SGM CAPITAL

MONTHLY UPDATES

JUNE 2025

June Review
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A summary of key events and market trends during the month of June, followed by your dedicated portfolio performance analysis.

FROM TRADE WAR TO HOT WAR

The relatively brief but intense developments in the Middle East have now calmed down.

The situation will continue to be tense and simmer on the back-burner for some time

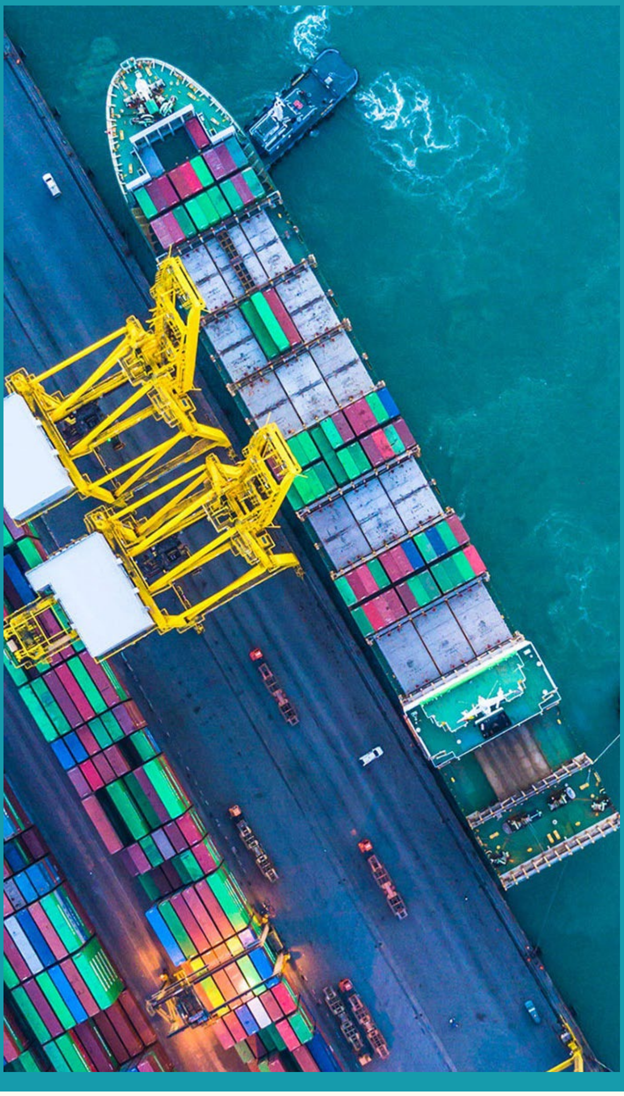
HIGHLIGHTS

1. The **trade war** extensions are soon coming to an end and expectations of rushed deals in the last few days remaining is all the focus

2. Of course, President Trump always has the **option of pushing back any or all deadlines** and that has been a tactical ploy he has used in the recent past

3. From the start of the year US equity markets have taken the brunt of **valuations, extreme long positioning, a recalcitrant Federal Reserve, kinetic war and the trade war**. Now after taking those body-blows they appear determined to continue their upward journey.

Global Markets Update



- US equity markets have been put through the wringer these last six months. The cheer-leading from year-end 2024 with all sell-side firms proclaiming higher and higher price and index targets strongly indicated to us that we should skew to less aggressive positioning.

- This played out well as the cumulative impact of the trade wars and kinetic war disturbed market equilibrium and caused significant losses, especially for highly levered funds and investors.

- We are never surprised when the odd hedge fund blows up – excessive leverage is never a winning strategy – and the cadence of negative announcements on this front in the first half has shown that many trades and sectors were extremely crowded. As always, we note these events but do not let them impact our long-term thinking on preferred assets and asset classes.

- Having absorbed multiple body-blows what now for US equity ? Having taken the pain earlier on we are back to watching closely for earnings results as they start trickling in over the next couple of weeks.

- There are multiple push and pull levers operating on the US and Global economies, not least the impact from trade positioning and negotiations, and we believe the data will likely be noisy for the foreseeable future.

- Artificial Intelligence continues to be a big area of focus and development and positive impact flowing through to the bottom line can not be ignored. Nvidia itself reported revenue figures of $ 44 billion in the quarter alone. Other names, while at not the same level as Nvidia, are also putting in a strong showing.

- Our continued focus and attention to developments in Artificial Intelligence and Technology in general appear to be well warranted.

Portfolio Review

(Refer to Official Statement)

- ✓ Geopolitics was the word of the month in June, which saw a substantial escalation in the Middle Eastern conflict

- ✓ But what was once seen as a worst case scenario for markets – an Israel/Iran war with the involvement of the US – has been swiftly brushed off by equity indices after an initial (and relatively muted) negative reaction

- ✓ The reasons behind this resilience are multiple:
    - The expectation that the conflict will remain mostly geographically isolated to the Middle East (apart from American targeted intervention)
    - The view that Russia and China have no major benefits in openly and materially supporting Iran, meaning that a more direct US vs Russia/China escalation should be avoided
    - The belief that currently the American defense and military systems, which Israel can benefit of, is substantially more advanced than that of Iran, making any potential large scale strike back from Iran limited
    - Continued earnings strength from the corporate world, especially from the American front
    - Supportive macroeconomic data, showing little signs of raising inflation at the moment

- ✓ All of the above allowed the S&P and Nasdaq to close the quarter at record highs, after an impressive +5.1% and +6.6% respective move in June

- ✓ European equities on the other hand, and as per our expectations, are starting to lose steam, and while they hover near the highs they closed June lower (Eurostoxx -1.2%), substantially underperforming their American peers

- ✓ The risk-on environment weighed on the US Dollar, with the DXY index cratering to its 52-week low and losing over 2.5% in June

- ✓ Looking at the fixed income space, longer term rates in the US declined, with the 10-year falling from 4.40% to 4.24%, while in Europe they marginally increased from 2.50% to 2.59%

- ✓ The expectation of upcoming US rate cuts by the Fed (more than 2 being currently priced in by the market) together with the feeling that the ECB has already done most of its job is one of the main reason behind the divergence

Portfolio Review

(Refer to Official Statement)

- ✓ Looking at our portfolio, we have recently received a little liquidity which has been quickly invested in the AI theme, which has played out strongly

- ✓ **The above allowed us to close the first half of the year positively at +0.84% (net profits of USD 25k) even while having little capital available for investments during the same period**

- ✓ Even though markets are at or close to record highs, we would not be surprised to see the upward trend continue during the months of Summer, which normally tend to follow the same pattern as the previous weeks

- ✓ We foresee to gradually add exposures to names which have so far benefited less than the market from the recent bull run and should play catch up over the coming months, while holding tight to our winners comprising of high growth names within the semiconductors, AI, cybersecurity and nuclear energy space as well as targeted emerging markets investments

ACCOUNT	CURRENCY	STARTING NET AUM AS OF 31/12/24 IN USD	NET PORTFOLIO VALUE AS OF 30/06/2025	NET DELTA IN USD FOR THE PERIOD	NET INFLOWS/ OUTFLOWS IN USD FOR THE PERIOD	NET P/L IN USD AS FOR THE PERIOD
GS	USD	1,635,709	1,686,847	51,138	0	51,138
LGT	USD	1,362,016	453,629	-908,387	-882,523	-25,864
TOTAL	**USD**	**2,997,726**	**2,140,476**	**-857,250**	**-882,523**	**25,274**

NET YTD P/L IN %	**0.84%**

Key markets

Tkr	Index	Month to Date (%)	Year to Date (%)
TPX INDEX	Topix	1.83	2.44
HSCEI INDEX	Hang Seng China Enterprises	2.92	19.05
DAX INDEX	Dax	-0.37	20.09
SX5E INDEX	Euro Stoxx 50	-1.18	8.32
SPX INDEX	S&P 500	4.96	5.50
INDU INDEX	Dow Jones	4.32	3.64
NDX INDEX	Nasdaq 100	6.27	7.93
USGG10YR INDEX	US 10 Year Treasury (bps)	-0.17	-0.34
LEGATRUU INDEX	Bloomberg Barclays Global Corporate Bond Index	1.89	7.27
LG30TRUU INDEX	Bloomberg Barclays Global Corporate Bond High Yield Index	2.31	6.83
EURUSD CURNCY	EUR USD	3.88	13.84
USDJPY CURNCY	USD JPY	0.01	-8.38
XAUUSD CURNCY	Gold	0.42	25.86

- The Volatility Index (VIX) has indicated quite an excessive level of panic over the last six months and arguably so in light of the various world events that have taken place.
- It has now round-tripped down to below 20 a key pivot level. Barring another flare up in the Middle East we expect the index to stay relatively well contained as investors who have lightened up positions over the last six months come back to invest into the equity markets.
- The narrative on the US Dollar continues to evolve and most conclusions see the currency lower against other developed market pairs. This partly stems from a narrative around "the end of US exceptionalism" which we push back on. President Trump's desire for a weaker Dollar is well established; along with that global risk assets, including EM, are making a comeback; we believe these are more likely reasons for the weakness in the Dollar.

SGMC Forward Views Highlights

SGMC Forward Views						
Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Conviction**	**Notes**
Equities						
US Equities						The meaningfully negative start of the year could give rise to a tactical bounce over the coming weeks, but visibility remains poor due to erratic economic and geopolitical policies from the American administration
EU Equities						Hopes are high for a tighter and more meaningful European Union after Germany's actions and decisions. Valuations remain vulnerable though on the back of negative market sentiment and currently retain our underweight
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 only with short duration
Investment Grade						The current economic environment is liekly to support corporate bonds and keep rates low in the upcoming future
Government Bonds						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 with a skew to the downside
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

- No changes to views this month

SGMC Media

LIVE INTERVIEW WITH OUR FOUNDER & CEO, MASSIMILIAN...

June 3, 2025 | Bloomberg

OUR LATEST INTERVIEW OF OUR CIO, ED GOMES ON RTHK ...

June 13, 2025 | RTHK Money Talk podcast

SGMC Capital Funds update

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