SGM CAPITAL

MONTHLY UPDATES

FEBRUARY 2025

February Newsletter

A summary of key events and market trends during the month of February

HIGHLIGHTS

1. **Despite strong earnings and guidance from US corporates** the equity markets have been unable to hold recent highs. We have expected a more muted equity market performance in 2025, and this could be in the process of playing out.

2. **Rate expectations are now for around 2.5 cuts** for the rest of the year, and we see the risks from the push and pull of policy likely developing such that we see a few more cuts rather than less.

3. **Recent events puts geopolitical risks back on the table** and as always we monitor these in a fair amount of detail to take advantage of or hedge from large price moves.

US TAKES A BREATHER WHILE THE REST CATCH UP

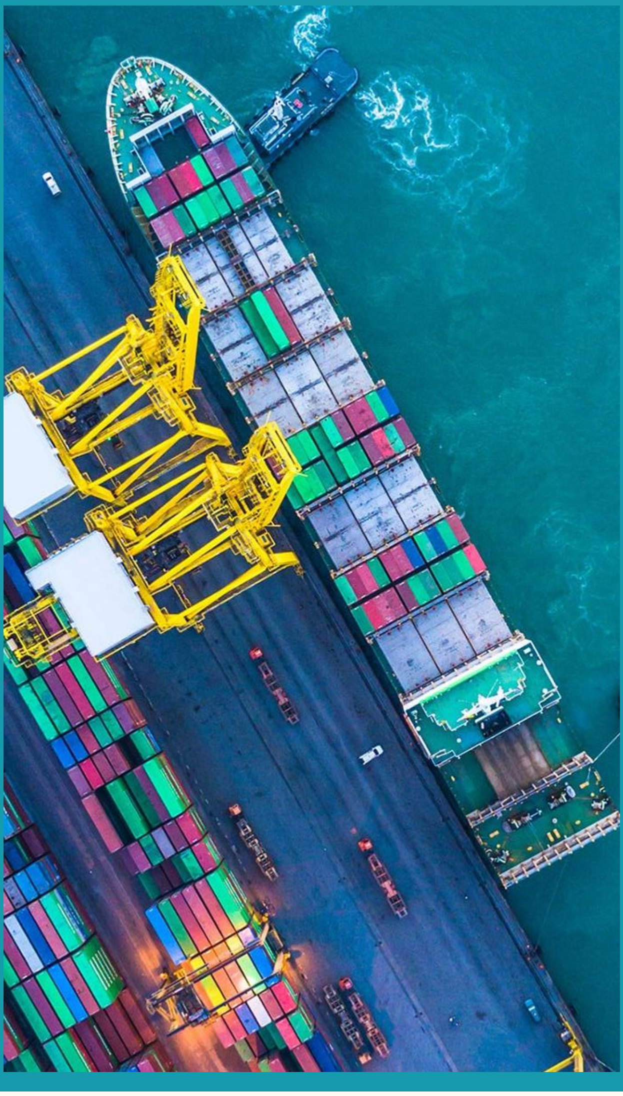
US equity markets, particularly the Tech Sector, lost favor while investors bought into China and Europe

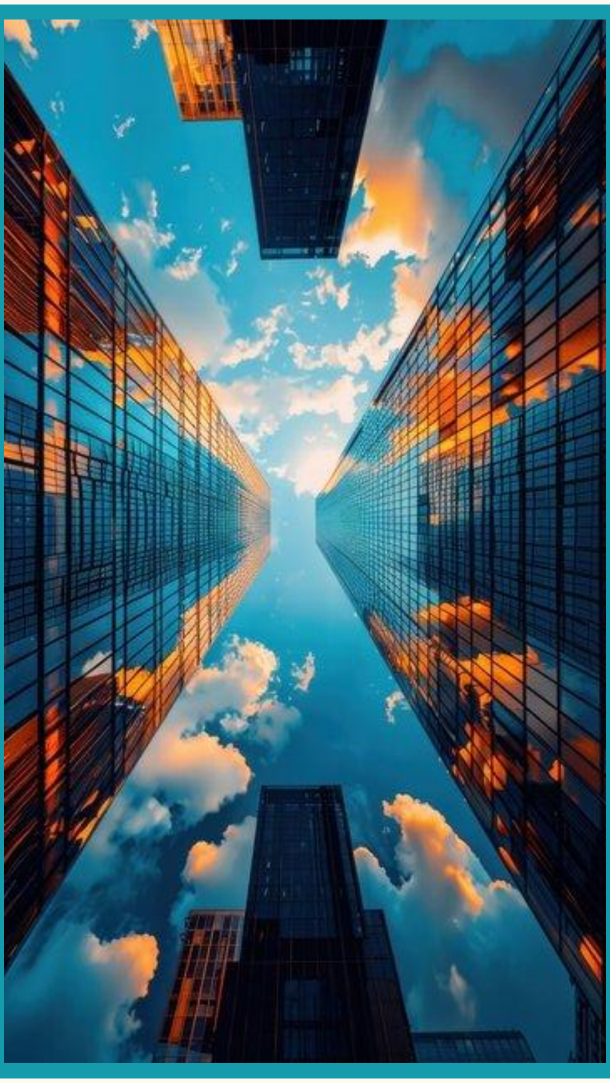
Global Markets Update

- The net impact of US policy on the economy and financial markets is still in the balance. On the one hand the Republican pro-business approach is a positive and on the other, tariffs and seemingly large lay-offs in the Government sector could be a drag.

- Continuing uncertainty, if unchecked, will likely drown out optimism and slow or hold back spending and investment decisions. While this assists in resolving inflationary concerns we need to monitor the impact on business and consumer confidence.

- European stock indices have this year handsomely out-performed their US peers. We expect this to be a short-term phenomenon as the fundamentals for sustained business growth do not appear to be attractive. We monitor and reserve longer-term judgement on the potential for a strong and unified European response to the global geopolitical situation; and especially as it relates to Ukraine and Russia.





- Chinese equity assets have re-rated well this year. This comes after a sustained and three-year underperformance versus the US. We continue to play China at a macro level while taking tactical exposure through broad market indices.

- The strong pace and developments stemming from the adoption of Artificial Intelligence technologies continues. Market-leader Nvidia Corp. released earnings last week that showed sales growth and earnings power continues unabated. We suspect the heady days of growth will now lead to strong sustained cash flow and investors will likely profit from this in the form of enhanced share buybacks down the road.

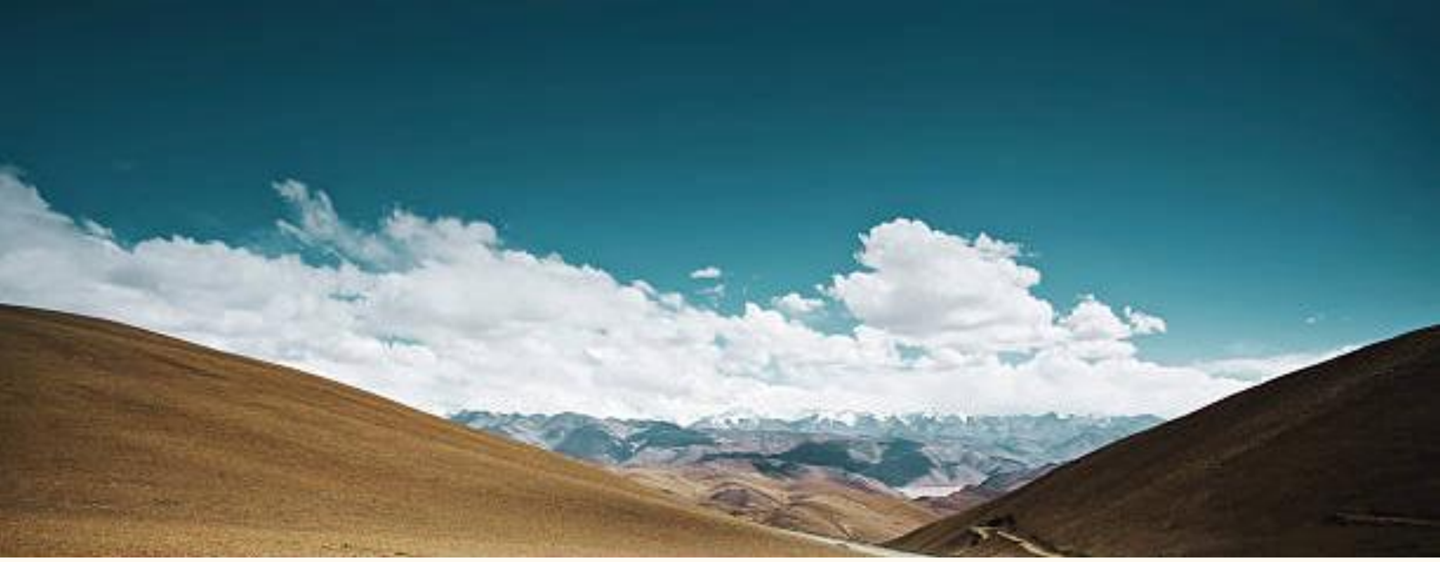
- Despite the positive performance many of the leading Tech and AI names are taking a breather while shorter-term investors take some exposure. We believe longer-term investors should stay the course.

Key markets

Tkr	Index	Month to Date (%)	Year to Date (%)
TPX INDEX	Topix	-3.82	-3.69
HSCEI INDEX	Hang Seng China Enterprises	14.02	15.47
DAX INDEX	Dax	3.77	13.27
SX5E INDEX	Euro Stoxx 50	3.34	11.59
SPX INDEX	S&P 500	-1.42	1.24
INDU INDEX	Dow Jones	-1.58	3.05
NDX INDEX	Nasdaq 100	-2.76	-0.61
USGG10YR INDEX	US 10 Year Treasury (bps)	-0.33	-0.36
LEGATRUU INDEX	Bloomberg Barclays Global Corporate Bond Index	1.43	2.01
LG30TRUU INDEX	Bloomberg Barclays Global Corporate Bond High Yield Index	0.79	2.17
EURUSD CURNCY	EUR USD	0.13	0.20
USDJPY CURNCY	USD JPY	-2.94	-4.18
XAUUSD CURNCY	Gold	2.12	8.89

- 2025 has started off with Europe and China putting in strong performances while the US has lagged. This appears to be a shorter-term rotation from the pricier to the cheaper markets and does not, in our view, indicate a long-term shift.

- Geopolitical risks have re-emerged this year and the shifting news on tariffs and sanctions is cause for some concern among global investors. We monitor events here and are ready to hedge or add exposure according to concerns and opportunities as they arise.



SGMC Forward Views Highlights

SGMC Forward Views						
Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Convinction**	**Notes**
Equities						
US Equities						Moving to Hold to account for the strong rally we have seen YTD as well as election / geopolitical surprises that could come up
EU Equities						With conditions deteriorating in Europe we move Eureopean Equities to reduce and take advantage of the year to date rally to further lighten exposure
Chinese Equities						Still waiting for a catalyst to move valuations higher - this will likely take more time
Emerging Market Equities						We remain positive on the area but exteremely selective. Our top picks include **India, Indonesia and Brazil.**
Bonds						
High Yield						Happy to continue selectively adding to lock in yields but with the curve having moved lower will be more selective
Investment Grade						**Upgraded to "Add On":** the current economic environment is liekly to support corporate bonds and keep rates low in the upcoming future
Government Bonds						**Upgraded to "Add On":** continued Central Bank dovishness and potential growth slow downs make government bond investments more attractive
FX & Alternative Asset Classes						
US Dollar Index						Rangebound trading likely to continue in the short term
Commodities						As rates decline, commodities to find support.
Private Equity / Hedge Funds						We remain relatively underweight this sector
Real Estate						With a benign interest rate environment we see good potential for this sector over the coming months
Collectibles						Uncorrelated with markets

- We upgrade both investment grade corporate bonds and government bonds to Add-On. The current macroeconomic environment coupled with renewed Central Bank dovishness and potential growth slow downs make fixed income investments more appealing, with a stronger likelihood of rates staying low (and potentially lower) for longer

- We maintain our equity positioning unaltered while closely monitoring the European equity situation. Should the current environment be the catalyst for a strong affirmation of shared intent, increased cohesion between member states and bold moves supporting the Union (like a common army), this could lift Europe's prospects and we then turn more bullish

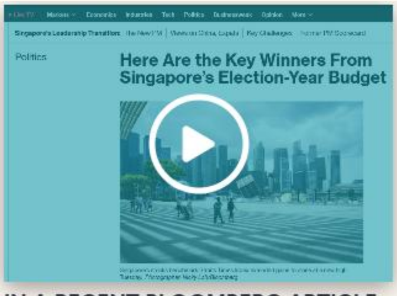
SGMC Media

OUR FOUNDER & CEO, MASSIMILIANO BONDURRI, RECENTLY...

February 26, 2025 | Bloomberg

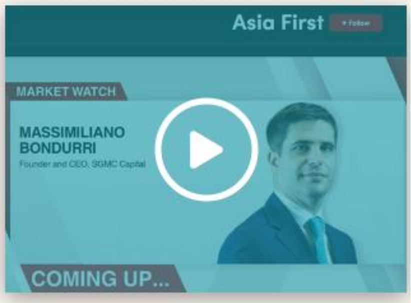
OUR FOUNDER & CEO OF SGMC-CAPITAL MONACO, FILIPPO ...

February 24, 2025 | Monaco News



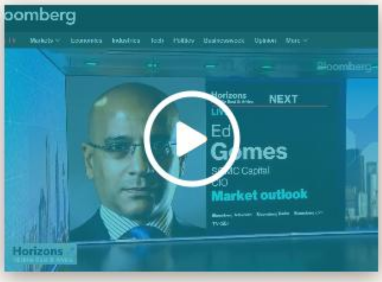
IN A RECENT BLOOMBERG ARTICLE, MOHIT MIRPURI, SENI...

February 20, 2025 | Bloomberg News



OUR FOUNDER AND CEO, MASSIMILIANO BONDURRI, DURING...

February 14, 2025 | Channel News Asia



OUR CIO, ED GOMES, FEATURED IN A LIVE INTERVIEW ON...

February 5, 2025 | Bloomberg

OUR SENIOR PARTNER OF CLIENT RELATIONS & INNOVATION, FOLCO SERAFINI ALBERTI....

February 6, 2025 I HUBBIS

SGMC Capital Funds update

DISCLAMER

<u>Copyright notice:</u> copyright details; intellectual property rights reserved (newsletter).

<u>Licence to use newsletter:</u> licence to use newsletter; prohibitions on use of newsletter; retention of newsletter copyright etc notices; rights granted by document are personal; licence terminates upon breach; actions on termination of newsletter licence.

<u>No advice:</u> newsletter contains information not advice; no reliance on information in the newsletter; newsletter and medical attention; no legal advice in newsletter.

<u>Limited warranties</u>: accuracy of newsletter content; exclusion of warranties etc in relation to newsletter.

<u>Limitations and exclusions of liability:</u> caveats to limits of liability; interpretation of limits of liability; no liability for force majeure; no liability for business losses; no liability for loss of data or software; no liability for consequential loss; aggregate liability cap under document.

All information in this report has been obtained from Bloomberg sources except where indicated otherwise. All data in this report is as of the last international business day except where indicated otherwise.

This report may contain forward looking statements which are often but not always identified by the use of words such as “anticipate”, “believe”, “estimate”, “intend”, “plan”, “expect”, “forecast”, “predict” and “project” and statements that an event or result “may”, “will”, “can”, “should”, “could” or “might” occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward-looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. SGMC Capital expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

This report is for information and illustrative purposes only; it is in no way a recommendation, or an offer or solicitation to buy or sell any investment products, but only factual information being provided. SGMC Capital will not be held liable for any information provided in this document which is stated to have been obtained from third party sources, this information may be based on assumptions or market conditions and may change without notice.

The information in this report was prepared by SGMC Capital and is current as of the date of the report. The information contained herein has been obtained from sources that SGMC Capital believes to be reliable, but SGMC Capital does not guarantee its accuracy, adequacy, completeness, reliability, or timeliness, and will not be held liable for any investment decisions made based on this information. Moreover, SGMC Capital is not responsible for any errors or omissions or for the results obtained from the use of such information. All information and estimates included in this report are subject to change without notice. This report is intended for qualified customers of SGMC Capital.

Past performance does not guarantee future results. Investment products are subject to investment risks, including possible loss of principal amount invested. You may not redistribute this report without explicit permission from SGMC Capital.