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Regulated by the DFSA

2025 In Motion:
Navigating The Cross-Currents

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CIO View (1/7)

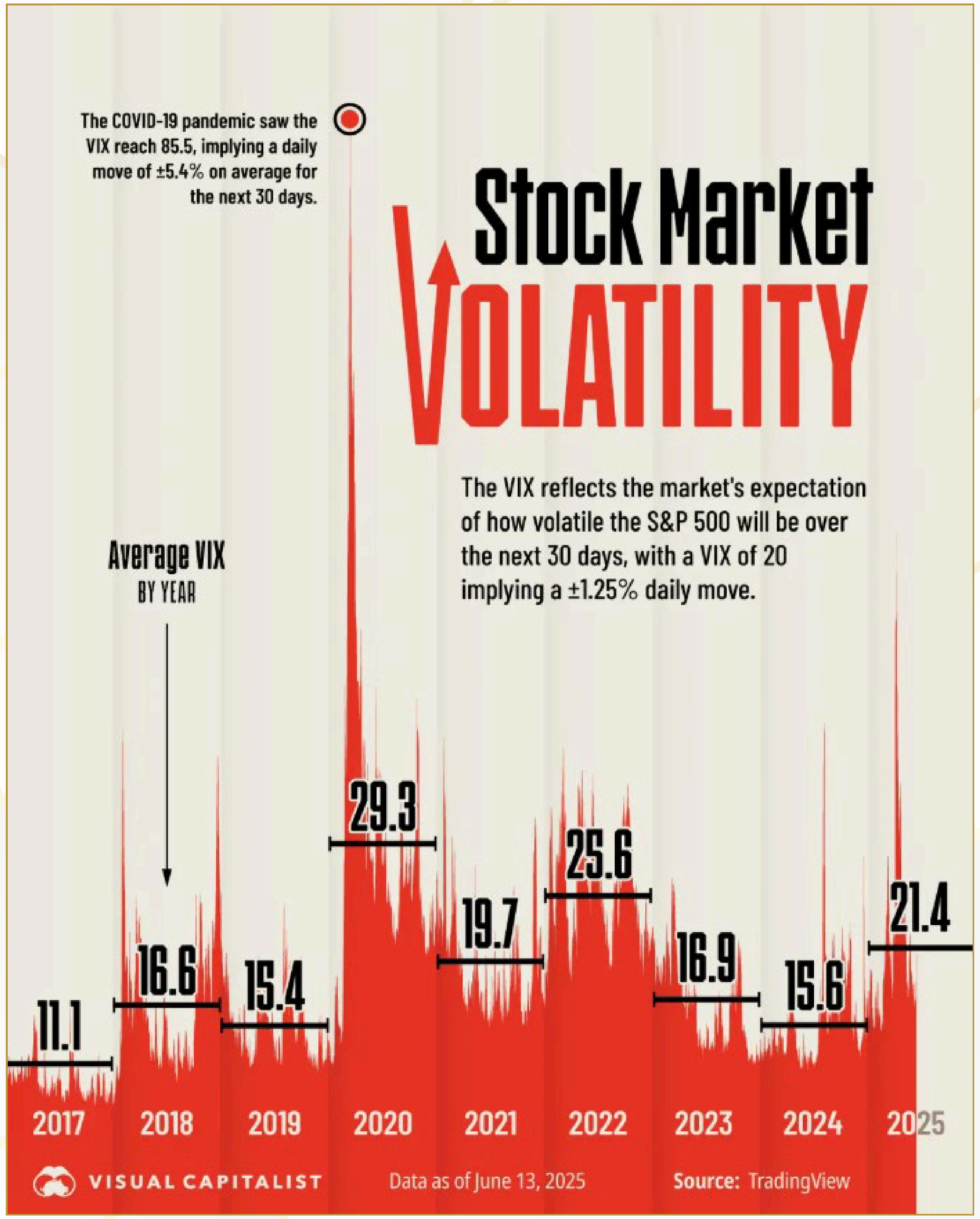
In our Annual Newsletter for 2025, we had said that our word for 2025 is 'turbulence'. Boy, did we get that one right!!

The curse "May you live in interesting times" is attributed to ancient Chinese, but rarely in recent memory has it been more apt.

A year that was widely prophesied to usher in economic prosperity and continued US exceptionalism quickly metastasized into something else altogether. One of the most destructive wildfires in US history. Constitutional reform in Germany to change the fiscal policy and lift its 'debt brake'. A conflict in the Indian subcontinent between nuclear-armed neighbors. An alarming trade policy that continues to destabilize global economic equilibrium and whipsaw financial markets. A credit downgrade of the US by Moody's. A war in the Middle East with the potential to impact not just the ambitious growth plans of countries in the region, but also disrupt energy supplies worldwide.

What happened in financial markets?

Nasdaq and S&P 500 indices are trading at their highest level ever, up about 5% for the year. Along the way, they dropped and recovered by more than 20%, in what is the fastest recovery in at least four decades. Winners on YTD basis included NRG Energy (+80.30%), Palantir (+72.87%), Howmet Energy (+69.06%), GE Aerospace (+52.59%) and Philip Morris (+ 50.42%). Of the Magnificent Seven, Apple is down 19.70%, while Meta is up 25.30%.



CIO View (2/7)

Russell 2000, on the other hand, is down about 2.5%.

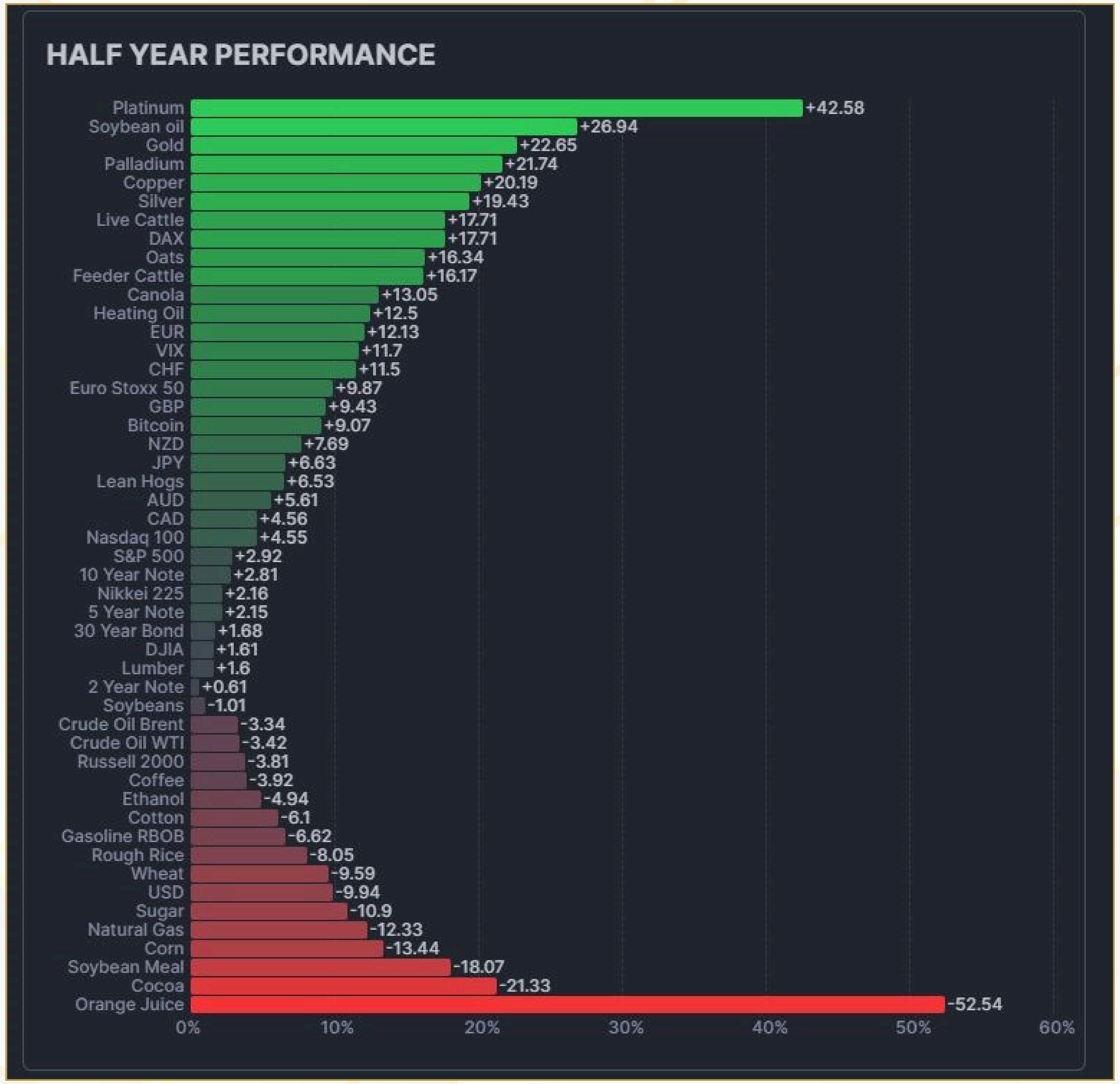
European markets, led by the German DAX which is up 20.71% for the year, handily outperformed the US.

Hang Seng Index is up 21.06%, while Japan is almost flat for the year.

US Treasury yields showed unprecedented volatility as doubts began to emerge about their safe-haven status and demand from traditional investors dropped. 10-year yields are currently trading at 4.28%, meaningfully lower than where they started the year, while 30-year yields at 4.8% are a touch higher.

Gold held strong through the period and is currently trading 26.09% above where it started the year. After lagging for most of the period, Silver caught up and is now up about 24.25% for the year.

Brent Crude is down 9,41% but not without a couple of very sharp spikes, including after the escalation in hostilities between the US, Israel and Iran.



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CIO View (3/7)

Where do we go from here?

The global economy is expected to experience moderate growth in H2 2025, with the World Bank's full-year projection of 2.3% indicating a cautious outlook.

US real GDP growth is projected to slow, with forecasts for 2025 ranging from 1.4% to 2.5%, down from 2.8% in 2024, signaling a decelerating economy amid policy uncertainties and tariff impacts.

Inflation is trending above the Federal Reserve's 2% target. This persistent elevation, driven partly by tariff effects, has prompted the Fed to revise its 2025 inflation forecast upward to 3%.

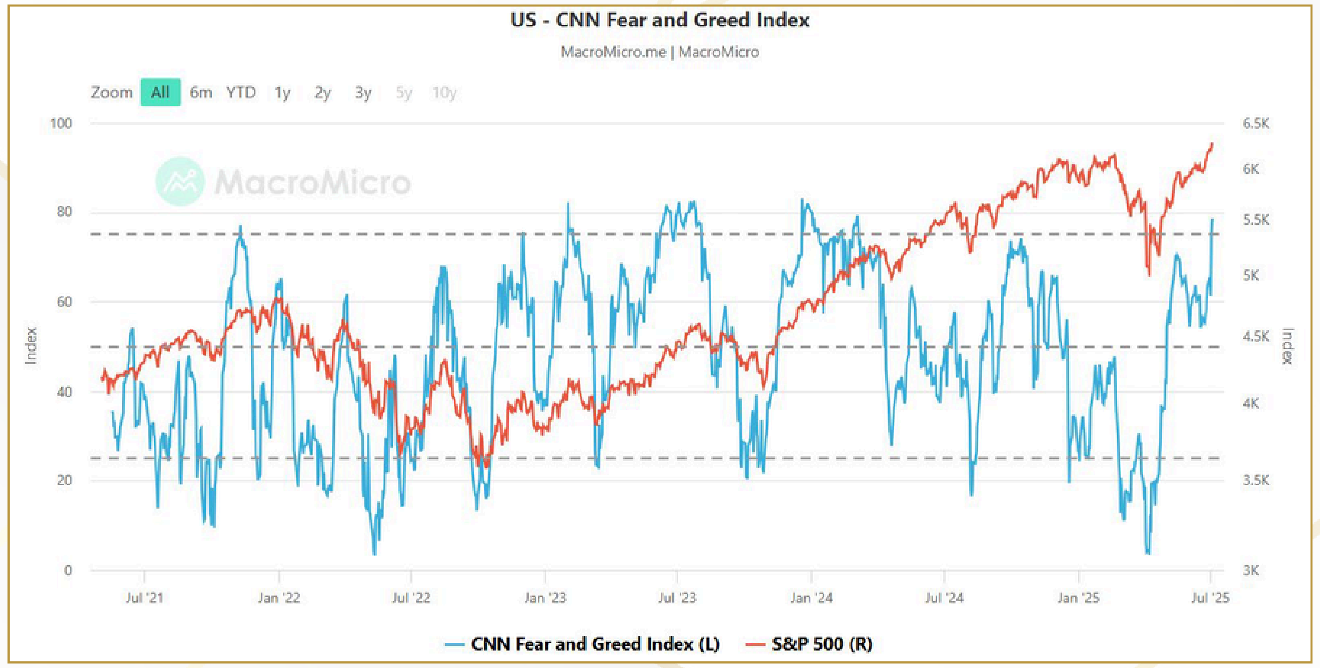
Employment indicators show a robust yet softening labor market. Unemployment is projected to rise to 4.5% in 2025, up from 4.4%, per the Fed's revised estimates, reflecting a slight deterioration.

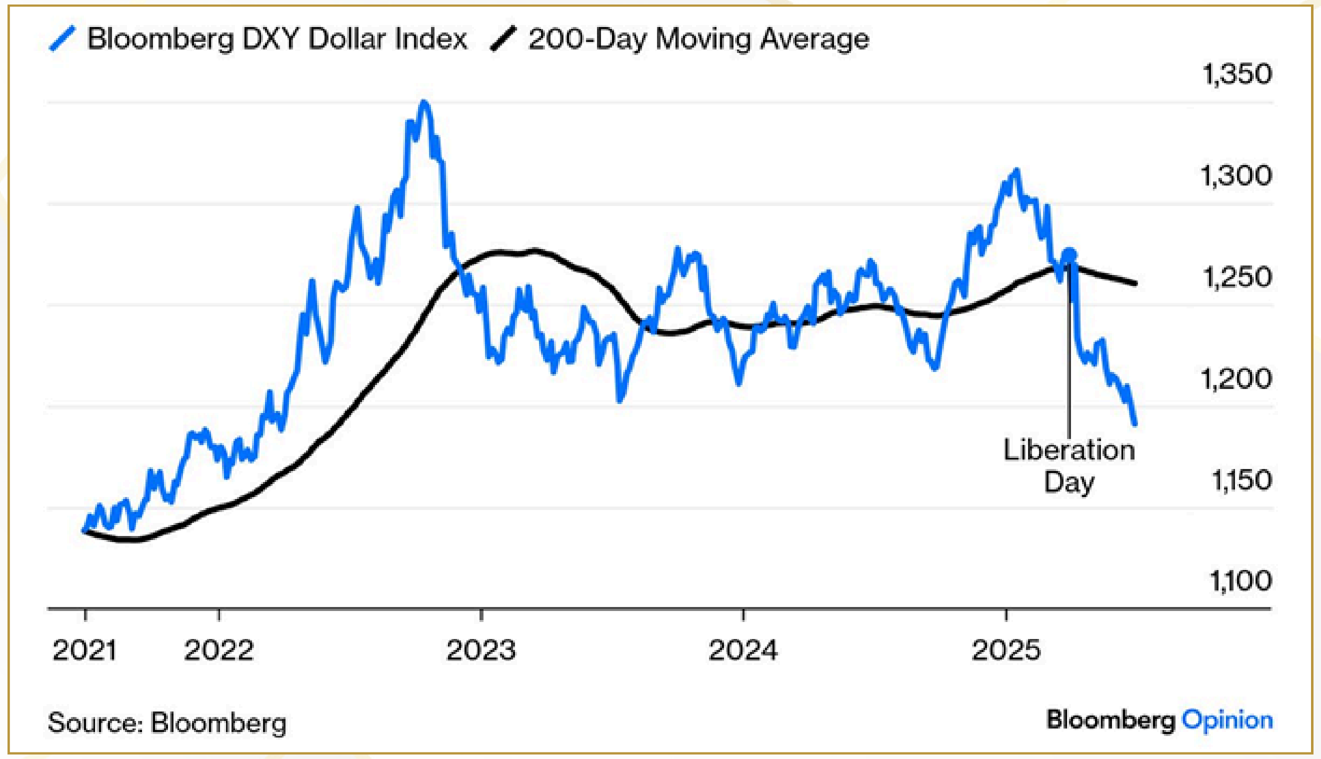
Effective tariff rates over 15% and potential for further policy shifts are likely to present further challenges.

Interestingly, equity markets seem to have shrugged off all the above concerns.

Retail investors, in particular, have been quick to 'buy every dip' even as institutional investors, the so called 'smart money', has been a reluctant and cautious participant.

Speculation levels, as evidenced by activity in the options market, are near all-time highs, and the CNN Fear & Greed Index has been comfortably in the "Greed' Zone for several weeks.





CIO View (4/7)

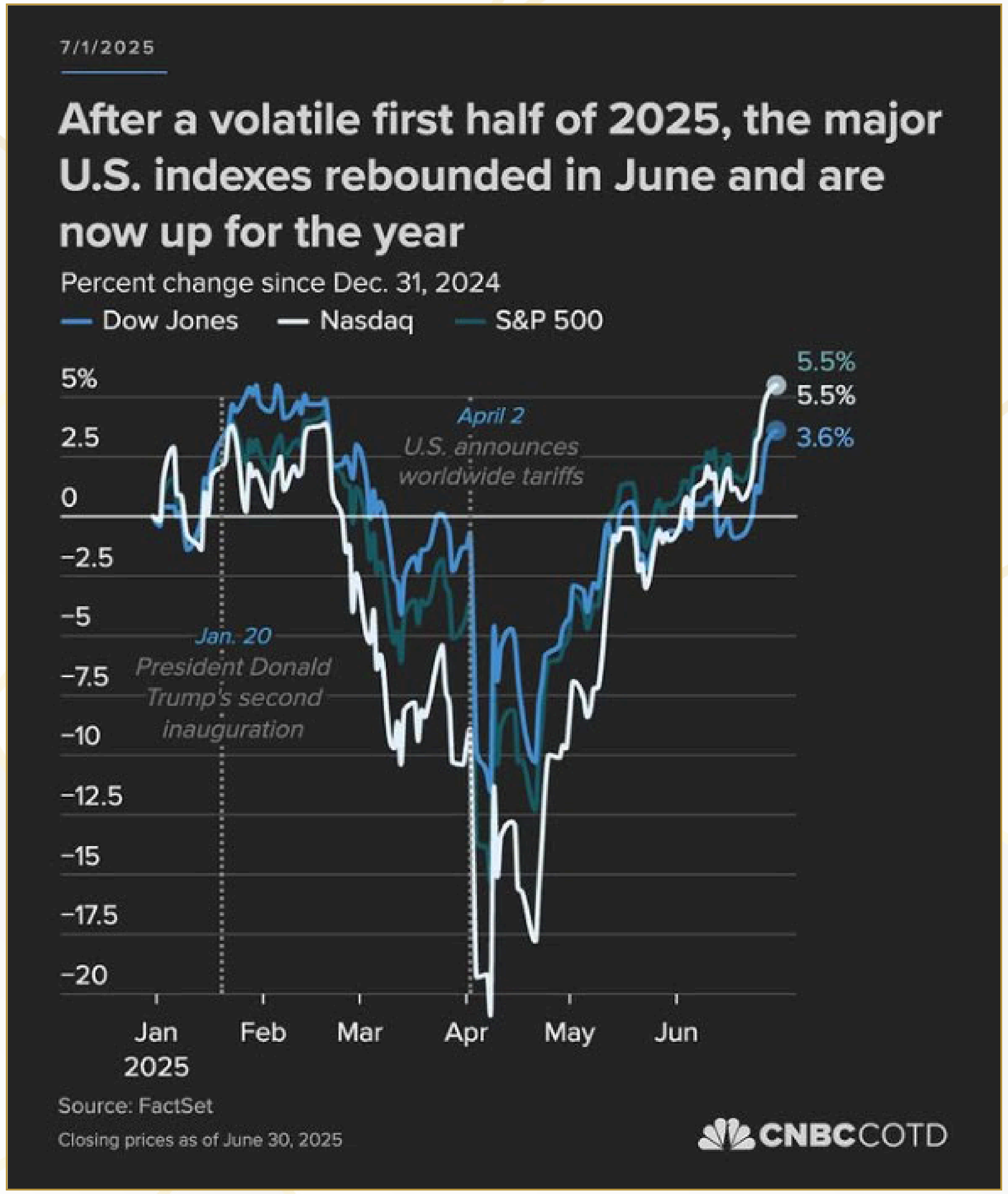
The S&P 500 forward P/E ratio is approximately 23.7, above the historical average of ~18. Cyclically adjusted P/E (CAPE) ratios are around 35, near historical highs. Technology and communication services exhibit even higher P/E ratios (25-30).

The P/B ratio stands at roughly 4.8, compared to a historical norm of 3.0.

The dividend yield is approximately 1.3%, below the long-term average of 2%. Investors are clearly prioritizing growth over income.

Looking ahead, a summary of our view of global financial markets at the beginning of H2 2025 is as follows:

- **U.S. Economy:** Slowing but resilient; disinflationary trend persists.
- **Fed Policy:** Rate cuts expected late 2025; sticky core inflation remains a concern.
- **China:** Stabilizing after policy support, though long-term issues linger.
- **Europe:** Weak growth; rate cuts and fiscal policy supporting risk assets.
- **Emerging Markets:** Beneficiaries of lower USD rates and commodity tailwinds.
- **Equities:** Rich valuations in U.S.; rotation towards value and cyclicals.
- **Fixed Income:** Yields near peak; opportunity to lock in attractive rates.
- **Alternatives:** Continued alpha generation in credit and PE.



CIO View (5/7)

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Asas' recommended asset allocation

Based on the above, our recommendations for the next few months are given below:

Equities (By Region):

Region	Allocation	Rationale
US	45%	Earnings resilience, but watch valuation (lean toward quality)
EM (India, LATAM, ASEAN)	30%	Attractive growth, valuation, USD weakness benefit
Europe	15%	Benefiting from rate cuts, low expectations
Japan	10%	Corporate reform, weak yen tailwind

Equities (By Region):

Sector	Allocation	Rationale
Technology	20%	Still dominant, but trim high-multiple names
Financials	15%	Benefiting from rate normalization, deregulation
Industrials	15%	Global infrastructure & reshoring trends
Healthcare	15%	AI in biotech, aging demographics
Energy	15%	Energy transition, geopolitical hedge
Consumer	10%	Resilient demand, choose companies with pricing power
Others	15%	

CIO View (6/7)

Fixed Income (target duration 5-7 years):

Type	Allocation	Rationale
IG Corporates	50%	Quality carry with lower default risk
EM Debt	25%	Benefiting from USD weakness, higher spreads
Short Duration/Floating Volatility	15%	Liquidity buffer, protect against near-term
Structured Credit/CLOs	10%	Yield enhancement, select managers carefully

Alternatives:

Type	Allocation	Rationale
Private Equity	50%	Focus on AI, automation, infra, India, SE Asia
Private Credit	25%	High-yielding, senior-secured, solid covenants
Hedge Funds	25%	Global macro, event driven, opportunistic

Real assets:

Type	Allocation	Rationale
Real Estate (Global Core & Logistics)	30%	Inflation protection, rental yield
Infrastructure (Renewables, Transport)	30%	Energy transition, defensive growth
Monetary Metals (Gold, Silver)	40%	Fiat debasement

Within this overall guidance, a tilt towards digital infrastructure and Asian logistics feels appropriate.

As always, the allocation for a particular client would have to take account of his specific situation, objectives and risk appetite.

CIO View (7/7)

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What risks are we looking out for?

Geopolitical risks are likely to remain a dominant factor, with escalating trade tensions and geopolitical events potentially triggering market volatility and raising sovereign risk premiums. Highly indebted sovereigns in particular could face debt sustainability challenges. Some potential flashpoints that we continue to monitor include a breakdown of the ceasefire between Iran and Israel, increase in hostilities between India and Pakistan and a rise in political temperature around the China/Taiwan issue. These could be deliberate, or the result of a policy misstep.

As the US economy slows, cracks may surface in the weaker parts of the market such as student loans, credit cards and BNPL. If not brought under control swiftly, these have the potential to destabilize markets in a meaningful way.

The frequency of extreme weather events has been steadily rising. The likelihood of a particularly severe event that disrupts markets is, in our opinion, relatively high.

While a large part of the impact of the policy initiatives by the US administration is, in our opinion, already baked in by the markets, we remain cautious that the impact on inflation, employment and corporate earnings may be higher than factored in.

Is America Becoming Great Again?

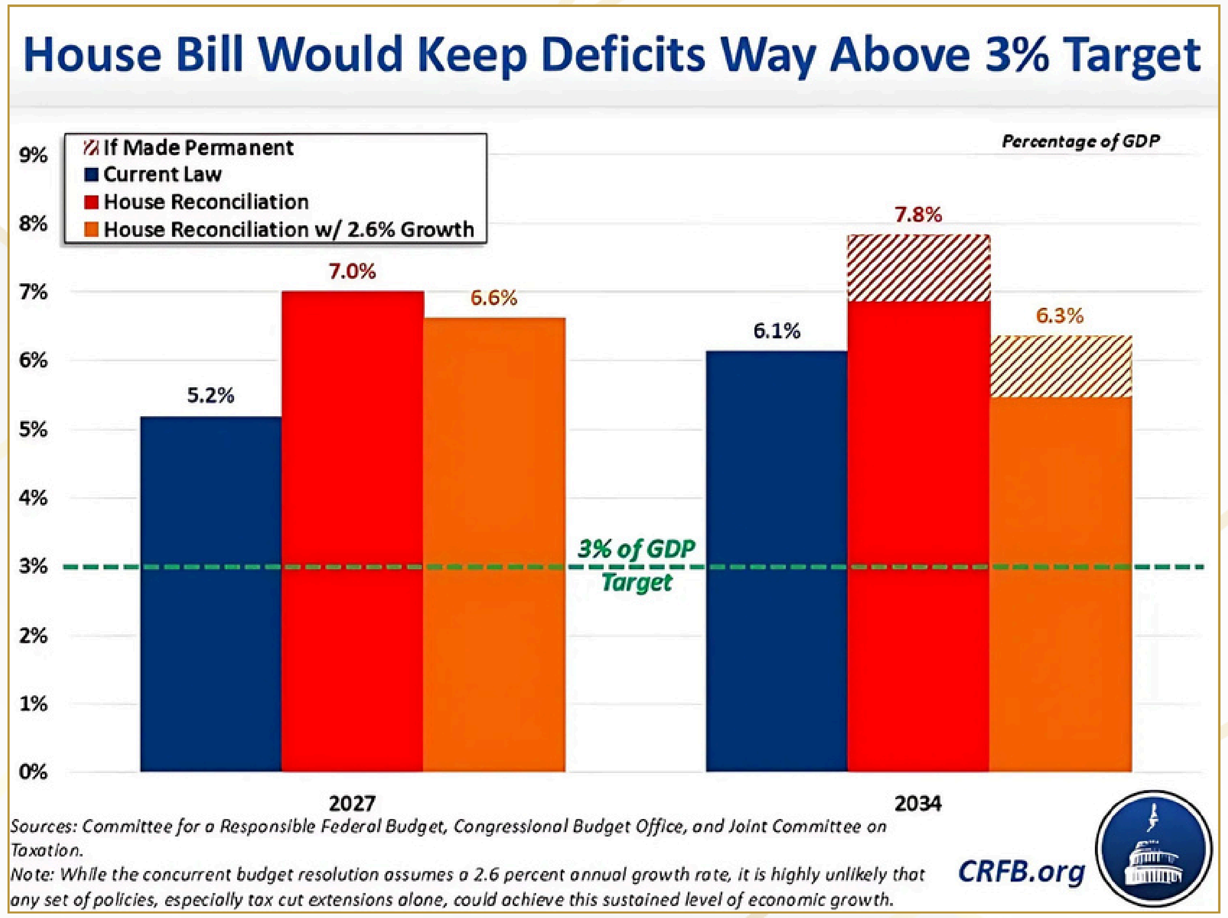
Growth Moderates, Inflation Persists – A Mixed Macro Backdrop

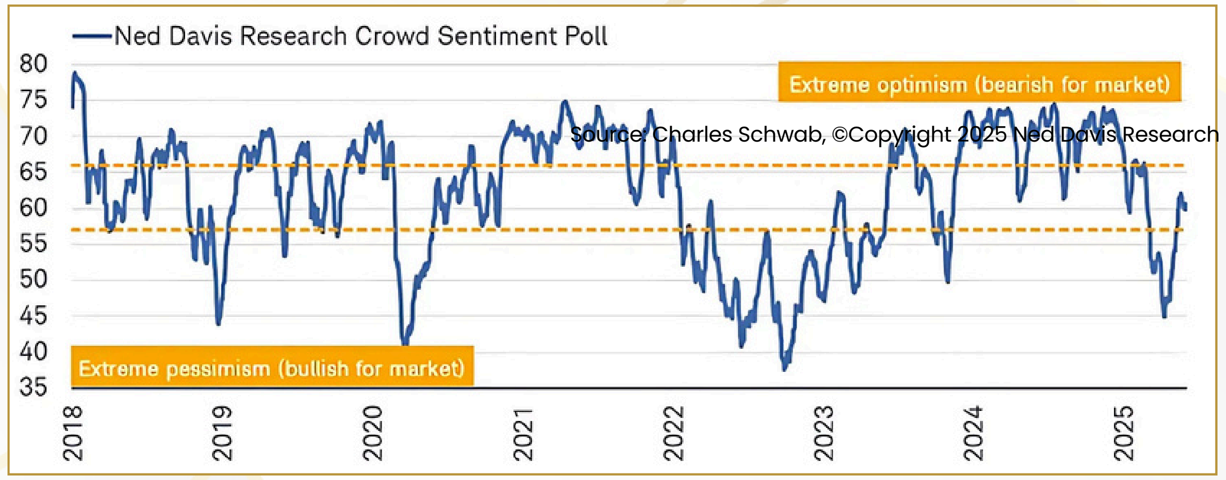
- GDP: Q1 at -0.3% SAAR; 2025 forecast cut to ~2.2% → top-line slowdown favors active over passive.
- Jobs: +139k gain; unemployment up to 4.2%; participation rate declines for third month → signs of late-cycle labor fatigue.
- Inflation: CPI steady at 2.4% YoY; core PCE ~2.5% → supports positioning in inflation-hedged assets (commodities, pricing power equities).
- Fed Policy: On hold at 4.25–4.50%; 2 cuts expected by Dec → tailwind for rate-sensitive equities and long duration assets.
- Sentiment: Michigan consumer index dips on tariff fears → discretionary and retail vulnerable to demand shocks.

Positioning and Sentiment - Narrow Leadership, Shifting Risk Appetite

- Equities: S&P 500 +0.5% YTD; YE target 6,679 (+10%) → gains concentrated in tech and quality large-caps; breadth remains thin.
- Investor Flows: FOMO in AI vs. hedging for stagflation → choppy rotation risk; data-dependent volatility.
- Corporate Strategy: Pivot to efficiency and resilience → favor cash-generative, high-ROIC names.
- Global Rewiring: CHIPS Act, green CAPEX, friend-shoring → secular tailwinds for semis, industrials, and critical raw materials.

Scenario	Probability	Tactical Allocation	Asset Tilt
Base Case	60%	• Quality growth & mega-cap tech • Short-duration IG credit	• Moderate USD long • Neutral-to-underweight cyclicals
Downside Case	25%	• Defensive equities (utilities, healthcare) • Gold & Treasuries	• Raise liquidity buffer • Hedge recession/tariff risks
Upside Case	15%	• Small-caps & cyclicals • EM FX & select REITs	• Reduce defensives • Lean into reflation beta





Source: Charles Schwab, ©Copyright 2025 Ned Davis Research

Europe Repositions: Fiscal Muscle, Sector headwinds, and Investment Rebound

Macro & Policy Landscape

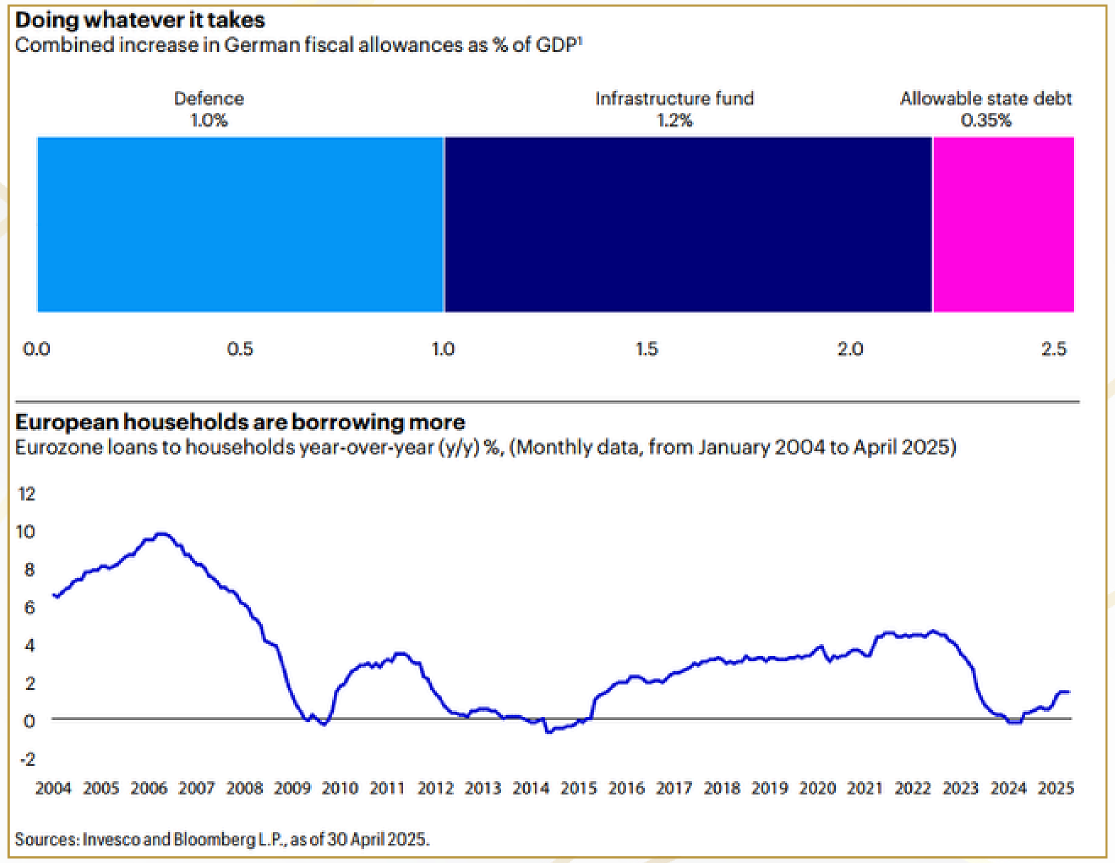
- Germany's €500B Stimulus: Germany eases fiscal rules, launching a €500 billion package to boost defense, infrastructure, and industry—potentially igniting a multi-year industrial cycle.
- Eurozone Growth Outlook: GDP at +0.8% YoY. Growth may stay muted until 2026, but pro-investment policies signal structural improvement ahead.
- UK Rate Cut Expected: Inflation down to 2.8%; BoE likely to cut rates to 3.75% by Q4. Innovation remains strong, led by pharma and biotech.
- Switzerland: Stable Yet Tight: Growth near 1%, CHF overvalued. Core strengths in pharma and high-end manufacturing remain intact.

Equity Index Outlook: Performance, Valuations & Sector Themes

- Mid-caps: Eurozone mid-caps trade at 15.4x P/E, 15–20% discount to US large caps.
- Financials: Current RoE 10–12%, high capital buffers, especially UK/Eurozone banks.
- Sector Capex: EU-wide defence/infrastructure capex to rise €50–70B by 2026.

Fixed Income & Government Supply

- Eurozone Bonds: Yields falling, especially at the front end; German 2Y yield seen at 1.55%, 10Y at 2.35% by year-end.
- UK Gilts: Balanced supply-demand, yield curve steepening, BoE expected to cut to 3.75% by Q4
- Swiss Bonds: CHF overvalued, safe haven demand persists.
- Credit: Euro IG credit yield ~3.2%, robust fundamentals, overweight financials/subordinated debt.
- Government Supply: Increased issuance in Germany and UK to finance fiscal programs, but strong demand for high-quality European debt.



Index/Asset	Current levels	Q4 2025 Target	12-mo Fwd P/E	Dividend Yield
Euro Stoxx 50	5,325.64	4,200–4,500	~13.5x	~3.5%
DAX	24,033.22	18,500–19,500	~13.0x	~3.2%
CAC 40	7,691.55	8,000–8,500	~14.0x	~3.0%
SMI	11,980.38	12,500–13,000	~16.0x	~3.2%
FTSE 100	8,798.91	8,200–8,500	~11.0x	~4.2%

China Looks Towards AI For New Growth Avenues

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- **Goods consumption has seen a trend upwards** pushed by the trade-in policies, but these are likely to be a one time bump.
- Services, which usually see sticky increases, have lagged in contrast. **Beijing has announced a stimulus package for services.**
- **Consumer confidence remains low** due to the lack of significant improvement in property prices.
- **Property prices in major cities have seen improvement** since Oct'24. However, as per Jefferies, the **positive momentum is fading as pent up demand is absorbed**. We see property prices & confidence levels remaining around current levels with no significant upward or downward triggers in sight.
- **Exports have seen continued strength** in the face of headwind from US policy showing how important China is for global trade.
- **Manufacturing growth in hi-tech sectors outperformed**– suggesting that high-end production remains insulated to trade policies.
- **Fixed Asset Investment remained weak** (3.7% YoY in May) weighed down by significant declines in RE investment and flat business capex.
- Chinese manufacturing and export engine to see continued strength in 2025 due to high dependence on high-skilled manufacturing.

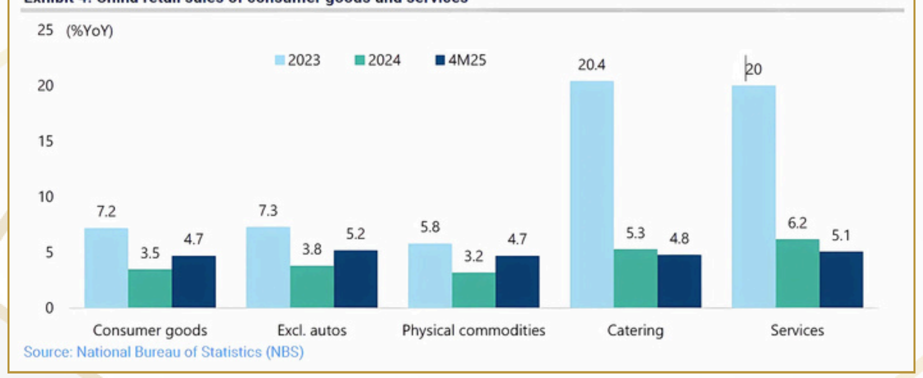


Exhibit 4: China retail sales of consumer goods and services
Source: National Bureau of Statistics (NBS)

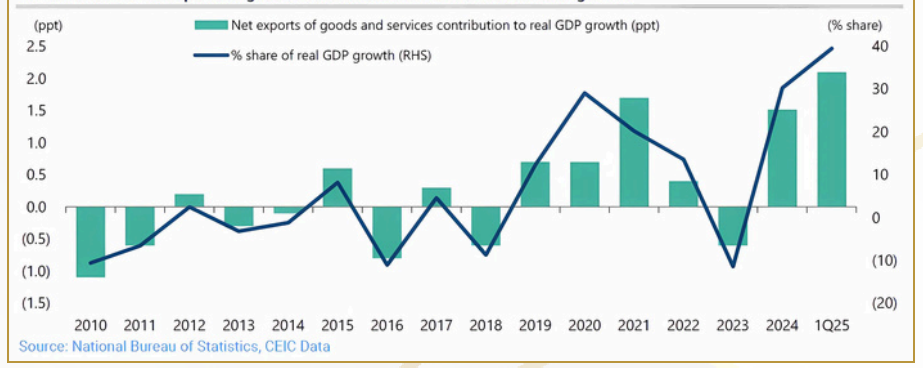


Exhibit 6: China net exports of goods and services contribution to real GDP growth
Source: National Bureau of Statistics, CEIC Data

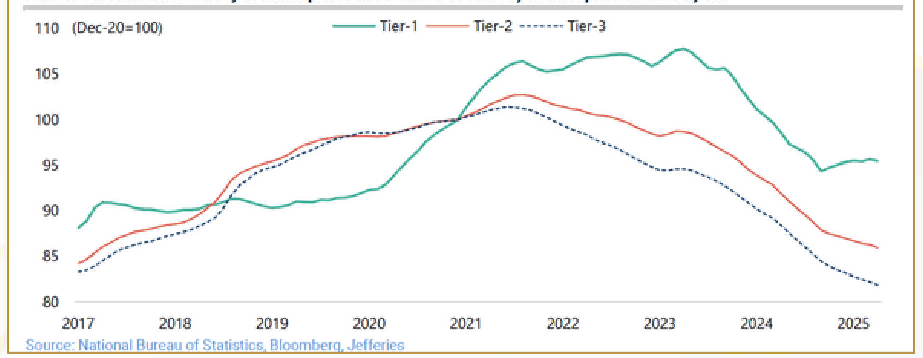


Exhibit 14: China NBS survey of home prices in 70 cities: Secondary market price indices by tier
Source: National Bureau of Statistics, Bloomberg, Jefferies

High Tech Sector

- Gen AI has been the real game changer for China as DeepSeek has:
  - Shown **China's progress and equal standing with US in terms of AI innovation.**
  - Turbo charged strategic focus of the Chinese government, businesses and citizens towards AI and robotics development.
- This also makes sense given the change in demographics. Furthermore, it would create a new source of domestic demand.

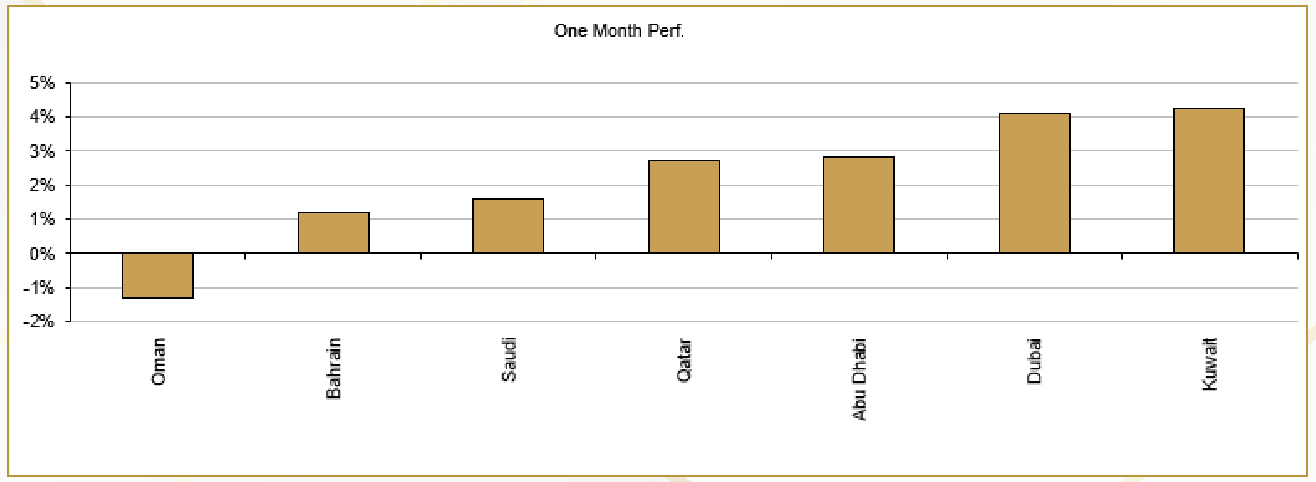
Equities : Beijing continues to support the stock market pressuring companies to increase dividend payouts and share buybacks. Moreover, with institutions reducing US exposure has led to flows into undervalued markets including China, we believe that Chinese equities saw a bottom in September last year. We are positive on China's deep tech space as Beijing continues to focus their resources on developing next-gen tech capabilities.

Navigating Uncertainty: The GCC Economy Amid Regional Tensions

What happened in GCC?

- For the past 2 years, the Middle East has been an even more tense place than usual.
- Houthis bombed commercial vessels; Israel began extensive military campaigns in Gaza and Lebanon; Iran and Israel exchanged rockets.
- Yet oil markets remained calm, since the worst-case scenario—a full-blown war between Israel and Iran—was avoided.
- The 12 – day war is now on a fragile ceasefire.

GCC indices in the past 1 month



Data from 1 – 30th June 2025

Aftermath :

- Trump believes he can find new signatories to join the Abraham accords of 2020, whereby 4 Arab states normalised ties with Israel.
- The mood is less effusive in Arab capitals—even those that have long viewed Iran as an enemy. The fear is that the **war was not transformative but merely inconclusive.**
- Saudi Arabia, which has battled the Houthis in the past, is nervous about renewing a war that could trigger new missile strikes on its territory.
- Hizbullah was already under pressure to accede. Until it does, no one will stump up billions for post-war reconstruction. Israel will continue to carry out air strikes against the group. And Iran may now be less able (or willing) to send money and weapons to its Lebanese client, because it needs to bolster its own defences.

GCC economies most exposed

- UAE is most exposed, with exports to Iran making up 1.2% of its GDP. Oman follows with 0.5%.
- Improved Iran-GCC ties could reduce the risks. But if the conflict gets re-initiated, Iran may target US military bases in Qatar, Bahrain, Kuwait, and the UAE.
- As long as oil infrastructure remains untouched, the region's economies have room for growth. The crisis could also prompt other oil producers to boost output to offset Iranian losses.
- If Saudi Arabia compensates for a 1.5 million bpd shortfall, its oil exports could reach 2.5% of GDP.

Our take on investing in GCC : While UAE and KSA is our target investment jurisdiction and both countries are developing quickly, we recommend investors to stay cautious be reminded of the everlasting unrest in the region.

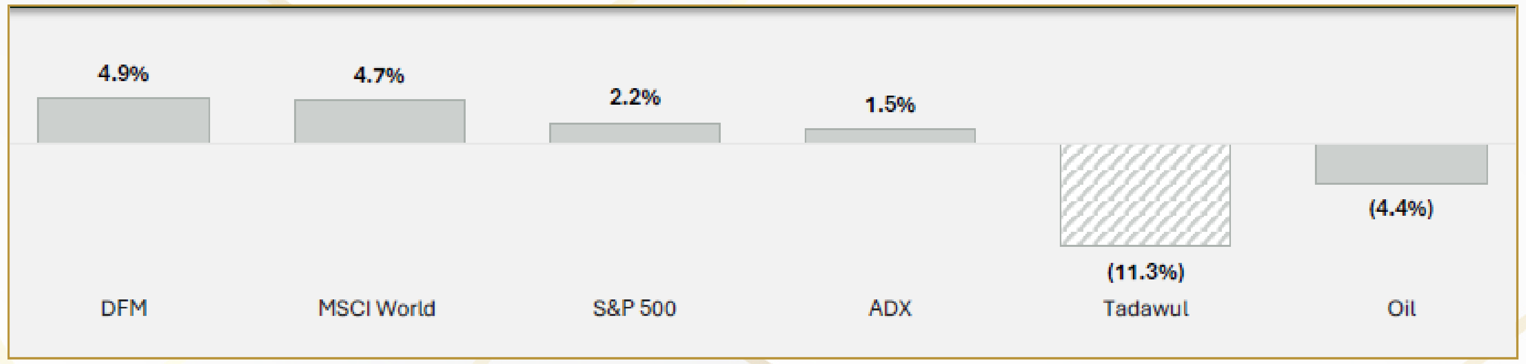
Saudi Arabia: Economic Momentum and IPO Market Outlook

Overview of the KSA economy

- TASI market has been volatile in the last 3-4 months and is down -6.7% in the last 1 month (taking closing of 26th June) due to geopolitical tension which impacted investor confidence.
- Tadawul has performed worse than most global and regional exchanges.
- The hot IPO market has seen some impact with 2 IPOs – Dome and Al Khaldi cancelled the IPO due to insufficient market demand.
- Investors are still looking for good companies to invest in but demanding a higher discount/ risk premium.
- Escalation of Middle Eastern conflicts contributed to a return of risk aversion and regional market selloffs.

Overall, we can see a recovery in the KSA stock market and there are opportunities in the stock market: bottomup stock selection, Pre–IPO.

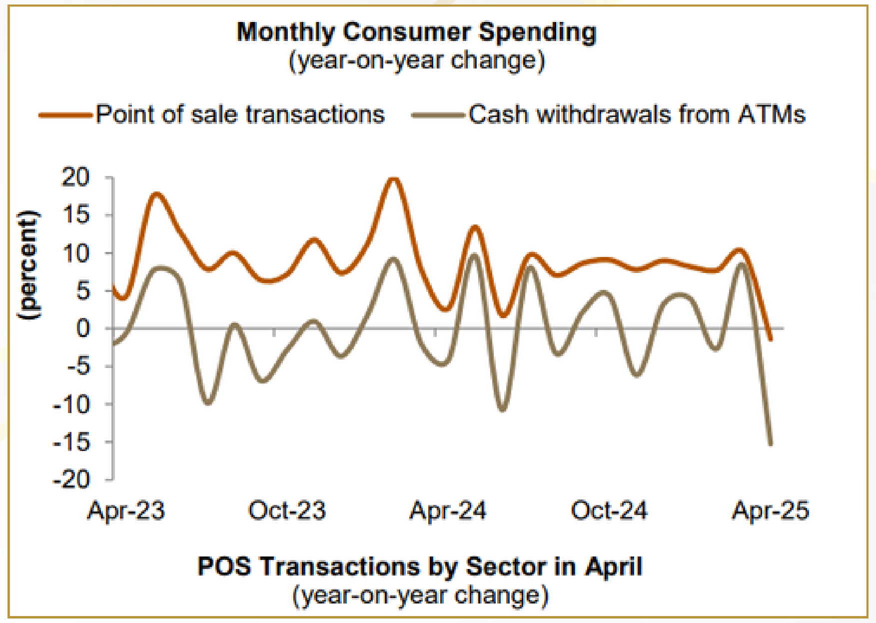
YTD performance of Major indices



Source : EFG research , data as of 23rd June 2025

Company Name	Listing Date	Exchange	Share Capital in (In SAR Bn)	Offering Price	Price at Listing (SAR)	Variance	Price as of 26th June 2025	Variance	P/E at offer	P/E at Listing	P/E Current
Flynas Company	18-Jun-25	TASI	12.90	80	75.5	-5.6%	80.0	0.0%	28.3	26.7	28.3
Time Entertainment Co.	17-Jun-25	Nomu	0.07	80	73.7	-7.9%	59.8	-25.3%	9.2	8.5	6.9
ASAS Makeen Real Estate Development and Investment Company	16-Jun-25	Nomu	0.96	80	96.16	20.2%	97.5	21.9%	7.4	8.9	9.0
Anmat Technology for Trading Co.	11-Jun-25	Nomu	0.43	9.5	9.95	4.7%	12.2	28.6%	10.6	11.1	13.6
Al Kuzama Trading Company	02-Jun-25	Nomu	0.36	107	91	-15.0%	85.0	-20.6%	11.0	9.4	8.8
United carton industries companies	13-May-25	TASI	0.60	50	45.1	-9.8%	37.4	-25.2%	18.4	16.6	13.8
Dkhoun National Trading Co	20-May-25	Nomu	0.19	121	97.1	-19.8%	85.0	-29.8%	16.9	13.6	11.9
Service Equipment Co.	04-May-25	Nomu	0.18	84	75.6	-10.0%	65.2	-22.4%	12.4	11.2	9.6

Source : Saudi Exchange, data as of 26th June 2025



Source : Jadwa

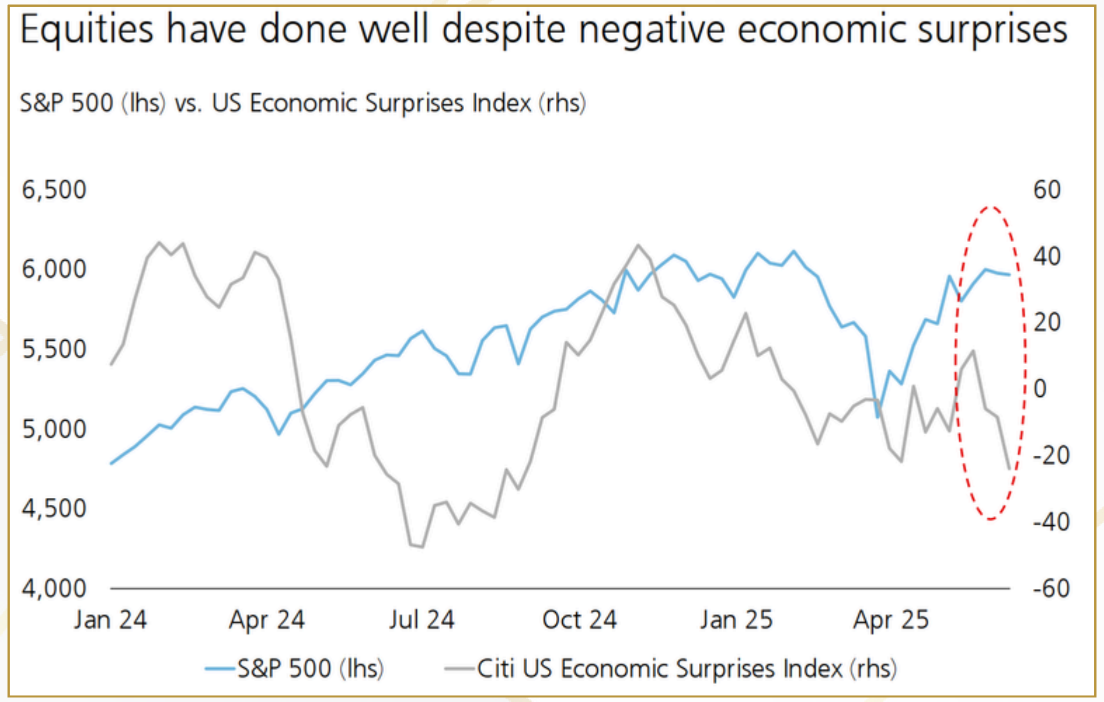
US Equities H2 Outlook

Economic and Policy Backdrop
- <u>Growth Slowing:</u> US GDP expected at 1.6% in 2025 (vs. ~3% in 2023–24), pressured by weakened demand and 15%+ average tariffs—highest since 1930s.
- <u>Sticky Inflation, Fed Cuts:</u> CPI likely at 2.8–3.5%; Fed expected to cut rates thrice in H2.
- <u>Fiscal Headwinds:</u> Spending bill may add $3–5T to debt, raising long-term yield pressure and weighing on investor confidence.

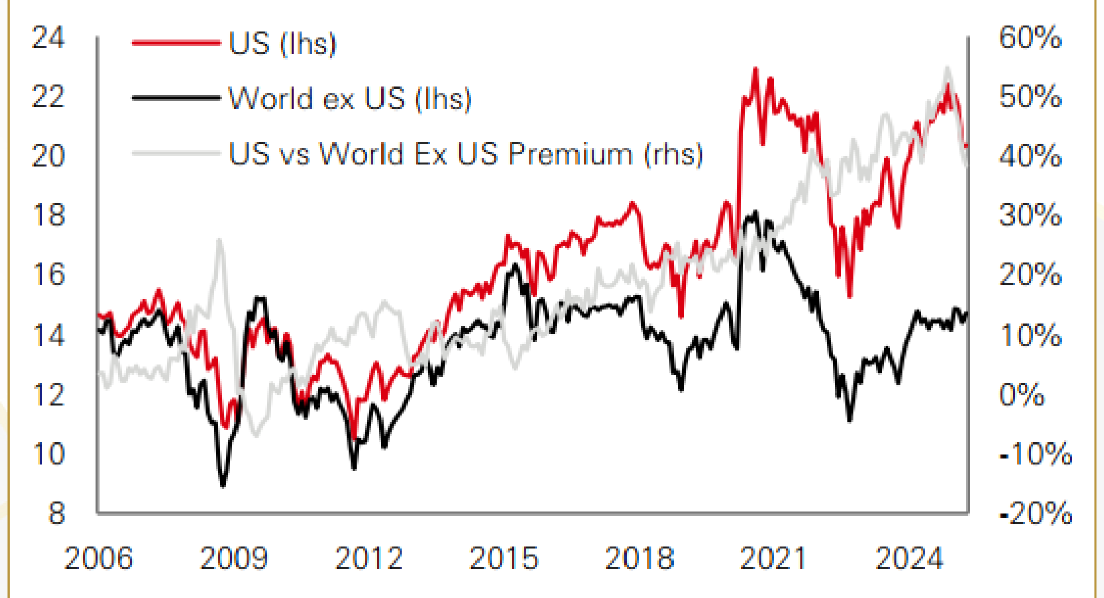
Market Performance and Outlook
- <u>S&P 500 Return:</u> S&P 500 may deliver low single-digit gains on 6% EPS growth amid high volatility.
- <u>Valuation Risk:</u> US equities trade at 50%+ P/E premium to global peers; mega-cap concentration a concern.
- <u>Earnings Outlook:</u> Overall profits resilient; import-heavy sectors face margin headwinds.

Sector and Style Positioning
- <u>Domestic & Services Bias:</u> Favor financials and communication services over import-heavy sectors.
- <u>Tech Rebound Potential:</u> The Magnificent 7 is expected to deliver 15% EPS growth in 2025 versus 6% EPS growth for S&P500.
- <u>Banks & Equal-Weight Play:</u> Counters mega-cap risk; banks supported by excess capital, reduced regulation.
- <u>Focus on Quality:</u> Prefer firms with pricing power and margin durability in an inflation-sensitive environment.

Risks and Portfolio Strategy
- <u>Key Risks:</u> Policy/tariff uncertainty, input cost pressure, and risk of capital outflows if US assets lose safe-haven status.
- <u>Portfolio Actions:</u> Diversify away from US-heavy exposure. Use equal-weighted indices, global equities (EU, Japan), and alternatives (e.g., infrastructure, gold).
- <u>FX Risk:</u> USD expected to weaken; USD-equity correlation now positive, weakening its role as a portfolio hedge.



12-months forward P/E ratios



Source: HSBC AM, Bloomberg. Data as of May 2025.

Bond Markets Playing Down Any Growth Fears

Treasury

Short term

- **Inflation:** Currently under control however tariffs could push them upwards in the near-term limiting rate cuts to 25-50bps in 2025.
- **Unemployment:** Unemployment risk remains as the effect of tariffs will flow through the system.

Long term

- **Fiscal situation:** Trump's bill, once passed, would fuel higher deficits therefore keeping long term yields high.
- **Treasury demand:** Demand for treasuries was lower than expected in April auctions which saw a jump in yields. In June's 30-year bond auction, foreigners accounted for 66% of purchases which is lower than the 12-month average of around 73%.

Investment Grade

- **US IG bond issuers saw the busiest May since 2020** with issuances adding up to roughly $153B due to tariffs being put on hold temporarily. Spreads remain wafer thin after a temporary bump up in March and April due to tariff fears.
- At the same time, **more debt from blue-chip companies was downgraded than upgraded**, the first time that's happened since December 2023. Corporate cash levels are falling at blue chip US companies.
- We continue to recommend investing in the belly of the curve.

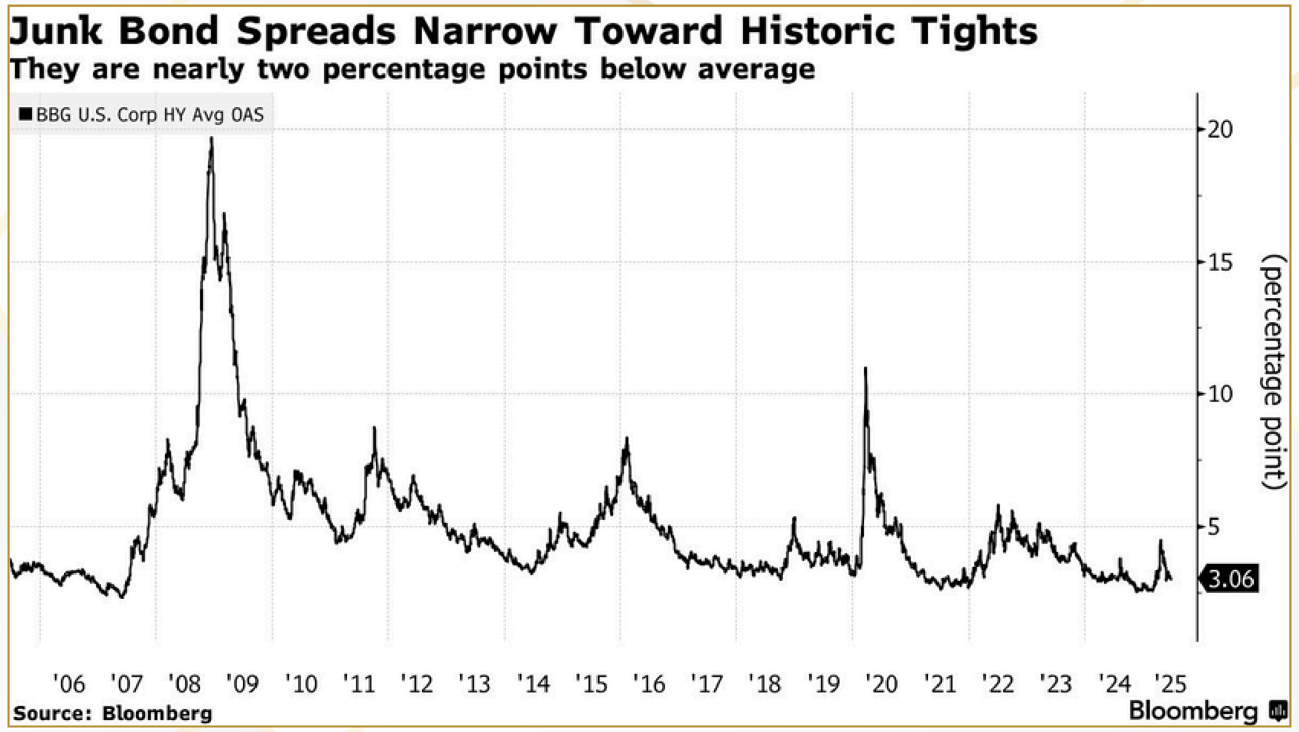
High Yield

- Credit spreads continue to remain low and **do not compensate for the inherent risks contained in the asset class.**
- **Jan-Apr'25 defaults totaled to 34 below the 5yr avg. of 42.**
- High interest payments are already hurting these businesses and any slowdown in the economy caused by tariffs would have a detrimental effect on bond prices.

According to S&P Global, between 2024 and 2026, U.S. companies face a $2.3 trillion maturity wall, with $1.8 trillion coming in 2025 and 2026.

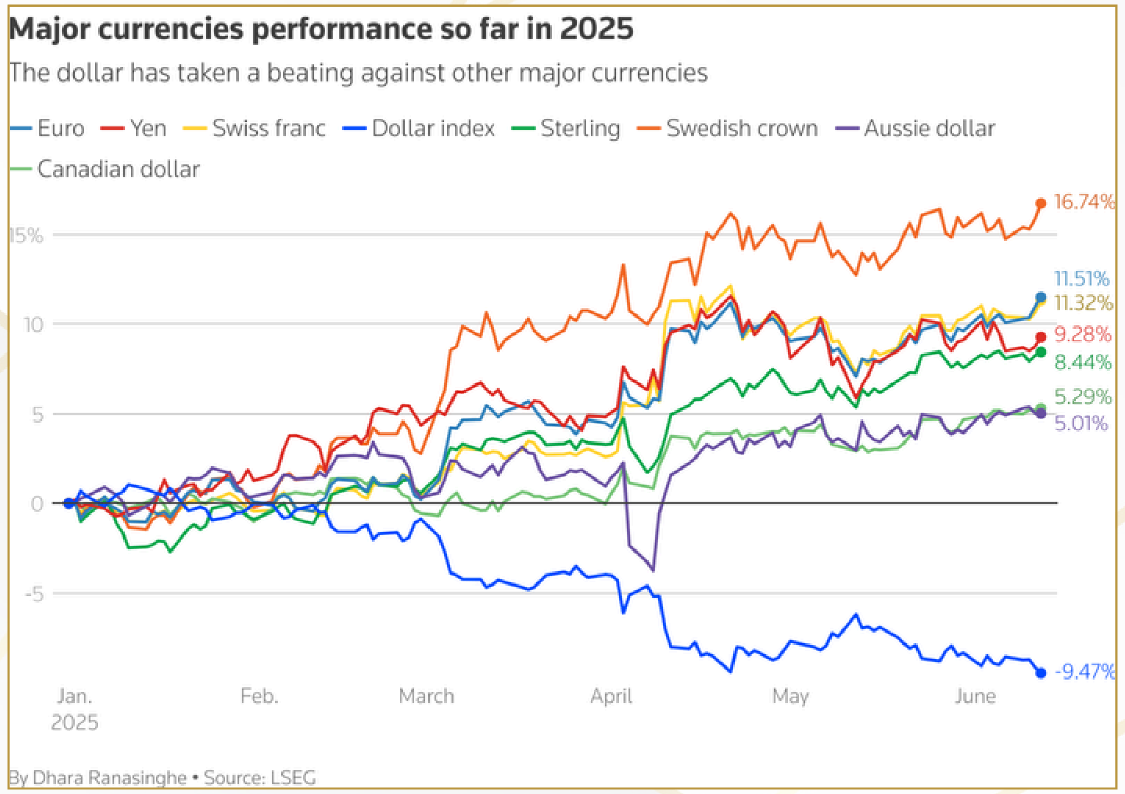
Year	Investment Grade	Speculative Grade	Total Debt
2024	$442 Bil	$139 Bil	$581 Bil
2025	$510 Bil	$285 Bil	$795 Bil
2026	$545 Bil	$397 Bil	$942 Bil

U.S. Corporate Debt Repayment Schedule (Non-Financial Issuers)
(SOURCE: S&P GLOBAL)



Currency Outlook – H2 2025

Currency Pair	Outlook (H2 2025)	Rationale & Details
DXY (USD)	Negative Weaker	- Fed expected to cut rates 2x in H2 2025 - Fiscal deficits & rising bond supply weigh on dollar - Declining safe-haven status amid tariff & political risks - Central banks diversifying reserves away from USD
USD/JPY	Yen stronger	- BoJ tightening with rising JGB yields - Real wage growth and private consumption rebound - Portfolio inflows expected as Japan exits deflation - Yen remains undervalued
EUR/USD	Euro stronger	- Eurozone macro outlook improving vs. US - ECB easing, EU defense/infrastructure spending rising - Strategic autonomy and geopolitical tailwinds support EUR
USD/CHF	CHF Positive Stable	- Safe-haven demand intact amid global risk - Limited upside due to valuation and cautious SNB - Strong external position and low inflation underpin CHF
GBP/USD	Sterling Stronger	- BoE to ease less than Fed - Sticky UK inflation and resilient financial sector - Improving EU-UK ties and capital inflows aid GBP



	Spot	+3 months	+12 months
DXY	98.2	98.1	91.4
EUR/USD	1.15	1.15	1.24
EUR/CHF	0.94	0.95	0.94
USD/CHF	0.81	0.82	0.76
EUR/GBP	0.85	0.83	0.84
GBP/USD	1.36	1.39	1.48
USD/JPY	144.1	140.0	131.0
AUD/USD	0.65	0.66	0.68
USD/CNH	7.19	7.20	7.00

Has Gold Peaked?... 2.0

- Gold has completed a **bullish continuation pattern**, reaching its target near **$3,500/oz.**
- **Monthly RSI at 86**, signaling a **severely overbought** condition.
- Historically, breaches above this RSI led to sharp corrections:
    - **-33% drop in 2008**
    - **-20% drop in 2020**

Drivers of Gold Rally

- Geopolitical conflicts: **3 major wars in H1 2025.**
- **Dollar weakness:** USD has weakened since the start of the year.

Central Bank Activity

- Projected **1,000 metric tons gold purchases in 2025.**
- Q1 2025: **244 tons bought**, down YoY but **25% above 5-year average.**
- Major buyers: **China, Poland, Russia, Turkey, India.**

Dollar Index Update

- Major currencies rose against the USD despite interest rate differentials.
- Dollar Index trading in a **range 99–110 over 2 years** due to debt & debasement.
- Recently broke support at **99 → fell to 97** amid Middle East conflicts.
- USD remains a safe haven but may **revert to prior support levels medium-to-long term.**

Gold is expected to consolidate in a time-based correction between $3000–$3500, supported by stable real yields amid a maturing Fed cycle.

Silver – Industrial Gold

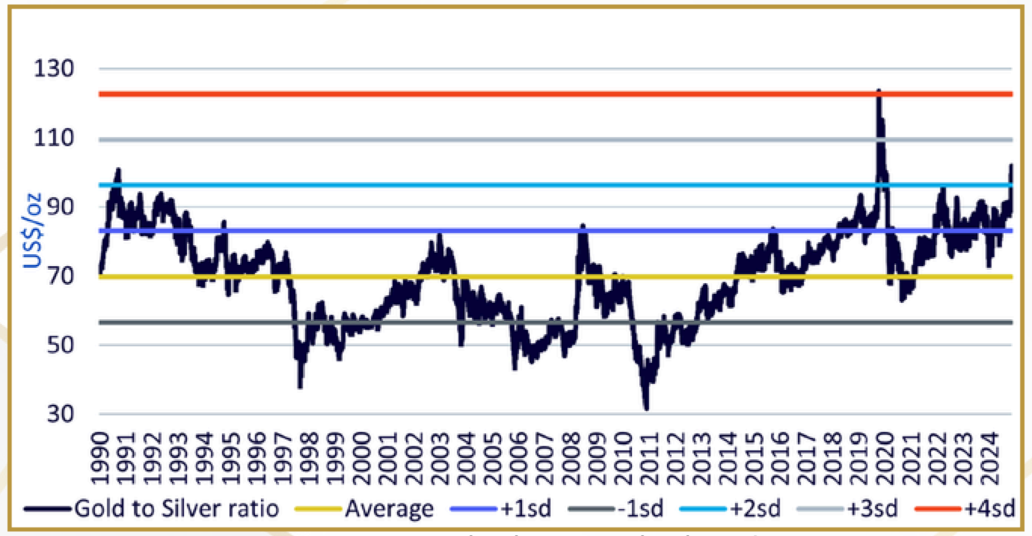
Robust Industrial Demand & Persistent Supply Deficit

- 2025 demand projected at 1.148 bn oz vs. supply 1.030 bn oz, marking 5th consecutive annual deficit.
- Solar photovoltaics drive demand: silver offtake up 139% since 2016; each panel uses ~20 g silver, with new designs adding 15-30% more.
- Electric vehicles need 25-50 g silver per unit, nearly double conventional cars, boosting demand via auto electrification.
- Electronics demand surged ~19% since 2016 due to 5G and AI hardware rollout.
- Recycling covers less than 20% of fabrication needs, so mining shortfalls translate into persistent deficits.

Valuation Insights & Price Forecasts Indicate Upside Potential

- The gold-to-silver ratio hovers near historic extreme at ~100:1, well above long-term average (~60-70:1), signaling silver undervalued.
- Consensus forecasts target silver prices at US $38–40/oz for 2025, reflecting broadly constructive fundamentals and demand growth.
- Recent price softness interpreted as precursor to breakout, driven by rising industrial fabrication and tight market dynamics.
- Historical ratio mean reversions have led to significant silver price rallies, reinforcing case for potential upside.

Gold to silver ratio



Source: WisdomTree, Bloomberg 01/06/1990 – 10/04/2025)

Scenario	Key Drivers	Price Impact	Watch-List Metrics
Bull	- Accelerated solar & EV growth - Potential supply disruptions (e.g., Mexican export tariffs)	Silver price > $40/oz	- Solar installation data - EV production trends - Mexican & Peruvian policy changes
Base	- High single-digit demand growth - Incremental supply increases - Persistent deficit	Silver price around $38–40/oz	- ETF inventory levels - Recycling rates - Stable demand growth indicators
Bear	- Global economic slowdown - Strong USD appreciation - Increased scrap recycling and thrifting	Silver price < $38/oz	- Weak industrial demand - Rising scrap flows - USD strength indicators

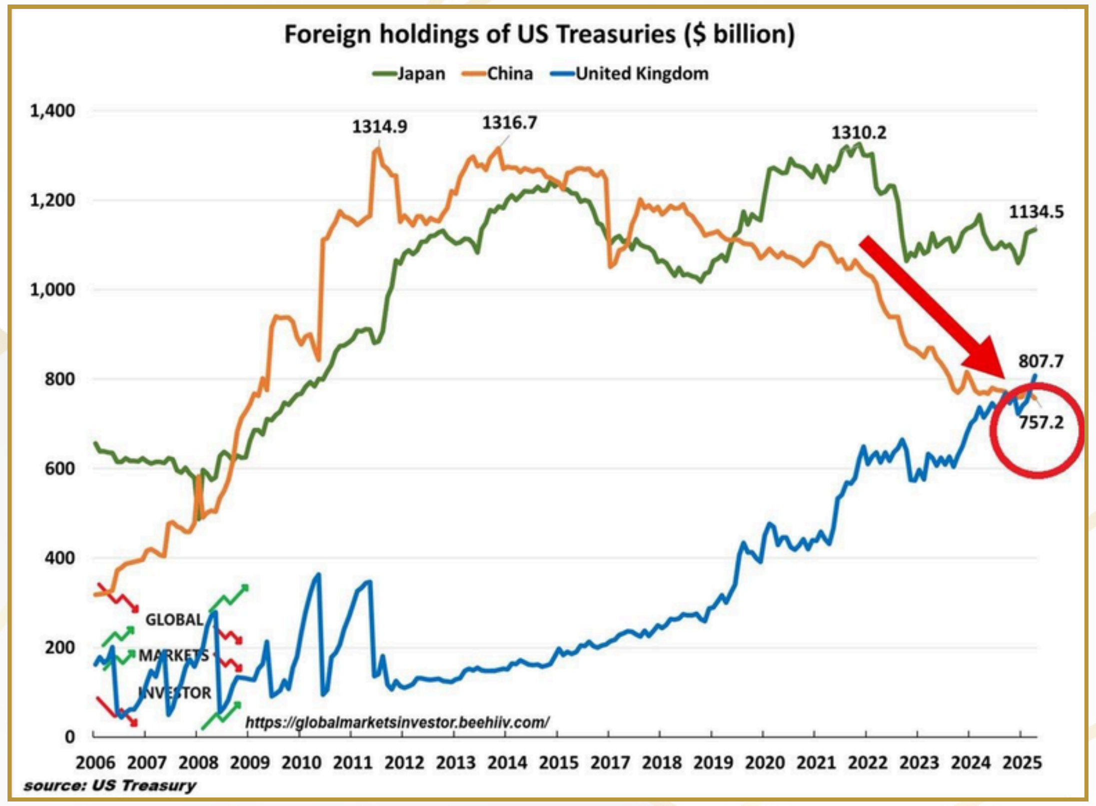
World Silver Supply & Demand (million ounces)
(totals may not add due to rounding)

	2023	2024
Supply		
Mine Production	812.7	819.7
Recycling	183.5	193.9
Net Hedging Supply	-	-
Net Official Sector Sales	1.6	1.5
Total Supply	**997.8**	**1,015.1**
Demand		
Industrial (total)	657.1	680.5
Electrical & Electronics	444.4	460.5
...of which Photovoltaics	192.7	197.6
Brazing Alloys & Solders	50.2	51.6
Other Industrial	162.6	168.4
Photography	27.3	25.5
Jewelry	203.1	208.7
Silverware	55.1	54.2
Coin & Net Bar Demand	244.3	190.9
Net Hedging Demand	11.5	4.3
Total Demand	**1,198.5**	**1,164.1**
Silver Price (US$/oz, London Price)	23.35	28.27

Source: Metals Focus

H2 2025 Outlook: Oil

Factor	Details / Data Points	Implication
Price Action	Brent crude peaked at **$81/bbl** during Iran-Israel tensions (H1 2025).	Short-term spike due to geopolitical risk premium.
Supply	OPEC+ production at record high of **105 million barrels/day (mb/d)** as of May 2025.	Oversupply risk keeps downward pressure on prices.
	Global oil inventories expected to **rise steadily through 2025** (IEA/EIA forecasts).	Growing inventories add bearish pressure.
Demand Growth	Global oil demand growth forecast at **~1.0–1.2 mb/d** for 2025, lower than previous years due to energy transition acceleration and economic slowdown.	Modest demand growth insufficient to offset supply surplus
Price Forecasts	EIA projects Brent average price of **$65.85/bbl** in 2025, revised downward from prior $70+ estimates.	Reflects market reassessment of supply-demand balance.
	Banks' price range ($60–$70) aligns with EIA's forecast, confirming consensus outlook.	Indicates broad market agreement on moderate pricing.
Geopolitical Risk	Middle East tensions eased post H1 2025 spike, but risks remain uncertain.	Potential for renewed volatility if conflicts escalate.
Market Volatility	Volatility elevated, but trend is towards stabilization given steady supply and inventories.	Opportunity for tactical trading around geopolitical events.



Oil demand growth is slowing to 1.0–1.2 mb/d in 2025, and with OPEC+ output at 105 mb/d, we expect prices to remain capped within the $65–$75 range

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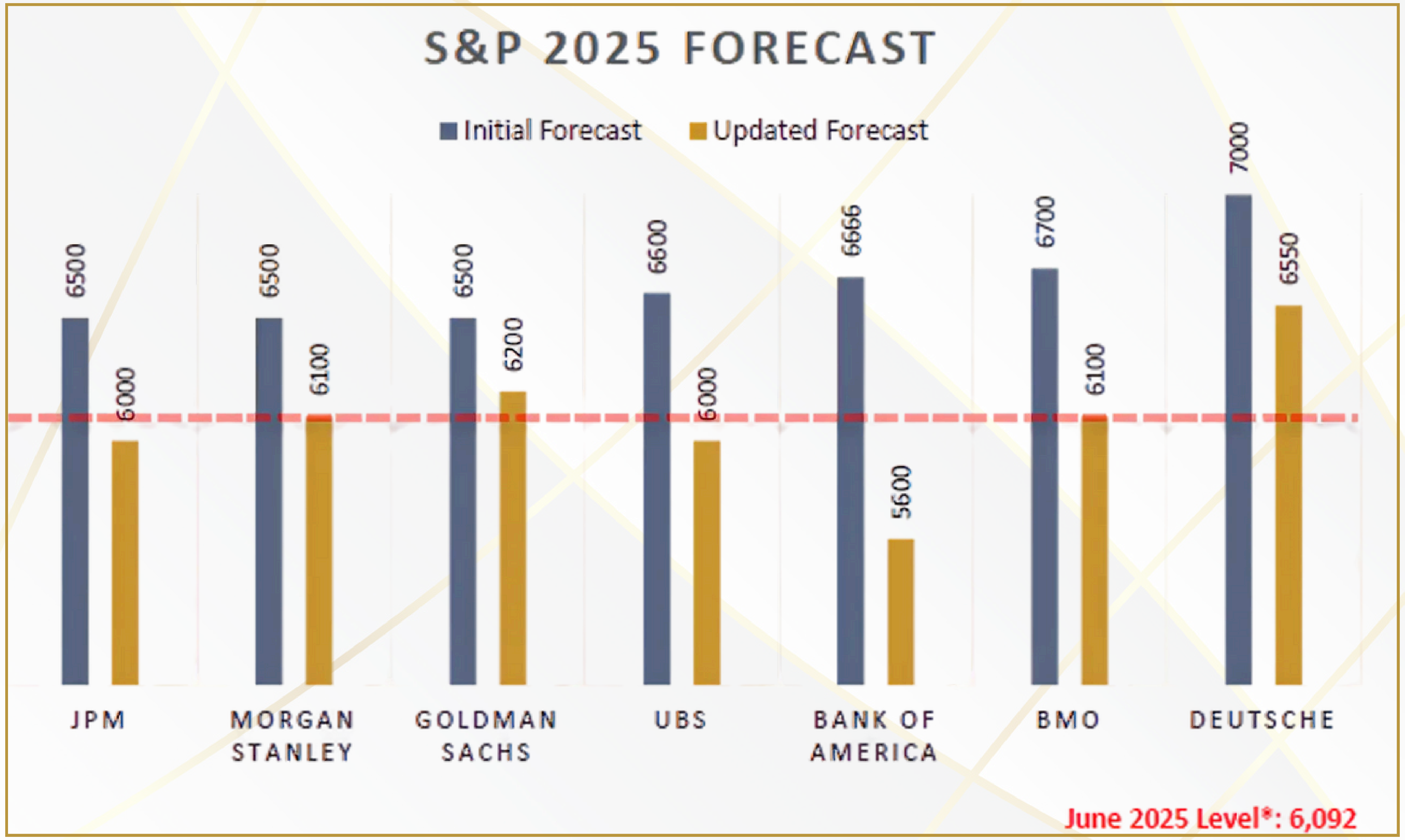
Wall Street Forecasts

How price projections Shifted from Jan to June 2025

S&P 500 – Bank Forecast Jan vs June 2025



Rationale for the two opposing views:

Bank of America

- Citing impact of recent U.S. tariffs on China, and retaliatory measures from China and Canada, could deliver a 10–15% direct hit to S&P 500.

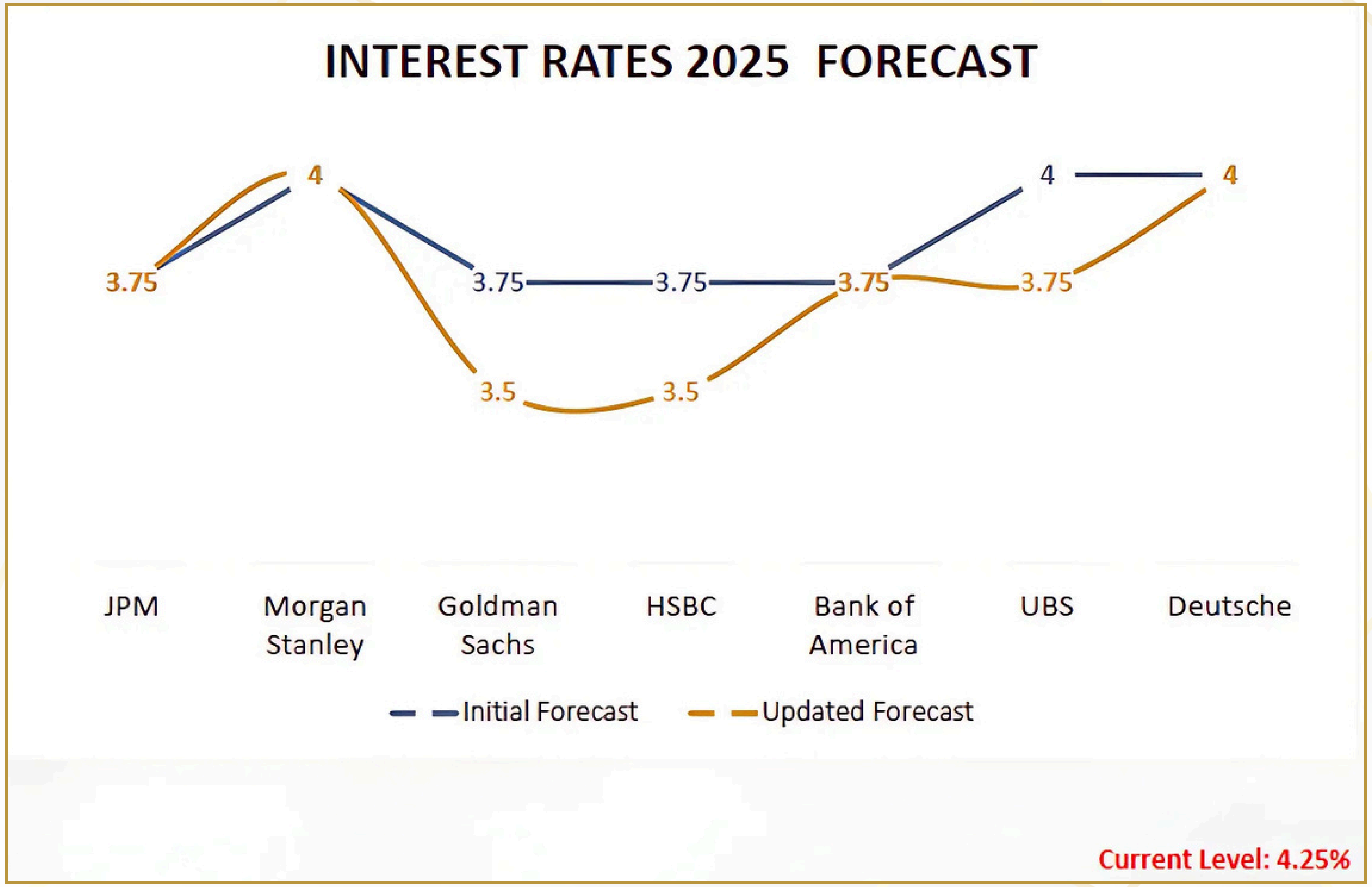
Morgan Stanley

- **Tariff-induced drag on earnings**: After earlier optimism, the bank's economists cut U.S. growth forecasts—from ~1.9% to **1.5%** for 2025—specifically citing the greater impact of U.S. tariffs weighing on corporate profits and consumer demand.

- **Fed policy shift postponed**: Their economic framework now anticipates only **one modest 25bps cut in June**, versus earlier expectations of more easing.

* Price level as of 25th June 2025

Looking Ahead at 2025: US Fed Funds



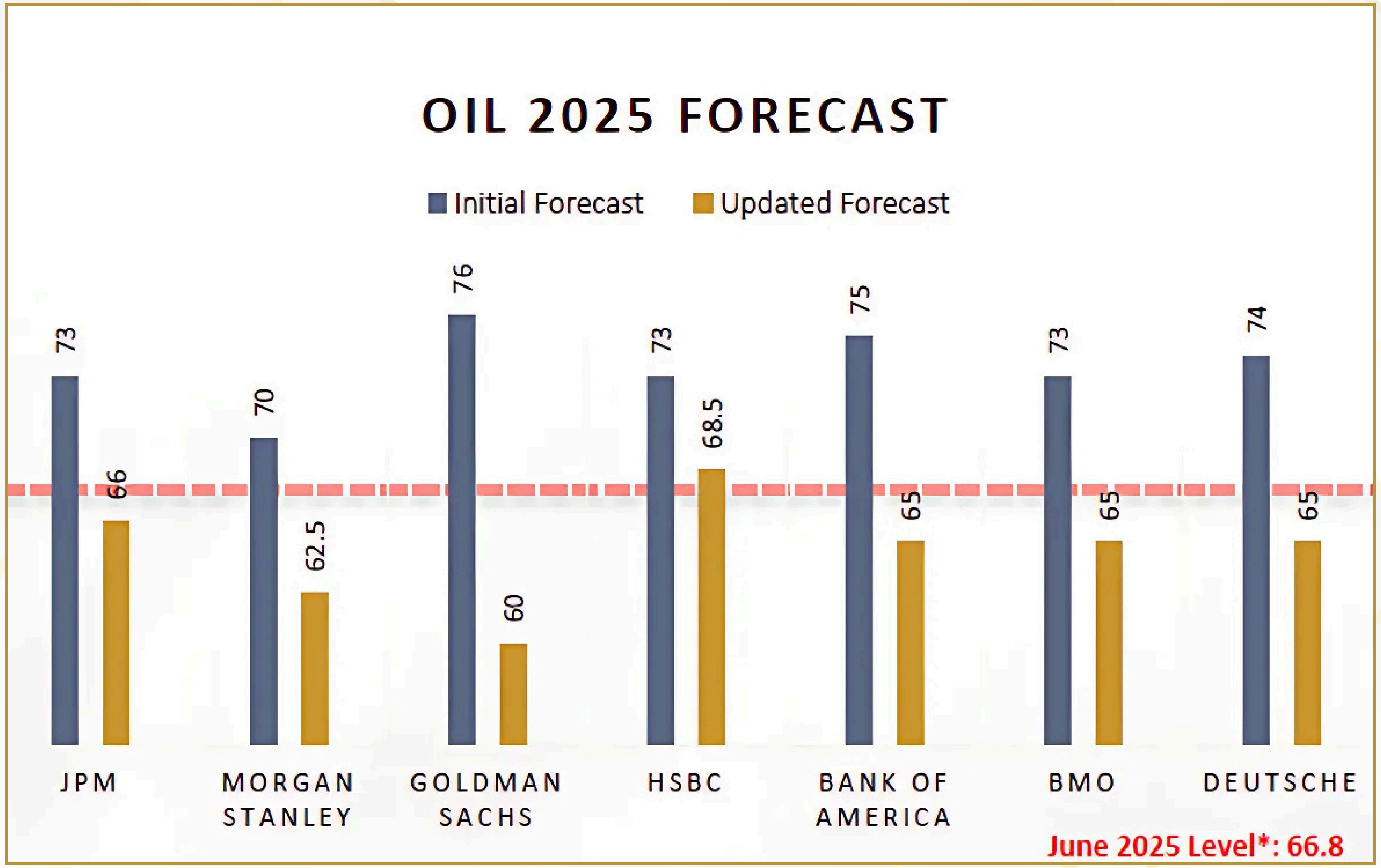
Rationale for the two opposing views:

UBS: "Although the pace of Fed easing looks set to be slower than anticipated… we still expect 50bps of US rate cuts in 2025. We expect the Fed to resume easing in September with the labor market hinting at further softening ahead."

Deutsche: The bank's base case scenario suggests the Fed will hold steady, keeping the federal funds rate above 4% throughout 2025.

* Rates as of 25th June 2025

Looking Ahead at 2025: Oil



Rationale for the two opposing views:

JP Morgan :

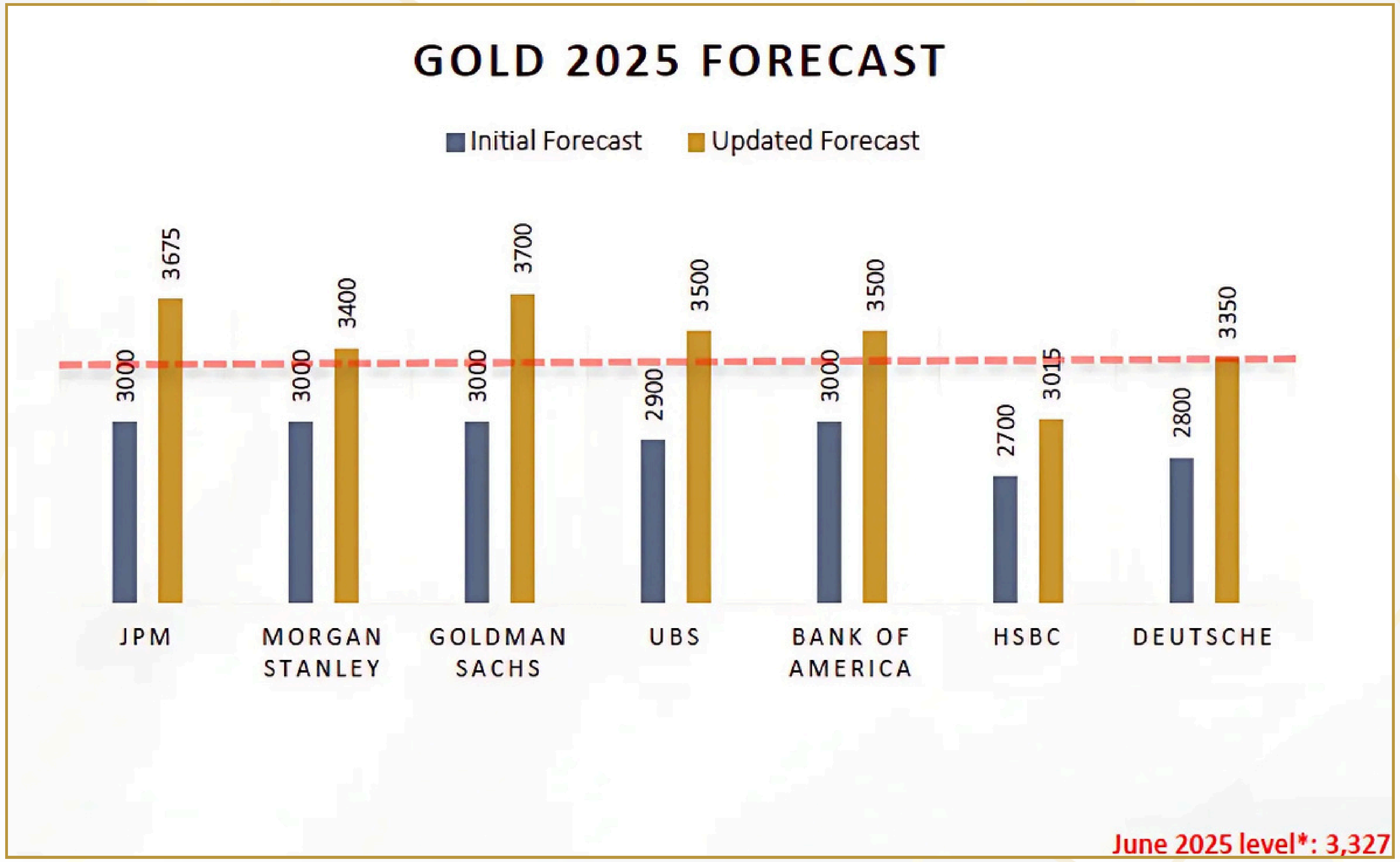
- Cut its 2025 Brent price forecast to $66 … citing higher production and weaker demand" Maintains low-mid $60s baseline through 2025, though warns of a potential spike to $120–$130 if a severe Middle East conflict disrupts supply.

Goldman Sachs :

- Reduced its oil price forecast following OPEC+ decision to increase oil production for a second straight month, boosting output in June by 411,000 barrels per day despite falling prices and weakened demand expectations.

* Price level as of 24th June 2025

Looking Ahead at 2025: Gold



Rationale for the two opposing views:

JPMorgan & Chase :

- Forecast for gold prices heading towards $4,000/oz next year as continued strong investor and central bank gold demand averaging around 710 tonnes a quarter this year.

HSBC :

- Assumes Gold strong demand may **moderate** if global liquidity improves or inflation cools
- ETF demand (a major retail driver for gold prices) as **less reliable**, especially if equity markets remain strong or real rates stay elevated.

* Price level as of 24th June 2025

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ASAS CAPITAL

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Regulated by the DFSA

Get In Touch

702 South Tower PO BOX 506806 Emirates Financial Towers, DIFC Dubai, UAE

+971 4346 4700

inquiry@asascapital.com

www.asascapital.com