

EVLI

ALLOCATION VIEW MARCH 25, 2026



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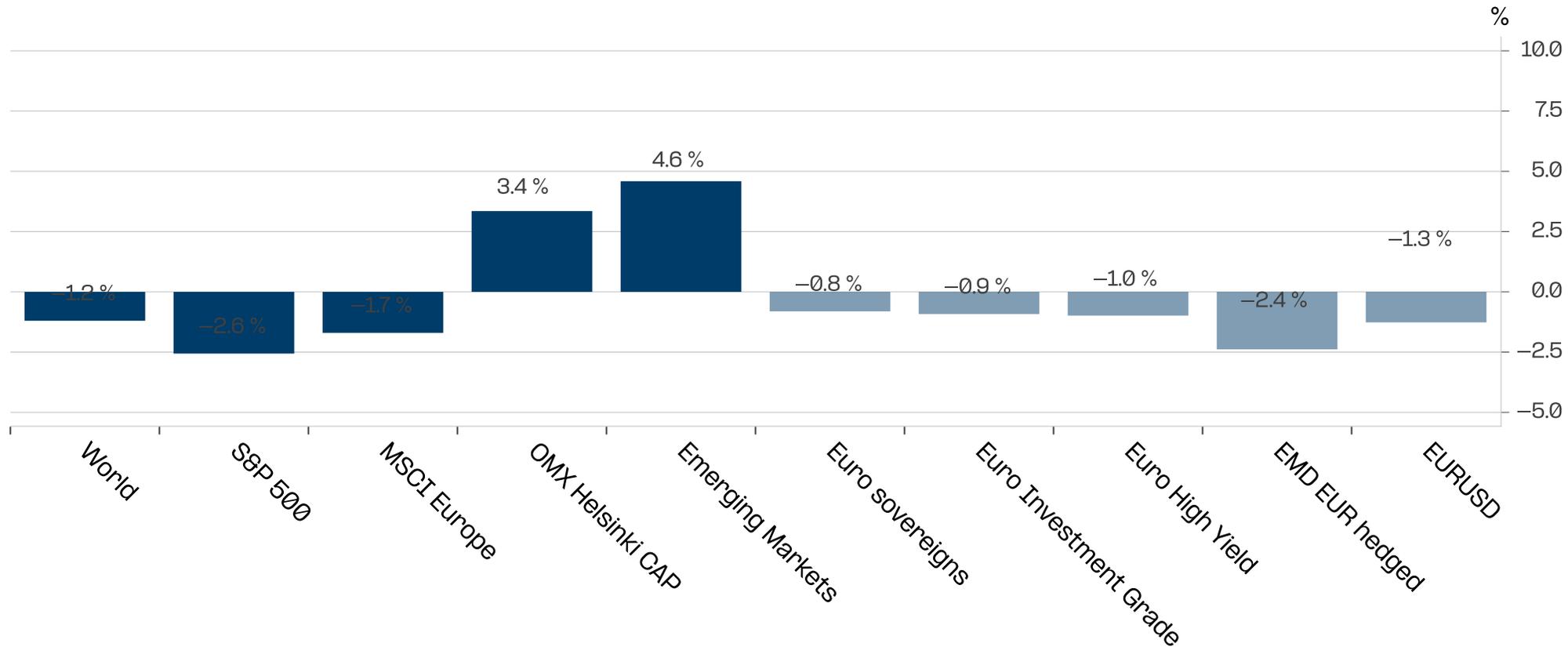
The main points of the allocation meeting

- **U.S. President Donald Trump stepped back from his threat to bomb Iran's energy infrastructure.** He referred to ongoing negotiations, which Iran denied. It is unlikely, however, that there is no communication channel between Iran and Washington. The economic damage caused by the conflict depends entirely on how long the Strait of Hormuz remains closed, as roughly one-fifth of global oil flows through it. Trump's messaging suggests that the U.S. willingness to continue the conflict has diminished. Ultimately, however, the decision to end the conflict will be made in Tehran, not Washington.
- **The war in Iran is effectively a negotiation between the United States and Iran.** Iran views the conflict as existential and is seeking guarantees that it will not face future strikes from the U.S. and Israel. Following the humiliating 12-day war during the summer of 2025, Iran has prepared for prolonged conflict by decentralizing its command structure and treating the closure of the Strait of Hormuz as essential to establishing credible deterrence. Iran appears willing to prolong the closure until it gains sufficient leverage in negotiations. We believe the conflict will ultimately be resolved through negotiations, limiting the damage to the global economy, although there is a clear risk that a prolonged conflict would result in significant economic harm.
- **If the war in Iran drags on, it will push up inflation and weaken economic growth.** Around 20% of global oil and natural gas flows through the Strait of Hormuz. Higher energy prices fuel inflation and weigh on growth. If the crisis persists, household real incomes will decline, industrial costs will rise, and the probability of a global recession will increase. The impact on Europe is greater than on the United States, while energy-importing countries such as India and Japan are hit the hardest. Uncertainty around inflation driven by higher energy prices has also influenced central banks' policy outlooks. Markets are currently not pricing in any rate changes by the Federal Reserve this year, while the European Central Bank is expected to raise rates up to three times.
- **We overweight equities** and underweight money markets. Within equities, we overweight EM equities and remain neutral elsewhere. Within equity themes, we emphasize European industrials. In fixed income investments, we overweight high yield corporate bonds and underweight government bonds and remain neutral on emerging market bonds and investment grade corporate bonds.

Asset class returns year to date in EUR

Year to date return in euros

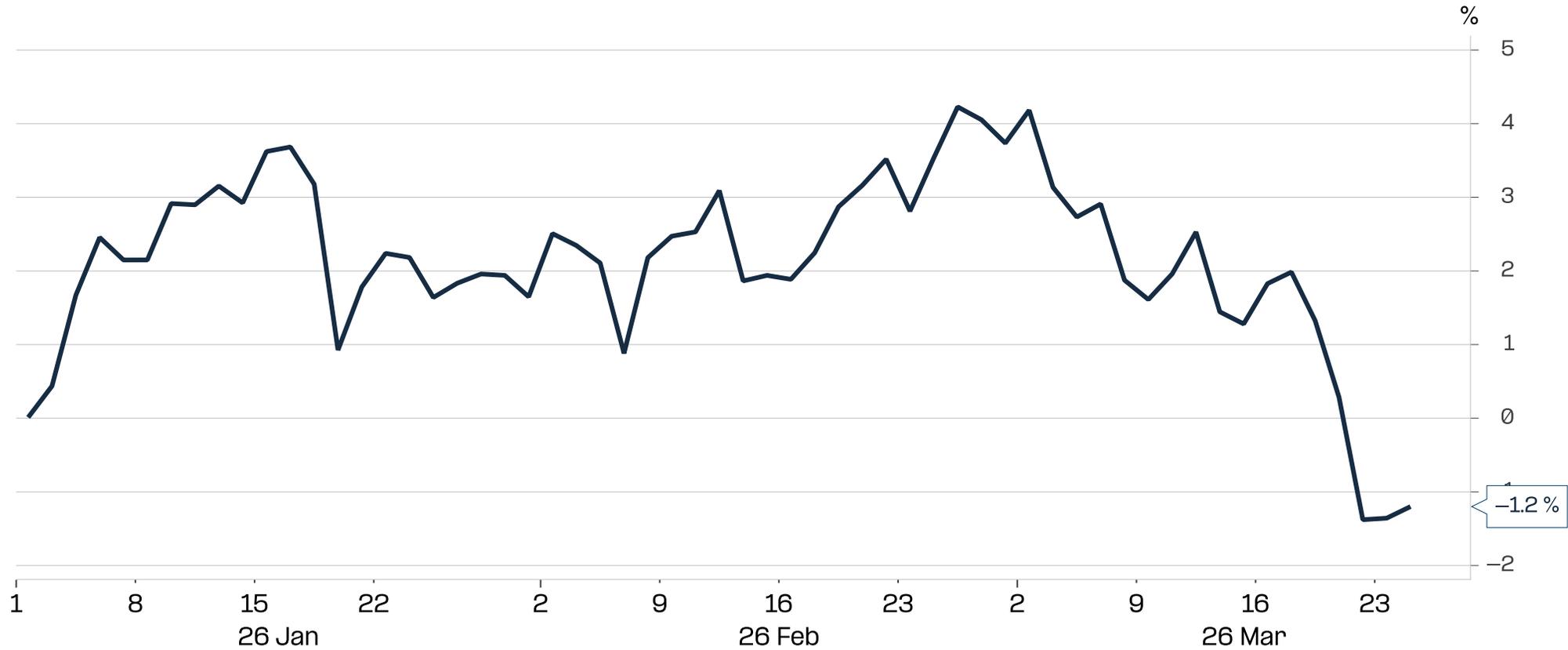
Total return indices in eur or eur hedged in the case of EMD. World is ACWI.



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

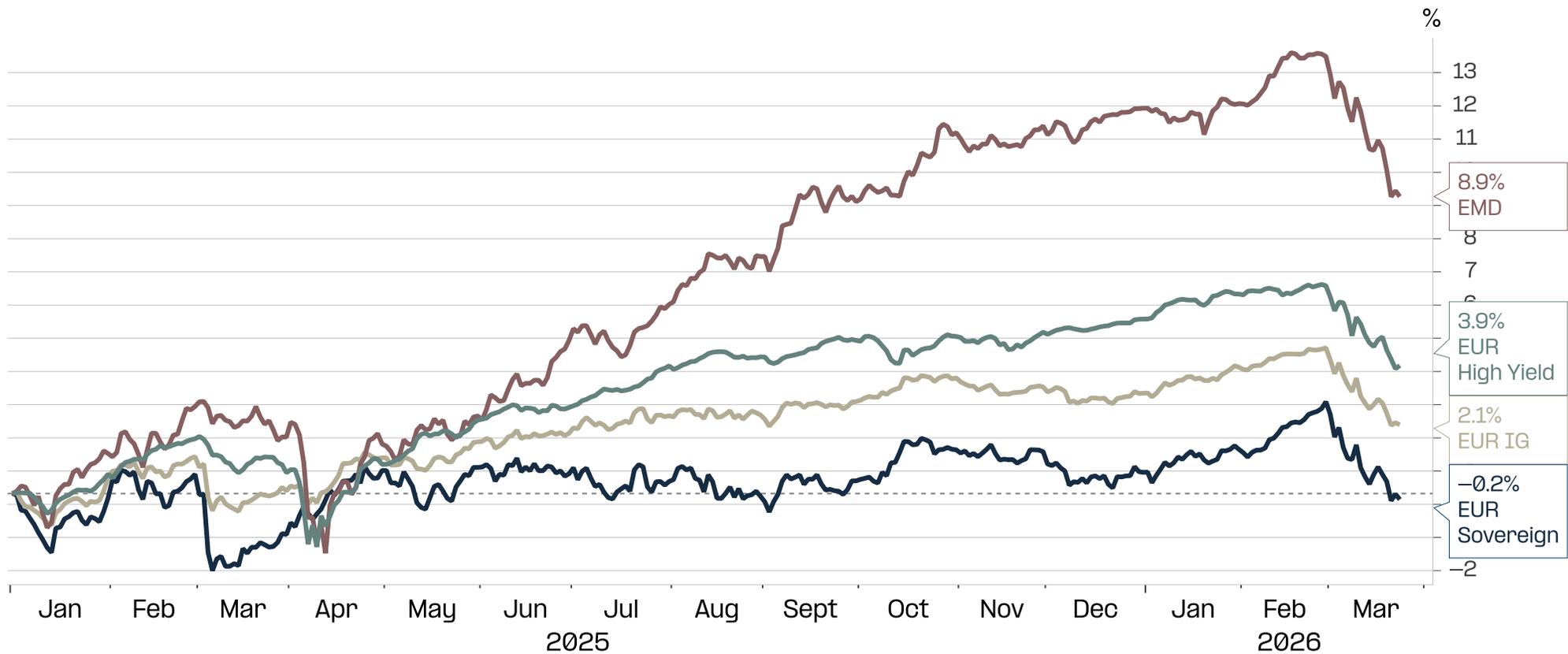


Source: Macrobond, Bloomberg, Evli

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

Trump stepped back from his threat to bomb Iran's energy infrastructure

- The economic damage caused by the conflict depends entirely on how long the Strait of Hormuz remains closed, as roughly one-fifth of global oil flows through it. Trump's messaging suggests that the U.S. willingness to continue the conflict has diminished.
- The war has significantly pushed up oil and natural gas prices, and gasoline prices in the United States have risen by more than 30% since the start of the year. Weak public support for the war, combined with the upcoming midterm elections in the fall, is increasing pressure on Trump to keep consumer price increases in check.
- Ultimately, however, the decision to end the conflict will be made in Tehran, not Washington.

Retail gasoline price in the United States

National average in USD



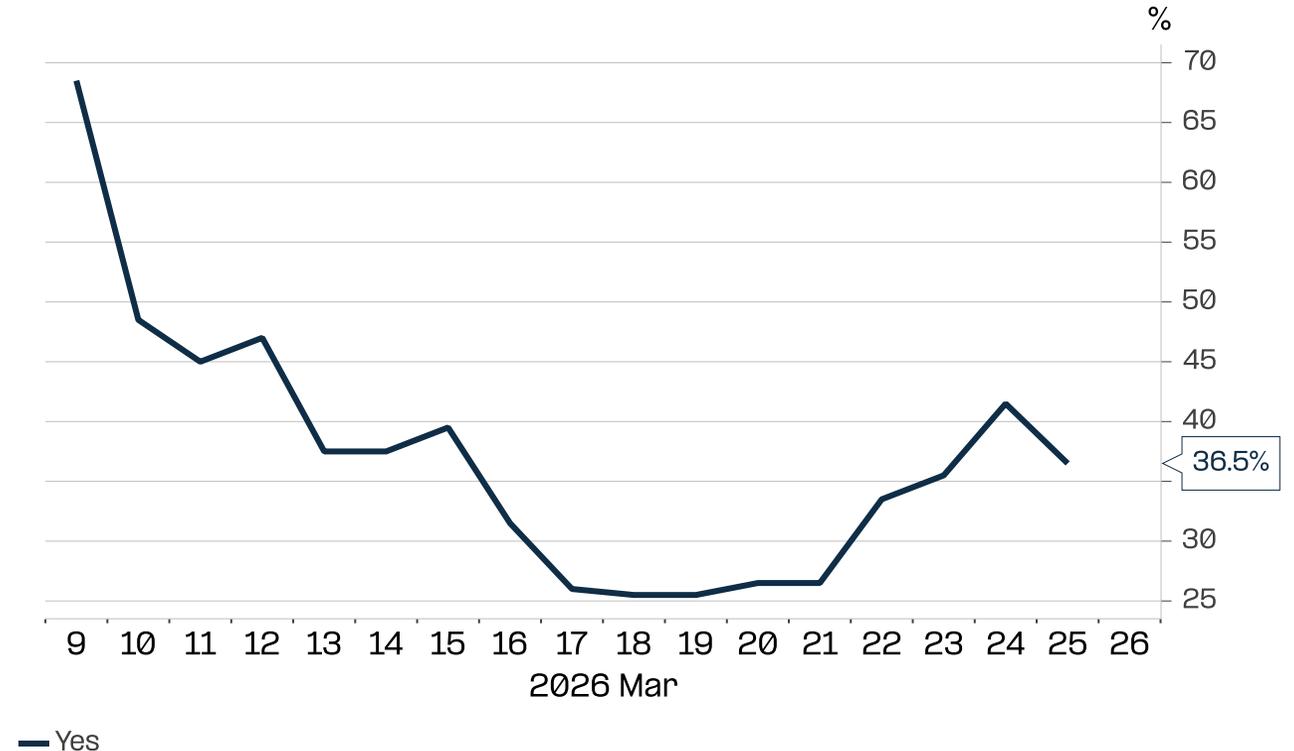
Source: Macrobond, Evli, EIA

The war in Iran is effectively a negotiation between the United States and Iran

- Iran views the conflict as existential and is seeking guarantees that it will not face future strikes from the U.S. and Israel.
- Following the humiliating 12-day war during the summer of 2025, Iran has prepared for prolonged conflict by decentralizing its command structure and treating the closure of the Strait of Hormuz as essential to establishing credible deterrence.
- Iran appears willing to prolong the closure until it gains sufficient leverage in negotiations.
- We believe the conflict will ultimately be resolved through negotiations, limiting the damage to the global economy, although there is a clear risk that a prolonged conflict would result in significant economic harm.

Will traffic through the Strait of Hormuz return to normal by the end of April?

Probability on Polymarket



— Yes

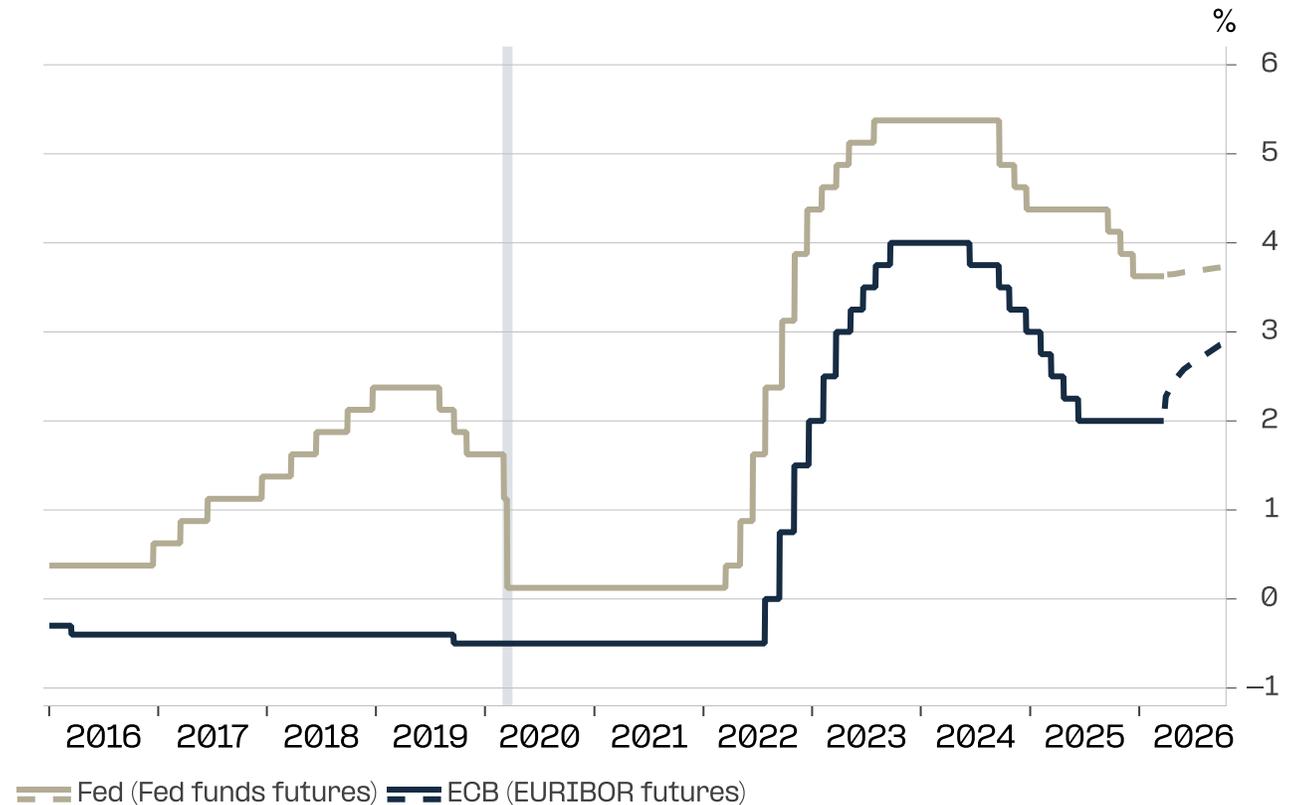
Source: Macrobond, Evli, Polymarket

If the war in Iran drags on, it will push up inflation and weaken economic growth

- If the crisis persists, household real incomes will decline, industrial costs will rise, and the probability of a global recession will increase. The impact on Europe is greater than on the United States, while energy–importing countries such as India and Japan are hit the hardest.
- Uncertainty around inflation driven by higher energy prices has also influenced central banks' policy outlooks. Markets are currently not pricing in any rate changes by the Federal Reserve this year, while the European Central Bank is expected to raise rates up to three times.
- Barclays expects global economic growth to be 2.9% and inflation to be 2.7% this year.

Fed and ECB implied rate hikes paths

The dashed line shows the market expectations of rates in the future



Source: Macrobond, Evli

Information set above is not intended as investment recommendation.

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