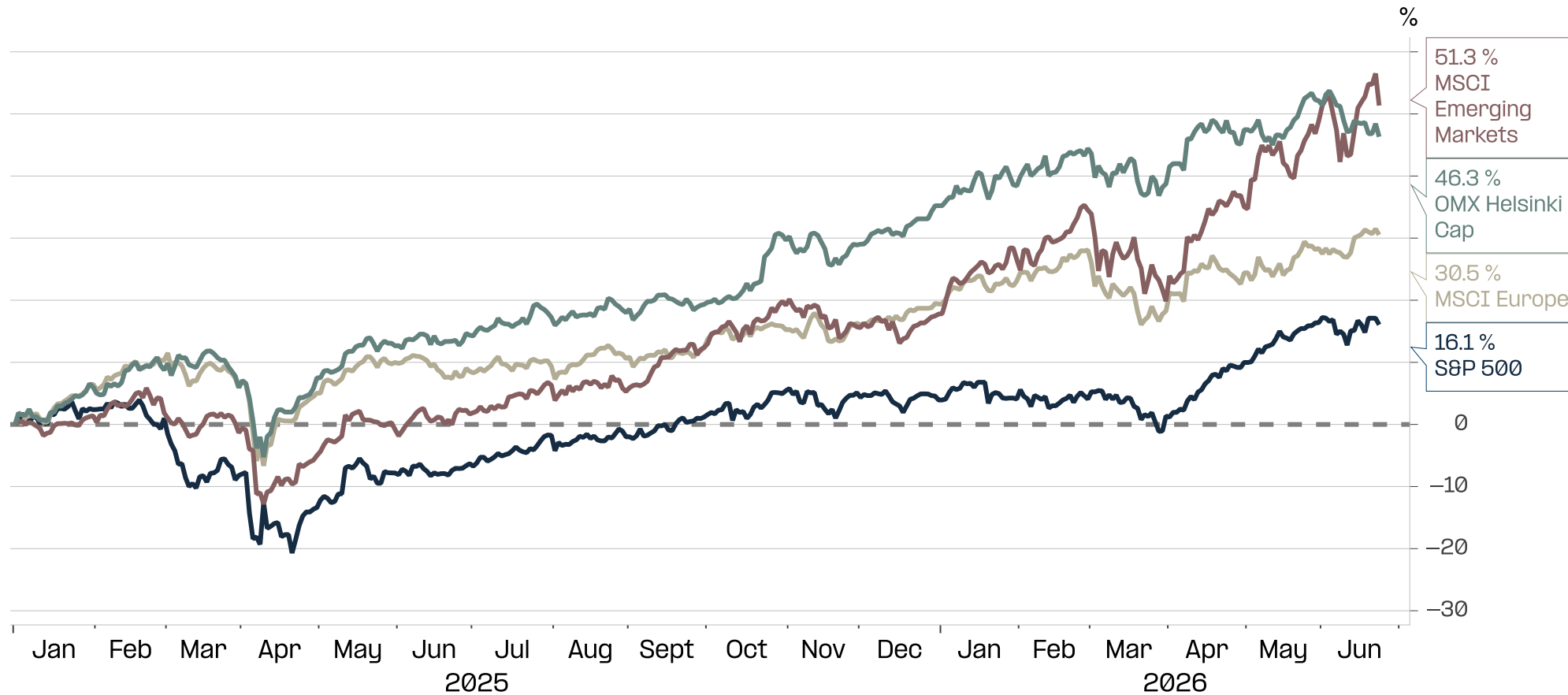
MSCI ACWI Net Total Return EUR Index



Source: Macrobond, Evli

Equity returns from the beginning of 2025 (EUR)

Equity market returns in EUR

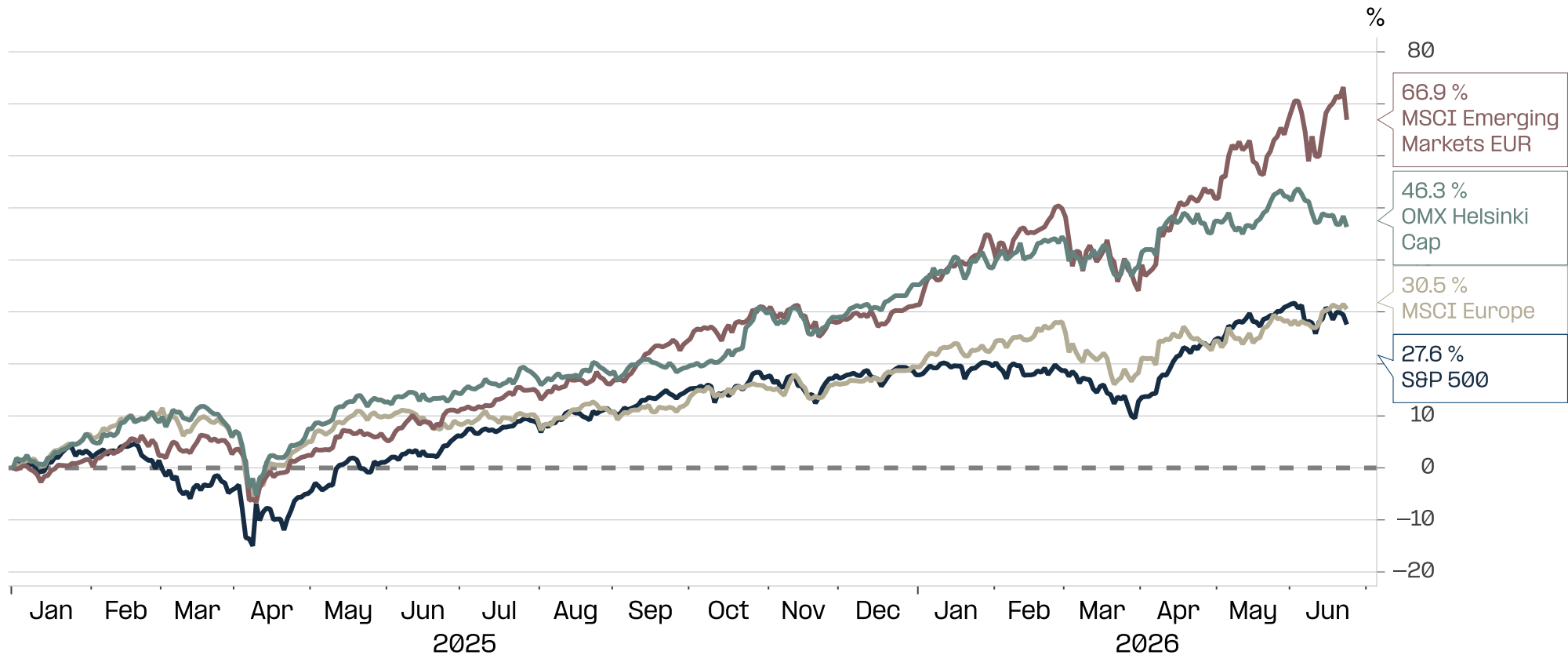


Source: Macrobond, Bloomberg, Evli

Equity returns from the beginning of 2025 (local FX)

Stock market returns from beginning of 2025

Local currency total market returns

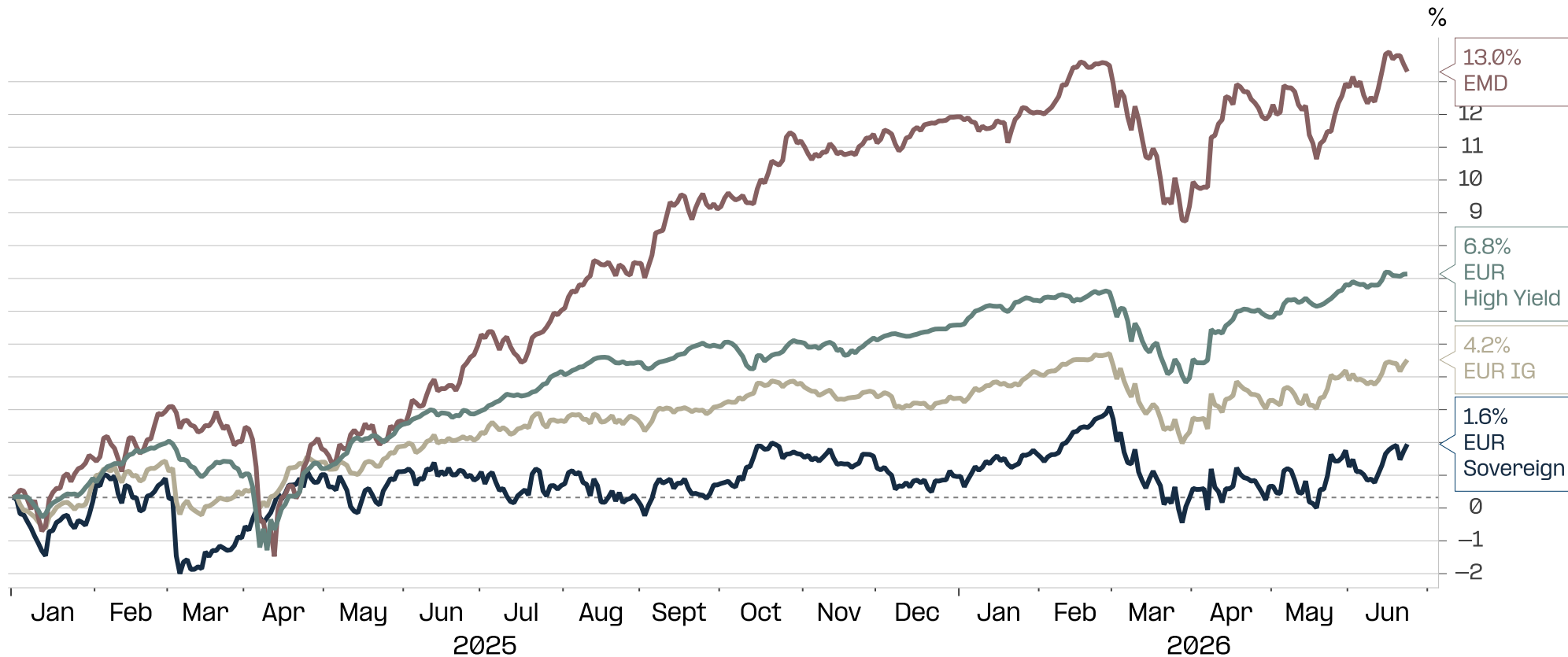


Source: Macrobond, Bloomberg, Evli

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



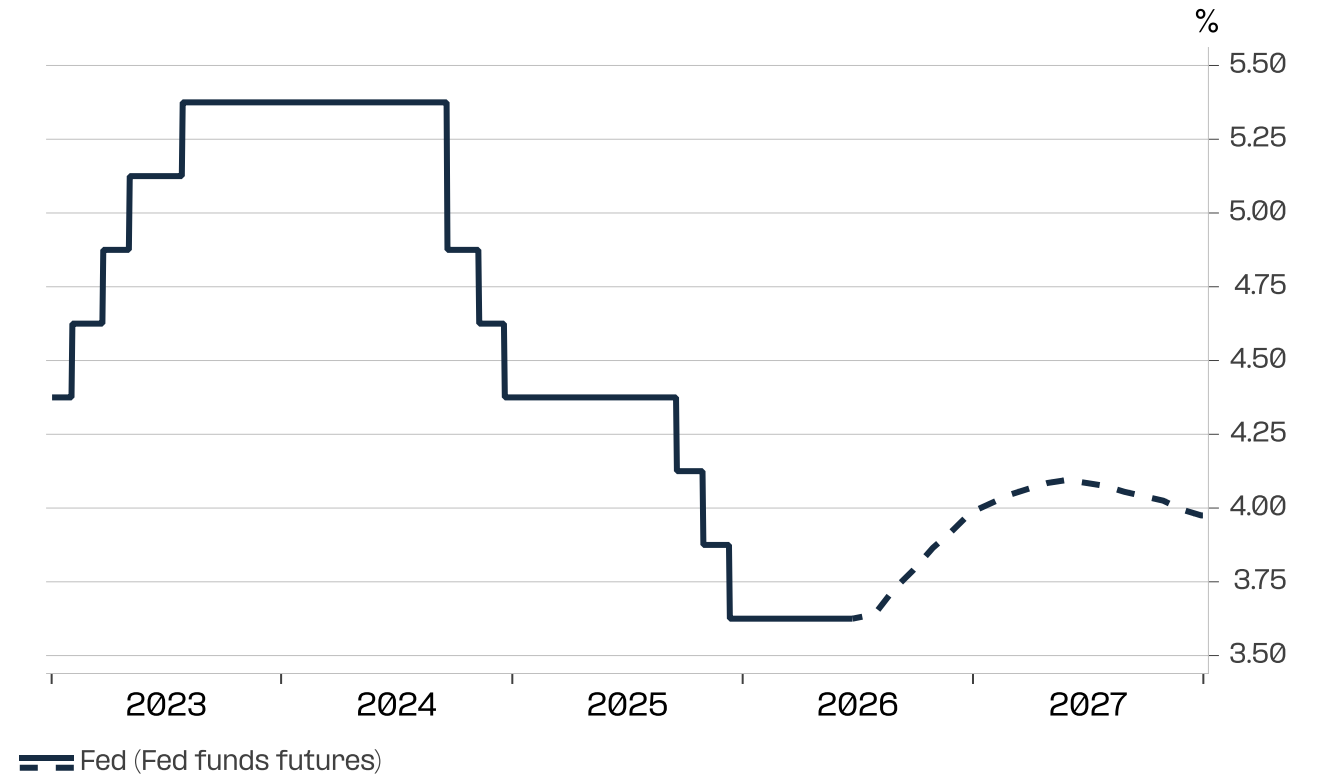
Source: Macrobond, Bloomberg, Evli

The Fed left its policy rate unchanged at 3.50–3.75% at last week's meeting

- The Fed's new Chair, Kevin Warsh, placed particular emphasis on maintaining price stability, and half of the Federal Open Market Committee members who submitted forecasts indicated that a rate hike is possible this year.
- At the beginning of the year, markets expected two rate cuts in 2026, but Fed funds futures are now pricing in at least one rate increase.
- In its concise statement, the Fed emphasized that economic growth, investment, and labor markets have remained resilient despite elevated uncertainty, while inflation remains too high relative to the 2% target.
- The Fed expects the U.S. economy to grow by 2.2% and inflation to average 3.6% this year.

The Fed's implied rate hike path

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



— Fed (Fed funds futures)

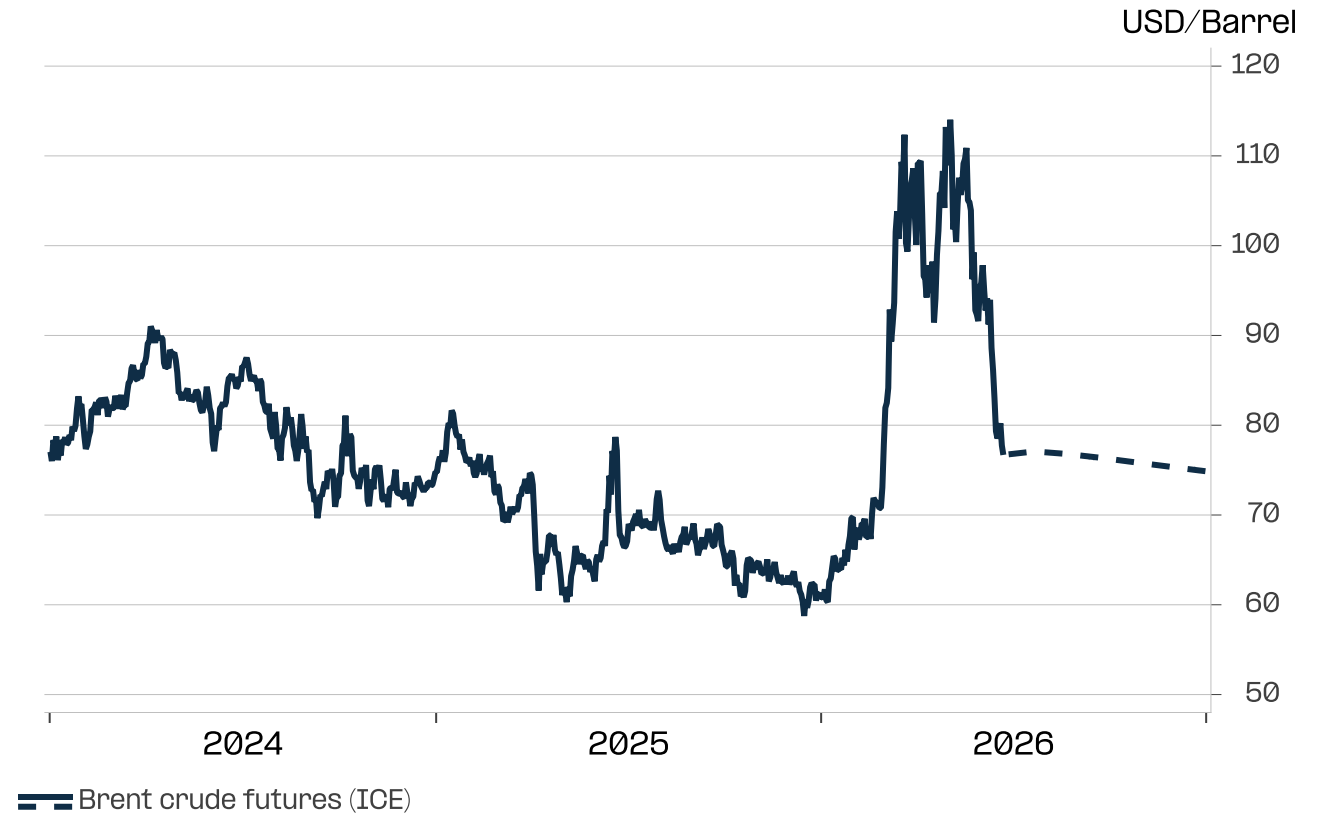
Source: Macrobond, Evli, CME Group

Negotiations between the U.S. and Iran on a final peace agreement are progressing

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- Brent crude oil is currently trading at around \$77 per barrel, compared with roughly \$70 per barrel before the war began.
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- The memorandum of understanding has also drawn criticism for providing Iran with substantial economic relief without imposing sufficient restrictions on its ballistic missile program.

Brent crude oil price and market expectations

The dashed line reflects market expectations implied by ICE Brent crude oil futures



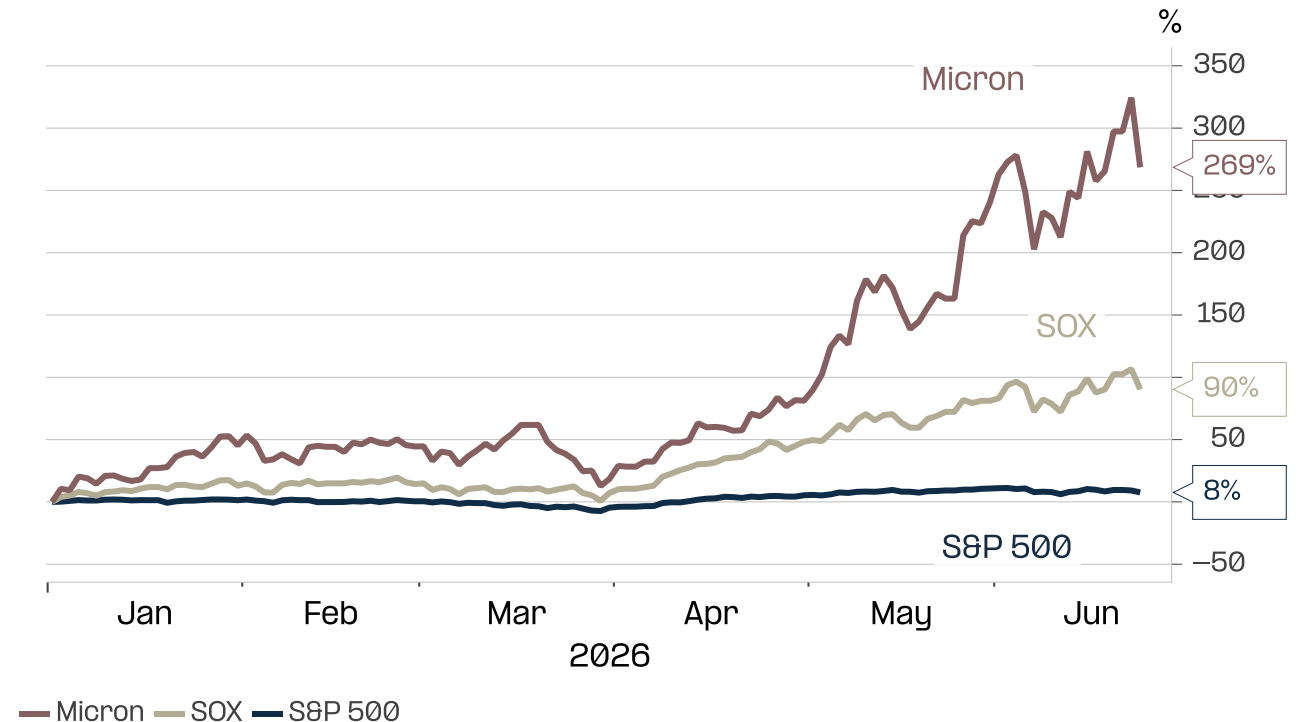
Source: Macrobond, Evli, Intercontinental Exchange (ICE)

U.S. semiconductor company Micron will report strong earnings this evening

- The results and outlook are widely viewed as an important gauge of the strength of the AI investment cycle, as Micron is one of the world's three leading memory manufacturers alongside South Korea's SK Hynix and Samsung.
- Training and running AI models require large amounts of memory, which has driven strong demand for these companies' products and lifted their share prices significantly this year.
- According to consensus estimates, Micron is expected to deliver nearly 1,000% year-on-year earnings growth. Technology stocks, and semiconductor shares in particular, have nevertheless come under pressure in recent days.
- Micron's outlook could determine the short-term performance of AI and semiconductor stocks.

The AI infrastructure buildout has driven strong outperformance in semiconductor stocks

Performance of the S&P 500, Philadelphia Semiconductor Index (SOX) and Micron since the beginning of this year

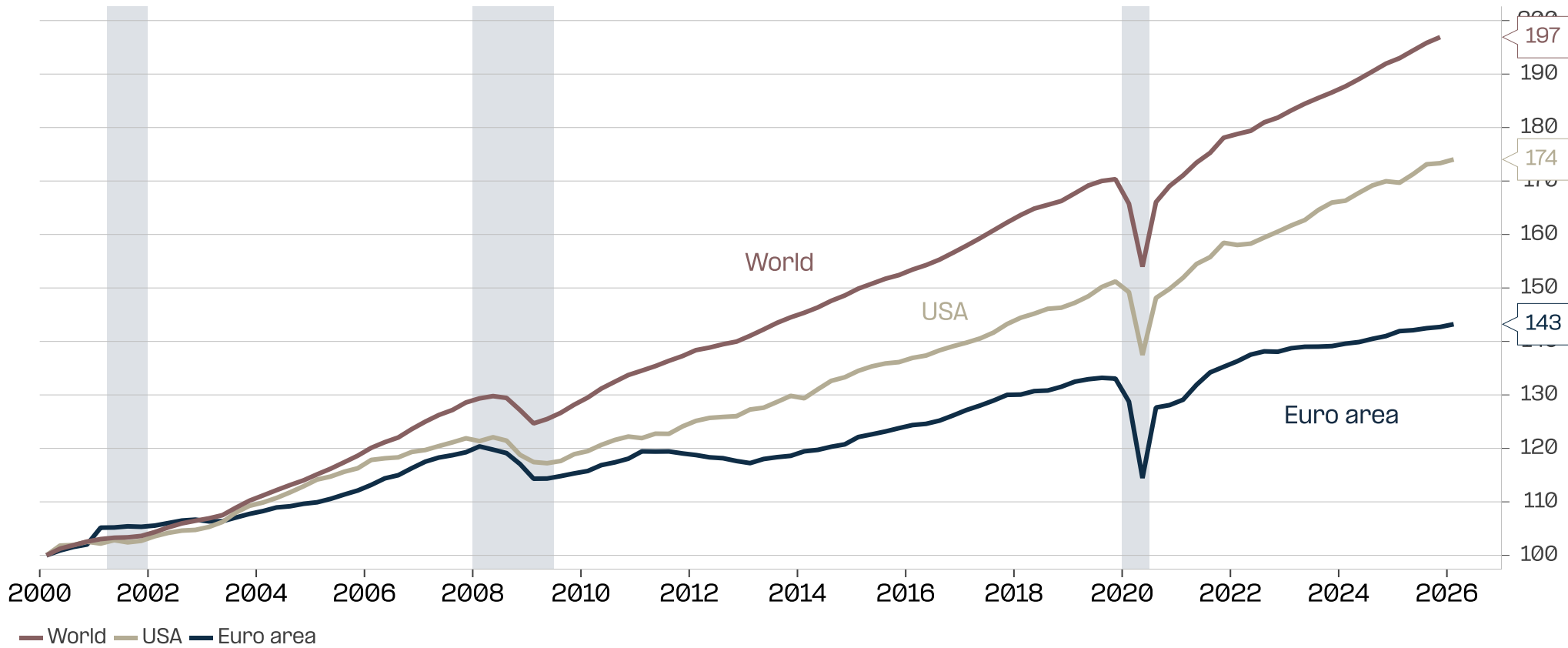


Source: Macrobond, Evli, S&P Global, Nasdaq

Growth

Real GDP

Normalized to 100 = 1/2000

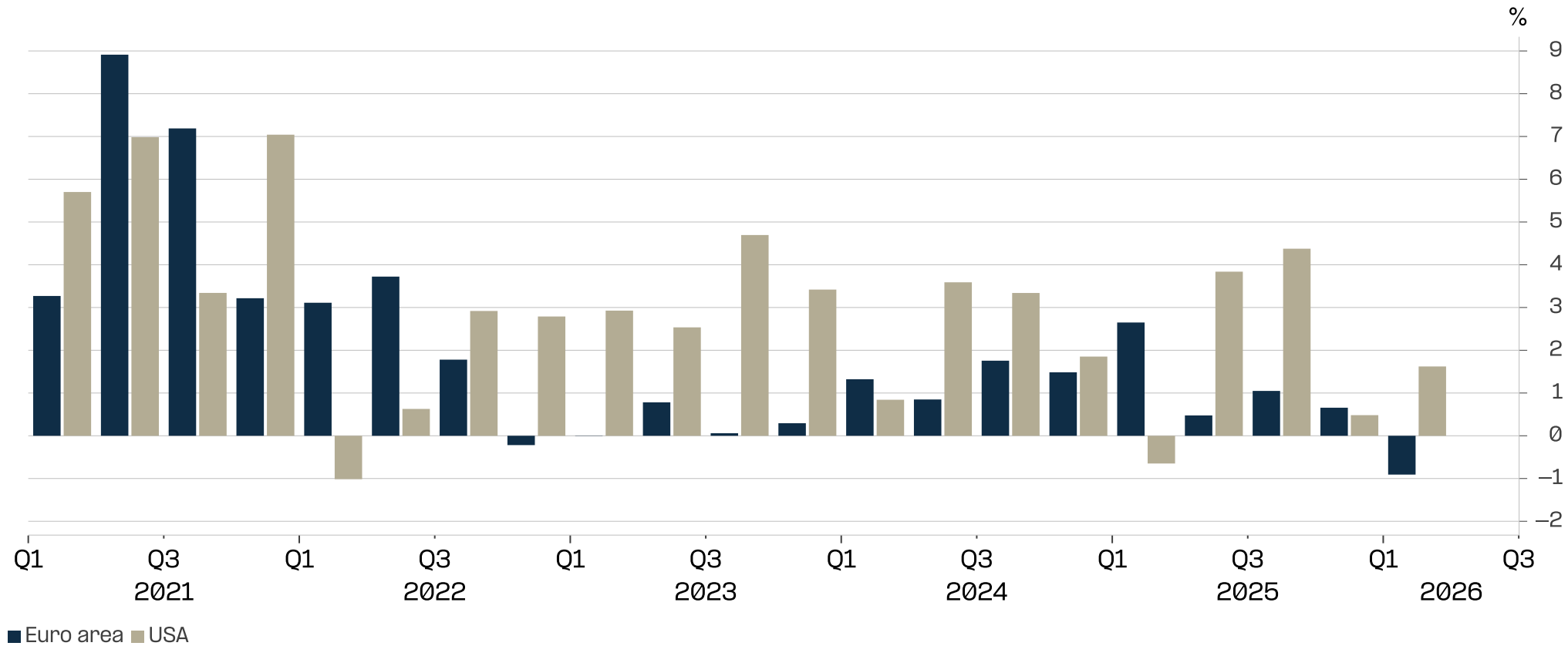


Source: Macrobond, Evli, Eurostat, BEA, World Bank

Growth

Real GDP growth

QoQ annualized



■ Euro area ■ USA

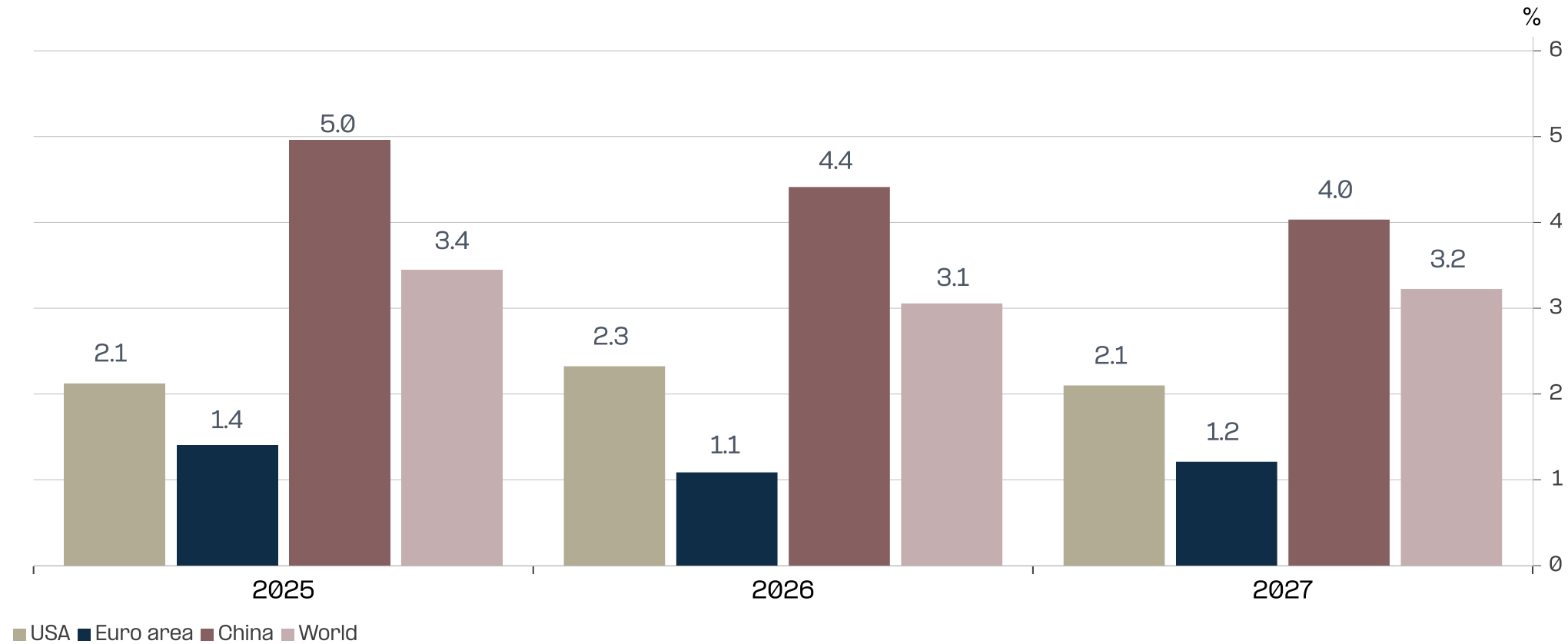
Source: Macrobond, Evli, Eurostat, BEA

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GDP growth expectations

IMF GDP growth estimates

Year-over-year % change

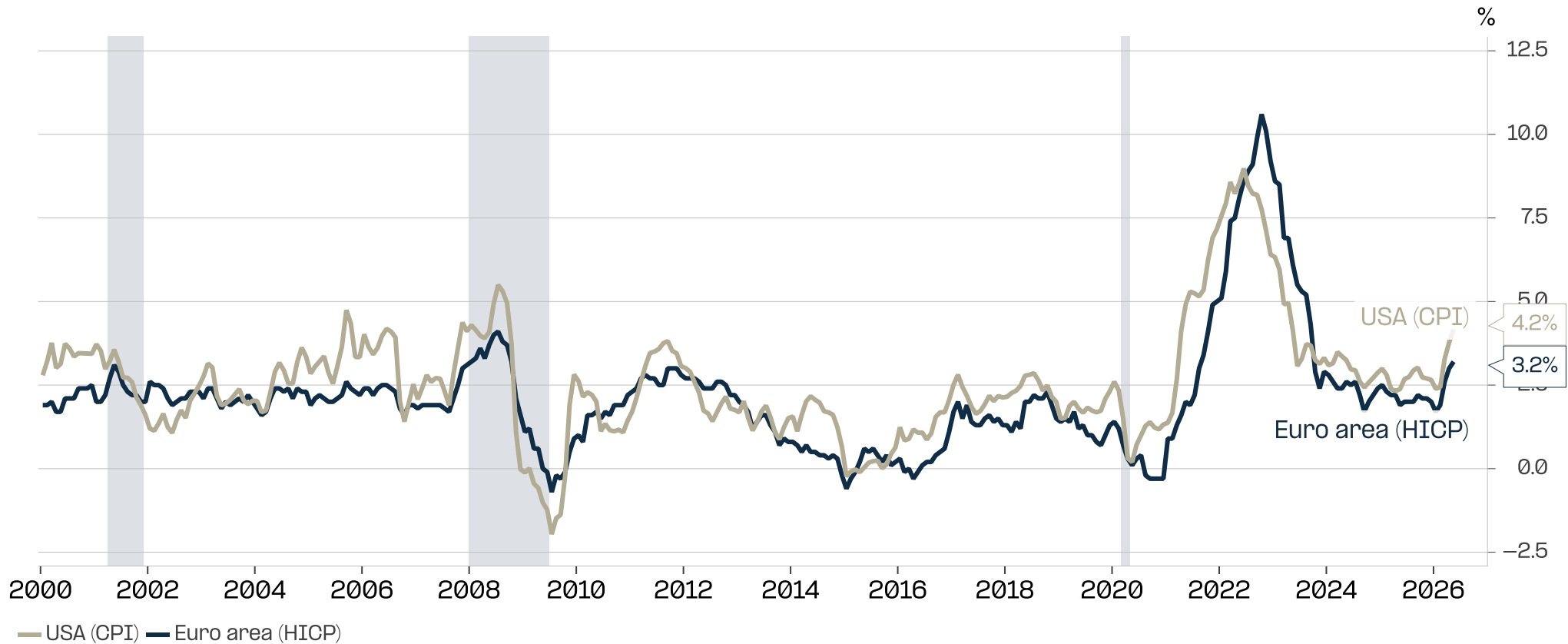


Source: Macrobond, Evli, IMF

Inflation

Inflation

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

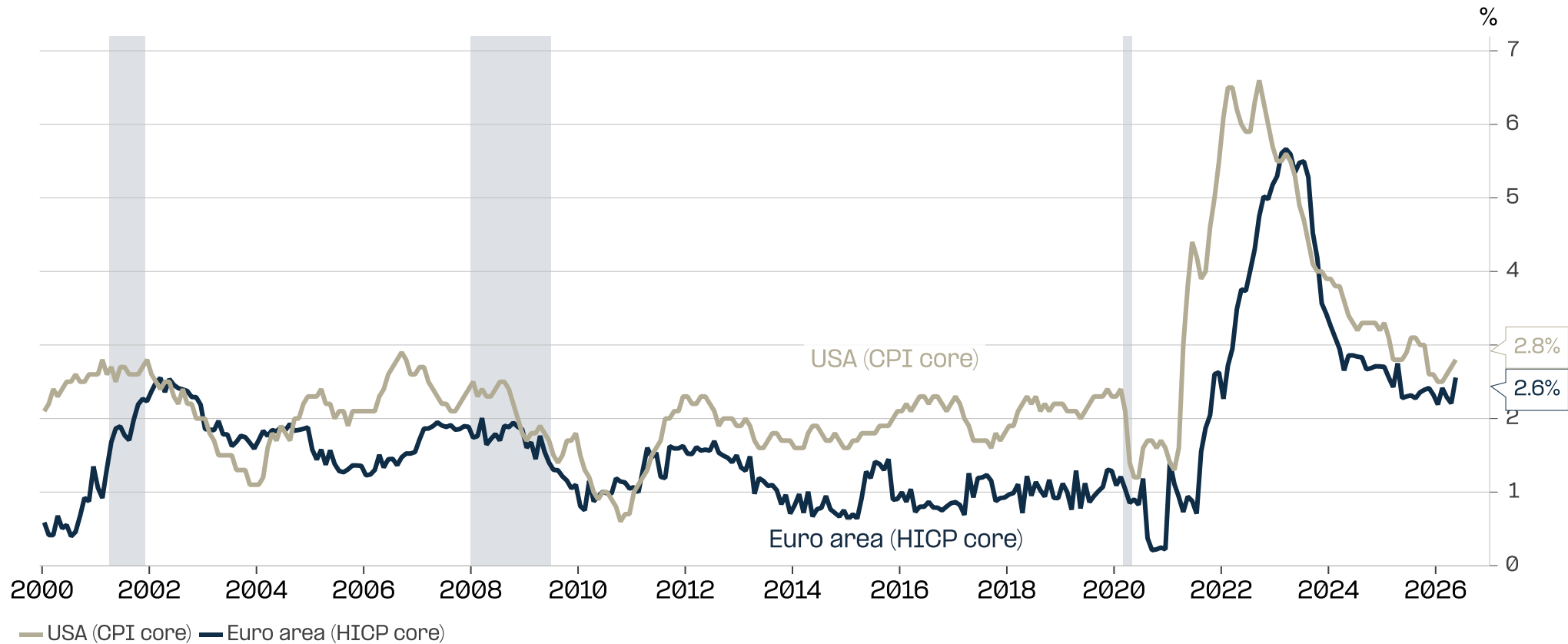


Source: Macrobond, Evli, ECB, BLS

Core inflation

Core inflation

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



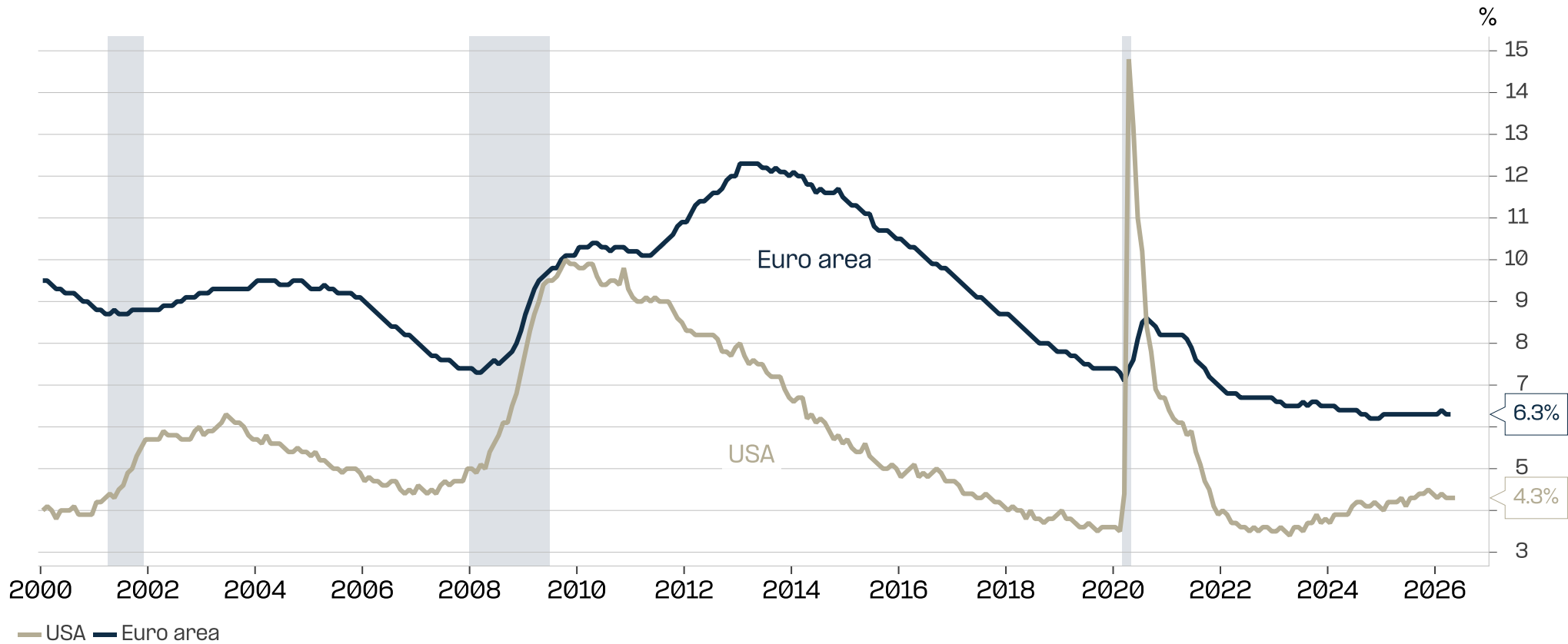
— USA (CPI core) — Euro area (HICP core)

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)

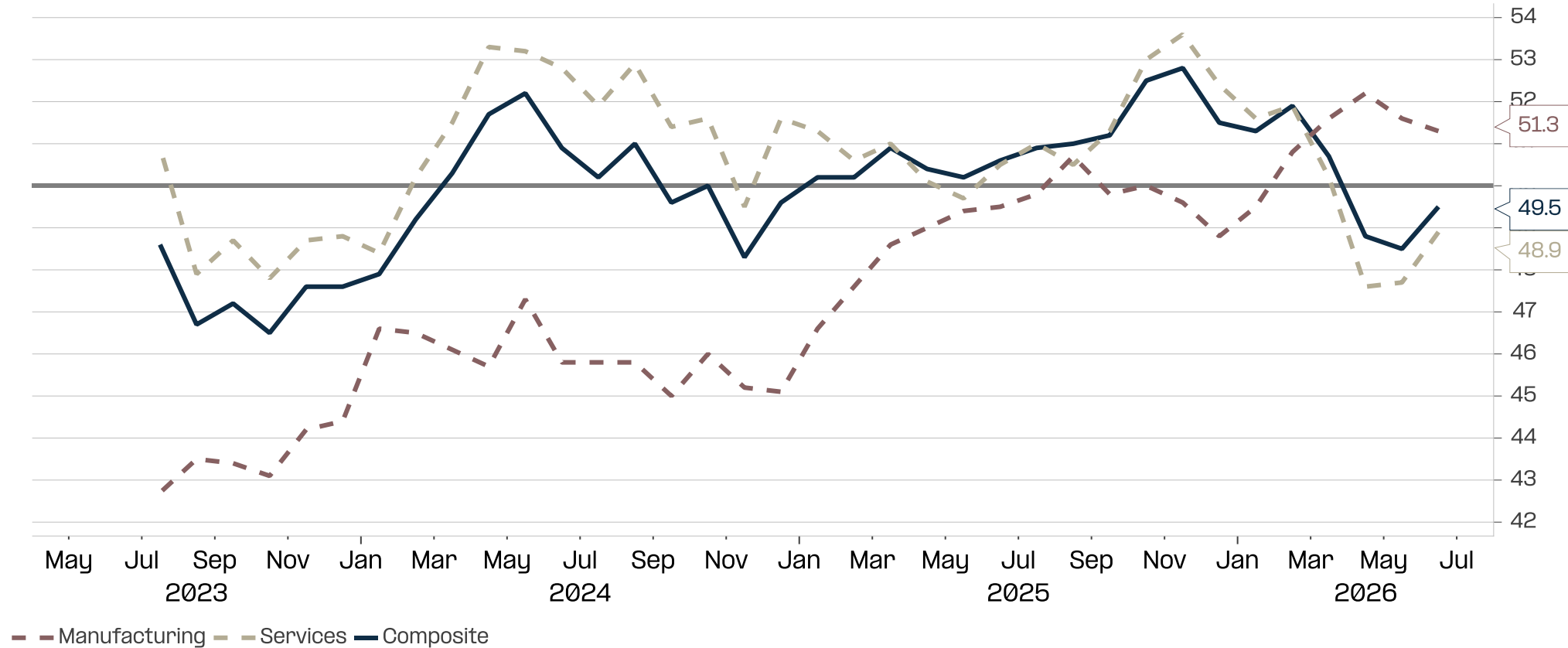


Source: Macrobond, Evli, Eurostat, BLS

Euro area PMIs

Euro area PMIs

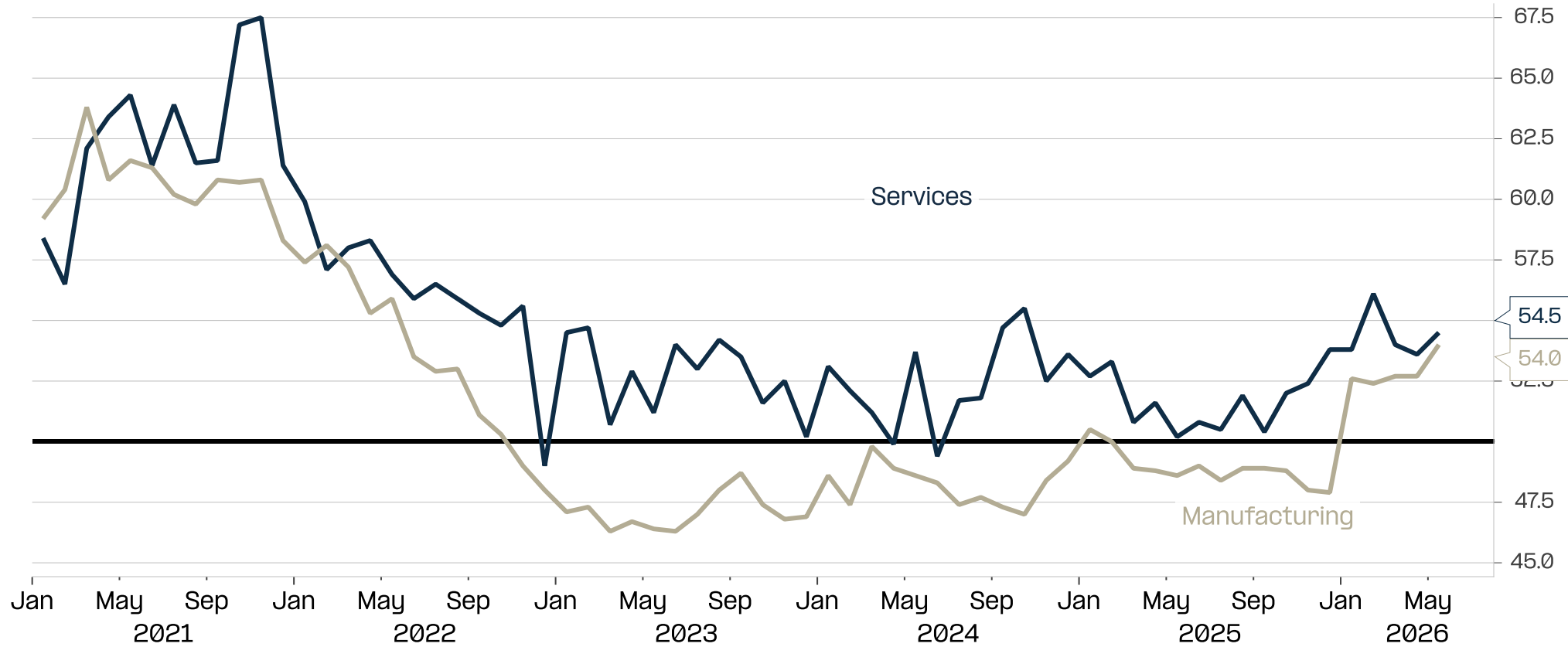
S&P Global PMI



Source: Macrobond, Evli, S&P Global

US PMIs

US PMIs
ISM Report On Business

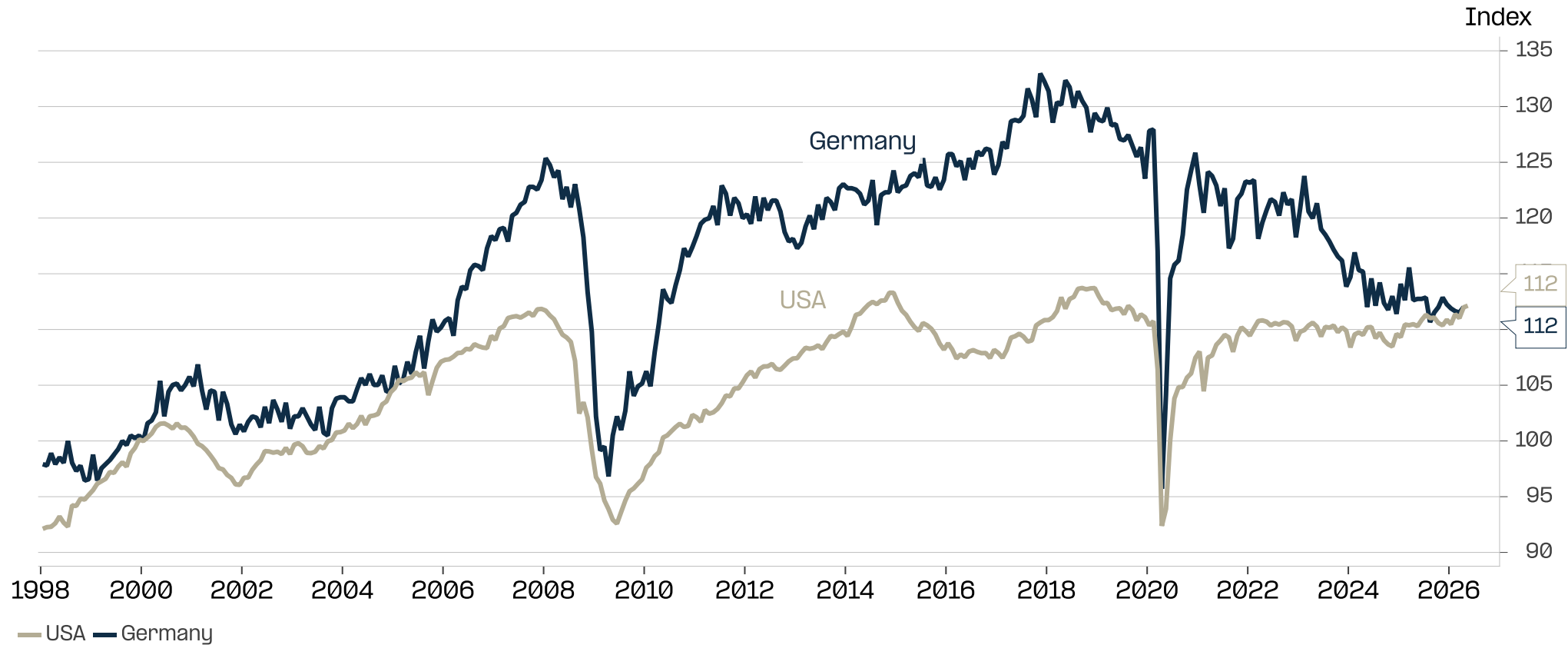


Source: Macrobond, Evli, ISM

Industrial production

Industrial production

Inflation and seasonally adjusted, rebased to year 2000

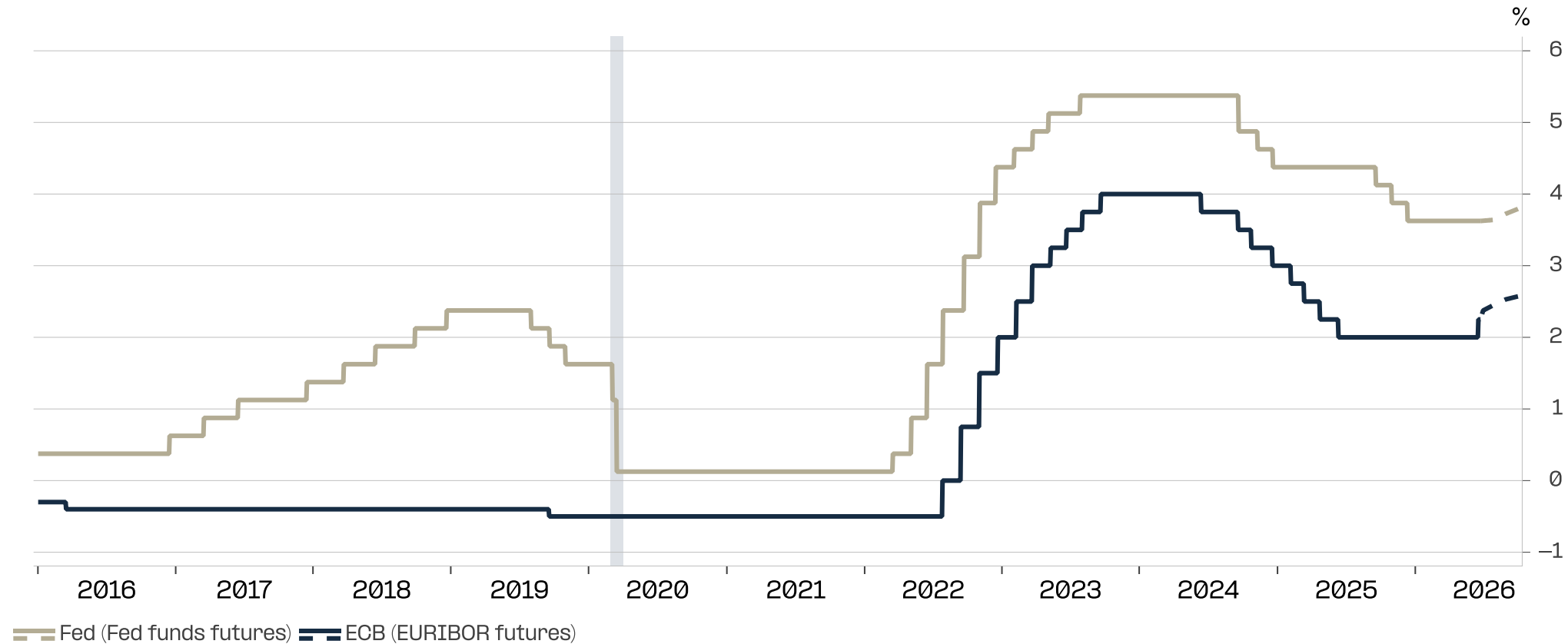


Source: Macrobond, Evli, Federal Reserve, German Federal Statistical Office

Fed and ECB rates

Fed and ECB implied rate hike paths

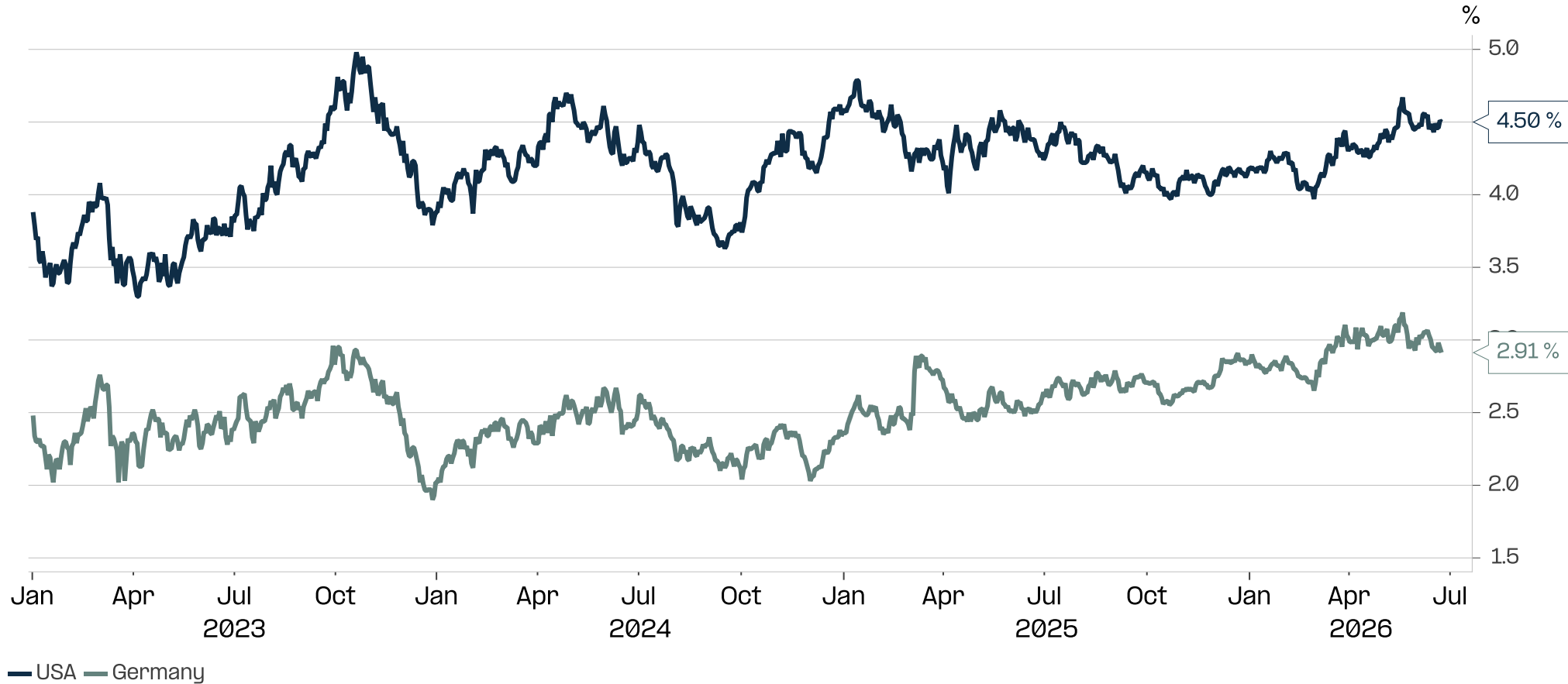
The dashed line represents market expectations for policy rates based on Fed funds and EURIBOR futures



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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