MONTHLY INVESTMENT OVERVIEW

EMIRATES INVESTMENT BANK

Asset Class	View	Current Allocation*	Benchmark Allocation*
Equities	Favour	40.0%	35.0%
Fixed Income	Neutral	45.5%	52.5%
Real Estate	Neutral	5.0%	5.0%
Commodities	Neutral	2.5%	2.5%
Cash	Favour	7.0%	5.0%

Overweight, Favour, Neutral,
Cautious, Underweight

* Allocations are based on a Balanced Risk Profile

About Emirates Investment Bank

EIBank is an independent private bank based in Dubai. It offers a wide-range of investment and banking services to an exclusive, but diverse, client base of high-net-worth individuals from across the region and around the world.

Emirates Investment Bank seeks to build long-term partnerships based on a foundation of trust, stability and integrity, which allows it to appreciate the unique circumstances and objectives of each of its clients. This personalised approach guides the Bank when providing its clients with bespoke banking solutions in connection with their wealth, business, and every day affairs.

MONTH IN BRIEF

JUN 2021

- The first-half of 2021 saw record inflows into global equity funds as still very low bond yields, very high excess savings in the US and Europe and the receding threat of runaway inflation enhanced risk appetite.
- While Q1 saw a massive outperformance of the value/cyclical trade (banks, energy, industrials) as yields and inflation expectations rose, Q2 witnessed higher growth sectors (tech, consumer discretionary) make a comeback as investors bought the Fed's "its transitory" narrative on inflation and yields cooled.
- The Fed finally alluded to rising inflationary pressures at its last policy meeting and brought forward the likelihood of rate hikes to the end of 2023 from 2024.
- With Covid-19 infection rates declining and vaccination campaigns accelerating, economies across the Eurozone are rapidly reopening and a swift rebound in services activity seems well underway.
- With the UK economy firing on all cylinders and inflation accelerating, the BoE pushed back against speculation that a surge in inflation means it's preparing to raise interest rates, saying the economy still needs support to recover from the pandemic.
- Chinese authorities expanded their latest crackdown on the technology industry to include Didi Global Inc. and two other companies that recently listed in New York. The move adds a new dimension – cybersecurity – to a clampdown that has so far focused on fintech and antitrust issues.
- OPEC+ called off talks on possible boost to oil production with date of the next meeting not decided. The impasse left the markets in limbo and oil continued its surge with Brent climbing above USD75 / bbl.

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Q2 was an even better quarter than Q1 for risk assets, particularly developed equities, as vaccination pace picked up strongly in Europe with the US and UK already doing well on that front. While Q1 saw a massive outperformance of the value/cyclical trade (banks, energy, industrials) as yields and inflation expectations rose, Q2 witnessed higher growth sectors (tech, consumer discretionary) make a comeback as investors bought the Fed's "its transitory" narrative on inflation and yields cooled. The first-half of 2021 saw record inflows into global equity funds as still very low bond yields, very high excess savings in the US and Europe and the receding threat of runaway inflation enhanced risk appetite. Global equities, represented by the MSCI All Country World Index, gained 1.2% in June and are up 11.4% so far this year.

> " The trajectory of inflation from here depends on the extent to which monetary and fiscal policy remains too loose for too long "

While we maintain inflation is likely to remain elevated as supply struggles to keep pace with the sharp rebound in post-pandemic demand, the trajectory of inflation from here depends on the extent to which monetary and fiscal policy remains too loose for too long. The Fed finally alluded to rising inflationary pressures at its last policy meeting and brought forward the likelihood of rate hikes to the end of 2023 from 2024. The slightly hawkish tilt flattened the yield curve as investors wagered the Fed will act sooner to clamp down on inflation pressures if they persist. On the month, the US 10-year Treasury yield ended at 1.47%, down 13bps, while the 2-year yield rose 11bps to 0.25%. Global IG index recovered to end the month with a marginal gain of 0.1% while the global HY index returned 0.2%.

The Euro-area economy is finally rebounding with progress on vaccinations encouraging consumers to spend while overseas demand for industrial goods is picking up. Still, the region remains vulnerable to the spread of the Delta variant. The threat remains real and continues to pose downside risks. Inflation in the bloc has climbed rapidly since December, reaching 2% in May with energy prices being the leading contributor. Overall, with Covid-19 infection rates declining and vaccination campaigns accelerating, economies across the Eurozone are rapidly reopening and a swift rebound in services activity seems well underway. The EUR is down 3.0% YTD against the USD based on USD-EUR yield differential and Europe lagging the US in the post-pandemic recovery. The EuroStox50 has gained 14.4% so far this year.

With over 60% of UK adults now having two doses of a vaccine, the country is racing to vaccinate the rest of the population against the fast-spreading delta variant. PM Johnson aims to lift social-distancing curbs and reopen more businesses on July 19. Meanwhile, data showed that retail sales surged more than 8% in the three months through May as lockdown rules loosened and consumers started splurging some of the GBP230 bn built up during the pandemic. With the economy firing on all cylinders and inflation accelerating, the BoE pushed back against speculation that a surge in inflation means it's preparing to raise interest rates, saying the economy still needs support to recover from the pandemic. The GBP fell 2.7% in June and is up 1.2% YTD against the USD while the FTSE 100 has gained 8.9% YTD.

The Tokyo Olympics starting on July 23 should be positive for Japan's domestic demand but the event also raises the risk of a rise in virus cases. While Japan is headed for a double-dip recession in Q2

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as restrictions remain in place to curb virus cases, the outlook for the second half of the year and into 2022 appears brighter. Exports are cushioning the slump in domestic demand and pent-up demand supports the economy into next year. However, long-term prospects remain weak as poor demographics and a high debt-to-GDP ratio limit potential for growth. The Nikkei225 was marginally down by 0.2% in June and is up 4.9% YTD. The JPY fell 1.4% on the month and is down 7.6% against the USD YTD.

Even though the recovery in China's economy extended into Q2, it remains imbalanced and incomplete. Supply continues to run ahead of demand as consumer spending remains sluggish. The rapid rebound early in 2021 from the Covid shock is set to give way to a slowdown over the rest of the year as economic activity reaches a more normalized state. Meanwhile, authorities expanded their latest crackdown on the technology industry to include Didi Global Inc. and two other companies that recently listed in New York. The move adds a new dimension – cybersecurity – to a clampdown that has so far focused on fintech and antitrust issues. Policy tightening and regulatory concerns have weighed on China's relative performance. The Shanghai Composite ended June down 0.7% and is up 3.4% YTD.

Several emerging markets (EM) – such as South Africa and Russia - are lagging behind in vaccination rates and achievements in terms of vaccination are likely to be a differentiating factor as we enter the second half of the year. With a not-so-dovish Fed lately, countries worst affected by the Delta variant are facing pressure on their currencies. Individually, EM economies are recovering at different speeds with commodity exporters such as Saudi, Brazil set to outperform peers that are facing slower inoculation rates. Broadly, the recent underperformance of Asia and China due to worries over policy tightening and vaccine progress is temporary and the medium-term outlook for EM, especially Asia, remains intact in our view. EM equities, represented by the MSCI EM index, have gained 6.5% YTD, underperforming their developed counterparts, the MSCI World Index, which is up 12.2% YTD.

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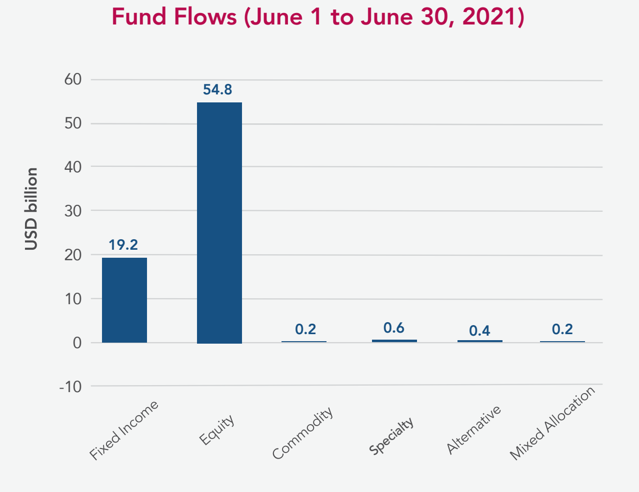
Saudi and the UAE couldn't hash out an agreement to increase output as the UAE wants to produce more oil than its current quota based on its increased production capacities. A failure by the group to raise supply may further squeeze the market, driving prices even higher and raising concerns over inflation. On the other hand, a breakdown in the negotiations could result in a free-for-all that could send prices lower. The impasse left the markets in limbo and oil continued its surge with Brent climbing above USD75 / bbl. At the time of this writing, OPEC+ called off talks on possible boost to oil production with date of the next meeting not decided. The S&P Pan Arab Composite Index is up 1.9% in June and has rallied 20.2% YTD as the brisk pace of vaccinations and higher oil prices have boosted the outlook for MENA economies.

Fund Flows

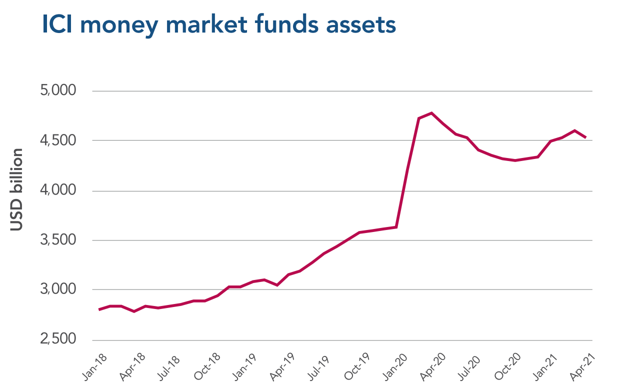
- Net flows into global equity funds continued at a good pace as a hawkish tilt by the Fed flattened the yield curve and allowed the longer duration growth sectors to make a comeback at the expense of the currently popular value/ cyclicals areas. Energy, real estate and thematic funds received the bulk of the equity flows while cyclical sectors like financials, industrials witnessed outflows. Regionally, flows into US and Western Europe were firm while EM flows were pressure as investors net sold China-focused funds.
- Fixed-income ETFs also witnessed a meaningful rise in inflows in June compared to the previous month. Flows into IG credit funds and EM fixed income products were steady, while HY credit and government-only saw increased flows at the expense of inflation-protected strategies.
- Money market fund assets declined as investors moved monies into risk assets as yields declined across the maturity curve.
- Risk-appetite was mixed through the month. Cross-border FX flows favoured the JPY, CAD and CHF.

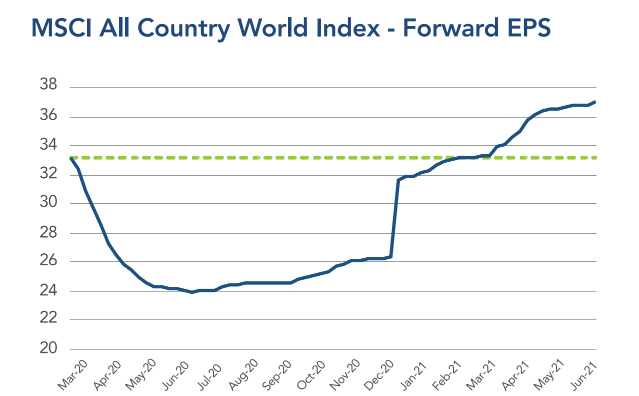


Source: EIBank, Bloomberg

Global Equities - Reasons to Stay Invested

- Global markets remain awash with liquidity with money market fund assets ballooning to over USD5 trillion during the pandemic and investors continue to seek opportunities to invest.
- While the latest data on the delta variants is some cause for concern, the progress developed countries and several emerging countries have made with their vaccination programs are keeping investors' nerves calm.
- Our view remains that inflation is elevated for now and is impacted by supply disruptions but set to return toward central bank's target in 2022. Monetary and fiscal policy remain loose around the world and, in reality, it will be some time before rates start to rise and/or tapering to begin.
- With capex strong and household balance sheets in good health, global growth is expected to be above trend well into 2022. Profit expectations have bounced back to pre-pandemic levels, and nearly 50% of S&P 500 companies have raised their full-year outlook over the past three months, one of the highest percentage levels since 2010.
- Meanwhile, developed-market government bond yields remain lackluster and credit spreads have tightened to their lowest levels in over a decade, leaving few alternatives for investors aside from equities to make a decent return.
- That said, we remain mindful of risks: persistent inflation, new virus strains, corporate earnings failing to come through and economic recovery lagging expectations. Also, it would be harder to generate meaningful equity returns going forward given markets are already pricing in much of the reopening optimism.





Source: EIBank, Bloomberg

Multi Asset Strategies

Asset Class	Conservative		Balanced		Aggressive		Views
	Current Weight	Strategic Weight	Current Weight	Strategic Weight	Current Weight	Strategic Weight	
Fixed-Income	**67.5%**	**75.0%**	**45.5%**	**52.5%**	**17.5%**	**25.0%**	Neutral
Developed Markets	60.8%	71.3%	36.0%	44.6%	12.1%	18.8%	Cautious
US Sovereigns	*3.3%*	*7.5%*	*1.1%*	*2.6%*	*0.2%*	*0.6%*	Cautious
Developed Market Sovereigns	*3.4%*	*7.5%*	*1.1%*	*2.6%*	*0.1%*	*0.6%*	Cautious
Developed Market Aggregate (IG)	*47.3%*	*56.3%*	*20.6%*	*28.9%*	*6.0%*	*10.0%*	Neutral
Developed Market High Yield	*6.8%*	*0.0%*	*13.2%*	*10.5%*	*5.8%*	*7.5%*	Favour
Emerging Markets Fixed Income	6.7%	3.8%	9.5%	7.9%	5.4%	6.3%	Favour
Equities	**20.0%**	**17.5%**	**40.0%**	**35.0%**	**65.0%**	**60.0%**	Favour
Developed Markets	15.0%	13.6%	30.0%	27.1%	48.8%	46.5%	Neutral
US Equities	*10.5%*	*8.8%*	*21.0%*	*17.5%*	*34.1%*	*30.0%*	Neutral
European Equities	*4.0%*	*3.5%*	*8.0%*	*7.0%*	*13.0%*	*12.0%*	Neutral
Japanese Equities	*0.5%*	*1.3%*	*1.0%*	*2.6%*	*1.7%*	*4.5%*	Neutral
Emerging Markets Equities	5.0%	3.9%	10.0%	7.9%	16.2%	13.5%	Favour
Real Estate	**2.5%**	**2.5%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	Neutral
Commodities	**0.0%**	**0.0%**	**2.5%**	**2.5%**	**5.0%**	**5.0%**	Neutral
Gold	*0.0%*	*0.0%*	*1.5%*	*1.9%*	*3.0%*	*3.8%*	Neutral
Silver	*0.0%*	*0.0%*	*1.0%*	*0.6%*	*2.0%*	*1.3%*	Neutral
Cash & Equivalents	**10.0%**	**5.0%**	**7.0%**	**5.0%**	**7.5%**	**5.0%**	Favour

Underweight Cautious Neutral Favour Overweight

Asset Allocation Views

- We continue to remain moderately overweight risk assets given the booming global growth, economies at different stages of the up-cycle, higher growth expectations and still extremely accommodative monetary and fiscal policies.
- Although economic indicators in the US point to surging economic activity reflective of a mid-cycle phase, Europe, Japan and India still appear to be in the early phase of the cycle. With capex strong and household balance sheets in good health, we expect above-trend global growth to persist well into 2022. In line with this stance, our portfolios are geared to cyclicals as the economic and policy backdrop calls for a pro-risk tilt. We continue to recommend increased allocation to cyclicals (financials, materials, energy, autos), health care and consumer discretionary sectors.
- We reiterate our positive stance on select large global tech companies in the US with pricing power, structural tailwinds, strong balance sheets. Uneven recovery owing due to slow vaccination in several parts of the world would prevent a synchronous global recovery yields from rising too fast.
- In fixed income, the Fed's slightly hawkish tone was a surprise even as its current policy remains dovish. In our view, risk of a disorderly bond market sell-off has reduced but stronger growth and more hawkish Fed argue for higher yields. Given this backdrop, our duration underweight remains intact while growth uptick underpins HY and select EM credit.
- We remain mindful of risks: persistent inflation, new virus strains, corporate earnings failing to come through and economic recovery lagging expectations. Growth shocks and monetary-policy uncertainties in the medium term would prompt a rethink in strategies and risk tolerance at a later stage. Our view remains that inflation is elevated for now, but set to return toward target in 2022. We continue to advocate some allocation into inflation beneficiaries (banks, commodities) and some exposure to precious metals (gold, silver).
- We favour EM countries with strong export prospects and GCC credit, notably Sukuk, is expected to remain in decent demand amid favourable risk-reward dynamics, improving macro (oil prices) and scarcity of supply.
- Above all, we look increasingly to diversify across a range of markets and asset classes, in keeping with the broadening of global growth. We seek to diversify portfolio risks across equities, fixed income, income-generating assets and cash. We prefer to use cash as a buffer against risks around regime shifts and protect portfolios against sharp drawdowns.

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IMPORTANT INFORMATION