YAD CAPITAL AG

INVESTMENT ADVISORY

YAD HOUSE VIEW

June 2024

Welcome

Dear Reader,

In this edition, alongside our usual portfolio updates and index returns, we delve deeper into the fixed income market to examine whether it is correctly priced and to assess its level of market efficiency.

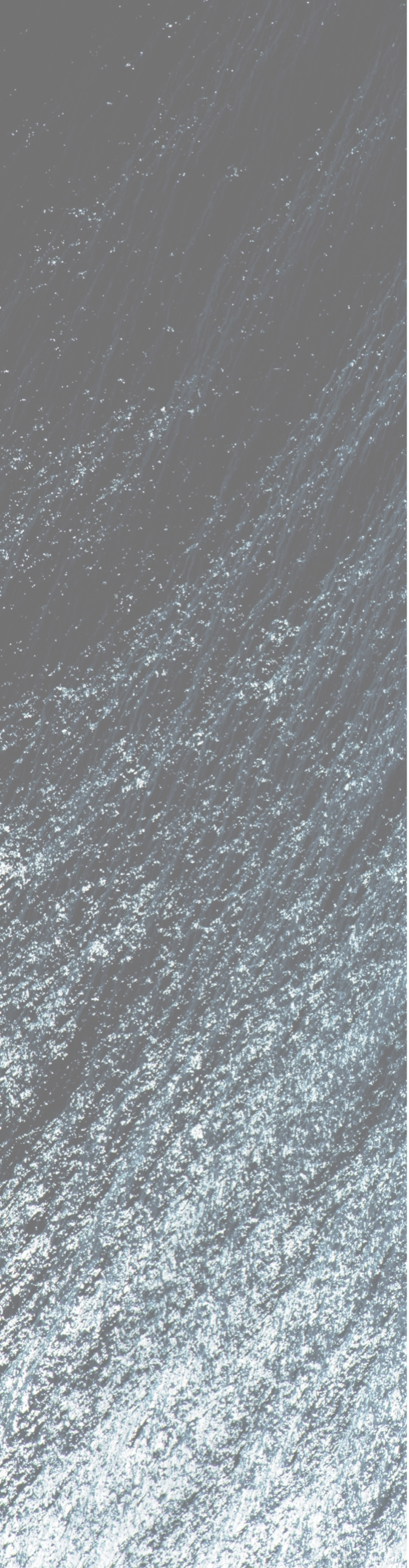
Despite the bond market's poor performance in recent years and quarters due to rising rates and negative market sentiment, there is now a glimmer of hope on the horizon.

Your faithfully,

Dan Stemmer
Partner

Ygal Abergel
Managing Partner

Damjan Csiba, CFA
Portfolio Manager



What changed in our active allocations?

Equity - Geography

We did not change our geographical equity allocation.

Equity - Sector

We did not change our sector equity allocation.

Fixed Income

Our *Growth Portfolio* has an average yield to maturity (YTM) of 6.43 and 7.54 modified duration.

Our *Yield Portfolio* has an average YTM of 6.91 vs. 5.65 modified duration.

Our *Return Portfolio* has an average YTM of 5.07 vs. 7.13 modified duration.

We expect the FED will soon end the the very tight monetary policy and quantitative tightening. The country spends currently more on interest than on defense that is getting a more important topic in the future. The GDP growth slowed down strongly in Q1 and expected to be slow in the next quarters while unemployment rate has gone up consistently in the past months. The FED's favored personal consumption expenditures (PCE) Price Index is not so far from the 2% target (2.6%).

Our holdings are made up of mainly investment grade bonds from developed countries, however, we still hold small exposure to bonds from emerging markets and high yield. The average credit rating according to S&P's methodology is BBB- for Yield, BBB for Growth while A- for Return.

Alternatives

We increased our allocation to a low volatility hedge fund with stable returns.

Our Current Active Allocations

Asset Class	Overweight	Underweight
Equity - Geography	India, Israel, France and Switzerland	Australia, Japan and United States
Equity - Sector	Consumer Staples, Energy, Utilities and Healthcare	Financials, IT, Communications and Real Estate

Index Returns

YTD 2024

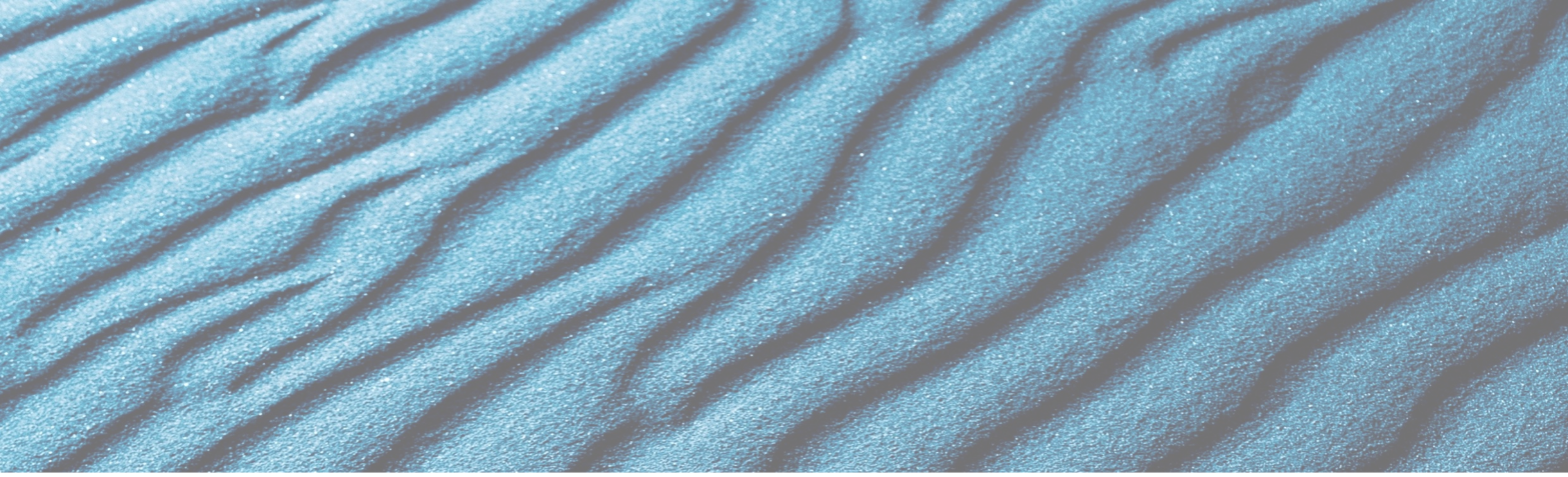
Equity	YTD Performance
Euro STOXX 50	12.67%
Tel Aviv 125	2.26%
Nasdaq 100	17.41%
S&P 500	15.74%
SPI - 215 Swiss stocks	10.78%

Fixed Income	YTD Performance
Global Crp High Yield	2.31%
US Treasury 7-10Y	-0.68%
Emerging Market ($)	2.58%
$ Investment Grade	-0.43%
€ Investment Grade	-0.81%

Alternatives	YTD Performance
Hedge Fund Index	4.54%
Gold	13.09%
Brent Crude Oil	1.82%
Bitcoin	40.51%
Global Real Estate	-3.61%

Currencies	YTD Performance
USD/ILS	2.54%
USD/CHF	6.21%
USD/JPY	13.2%
GBP/USD	-0.27%
EUR/USD	-2.77%

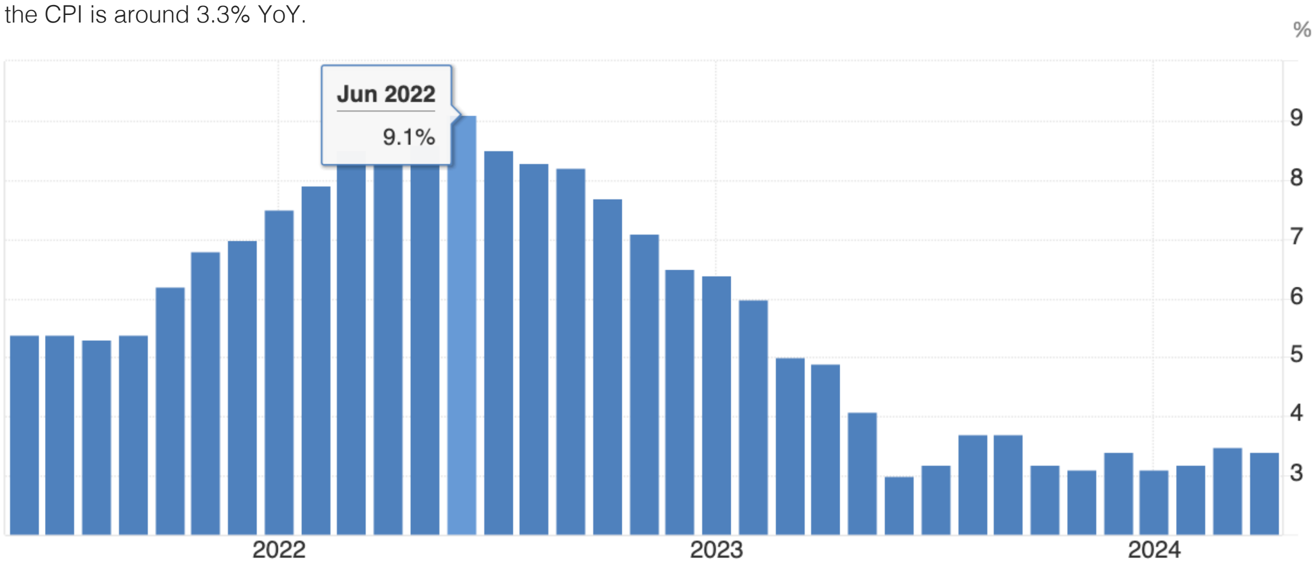
As of Monday, 24 June 2024, 16:15pm CET



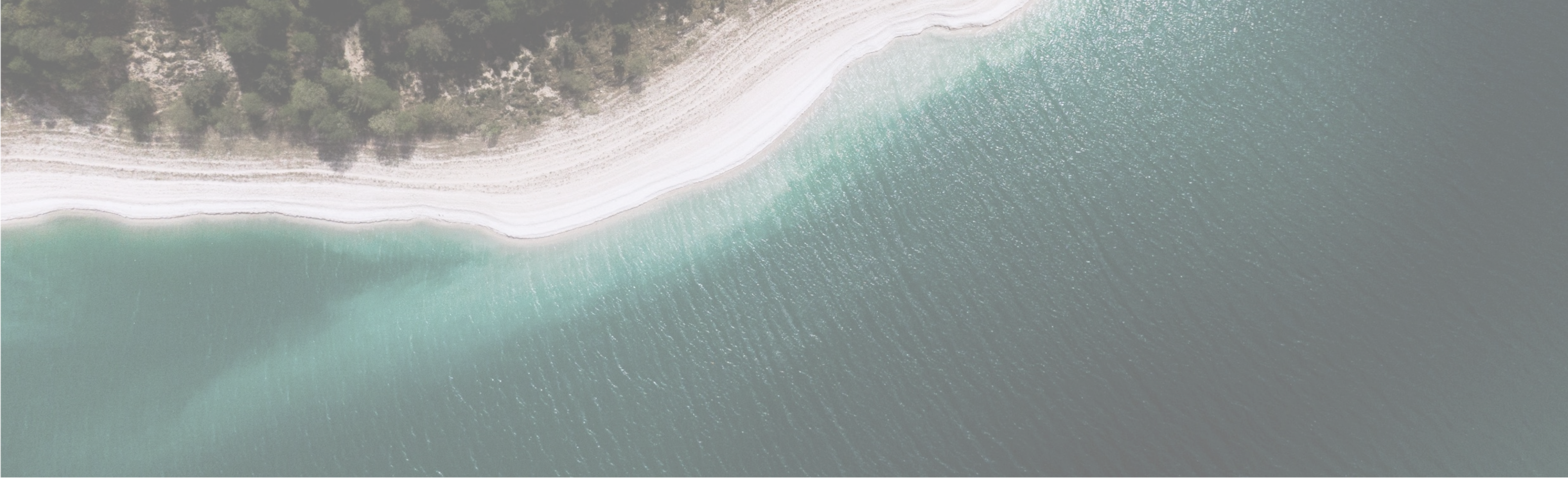
Fixed Income Market Analysis

Is the Fixed Income Market efficient?

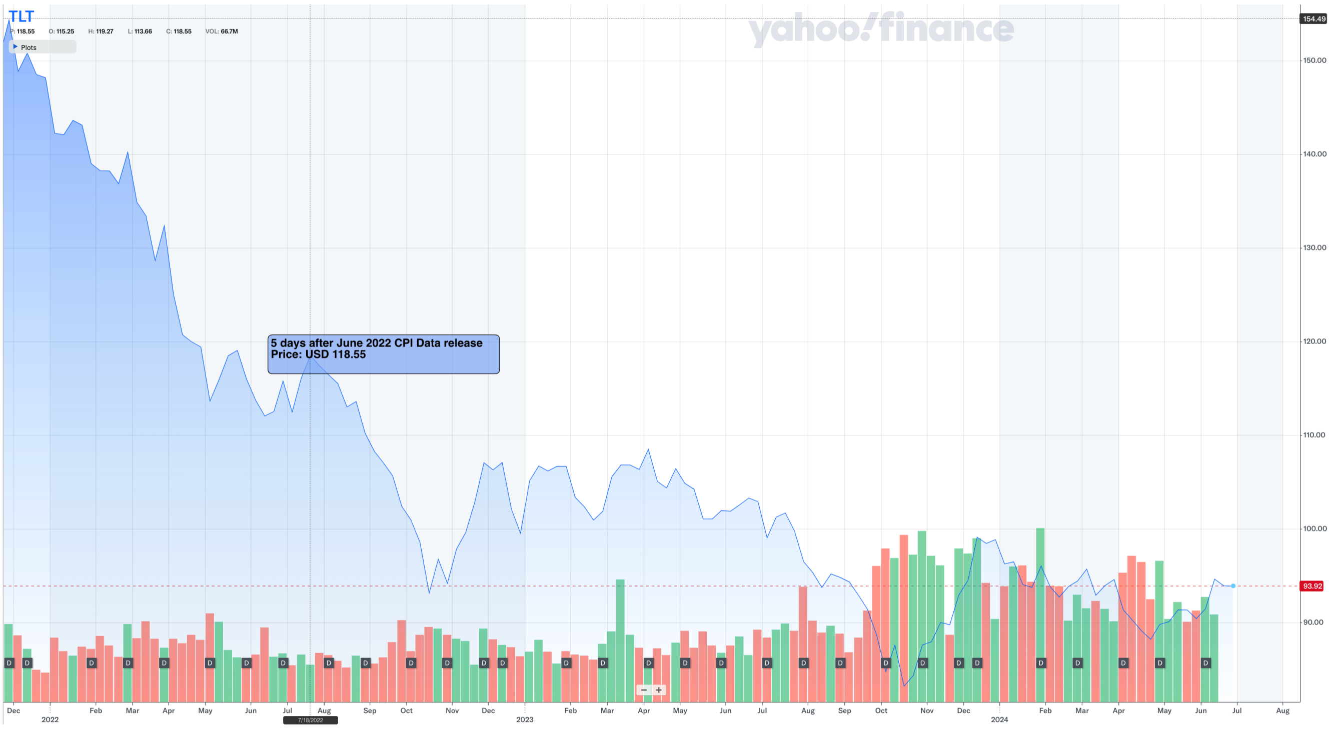
The U.S. Bureau of Labor Statistics released the June 2022 CPI data on July 13, 2022 that showed an extremely high inflation data of 9.1% with increasing trend. One would think that this time the long duration investment grade bonds that are the most sensitive to the interest rate changes were at historical lows but at least at a much lower level than now when the CPI is around 3.3% YoY.



This is not the case. The chart below shows that U.S. 30-year Treasury yields were at only 3.09% following the dismal CPI data release in June 2022, whereas they have risen to 4.39% as of June 24, 2024.



As a result, the TLT ETF that represents long-duration (20 years+) U.S. Treasuries, is 26.2% higher on July 18, 2022, than it was on June 21, 2024:



It's important to note that the market did not anticipate such high FED rates in mid-2022 as it does today. Yet, the market expects at least two rate cuts in 2024 and even more next year, while the FED is expected to stop selling treasuries soon, which should push down yields and increase the value of long-duration treasuries.

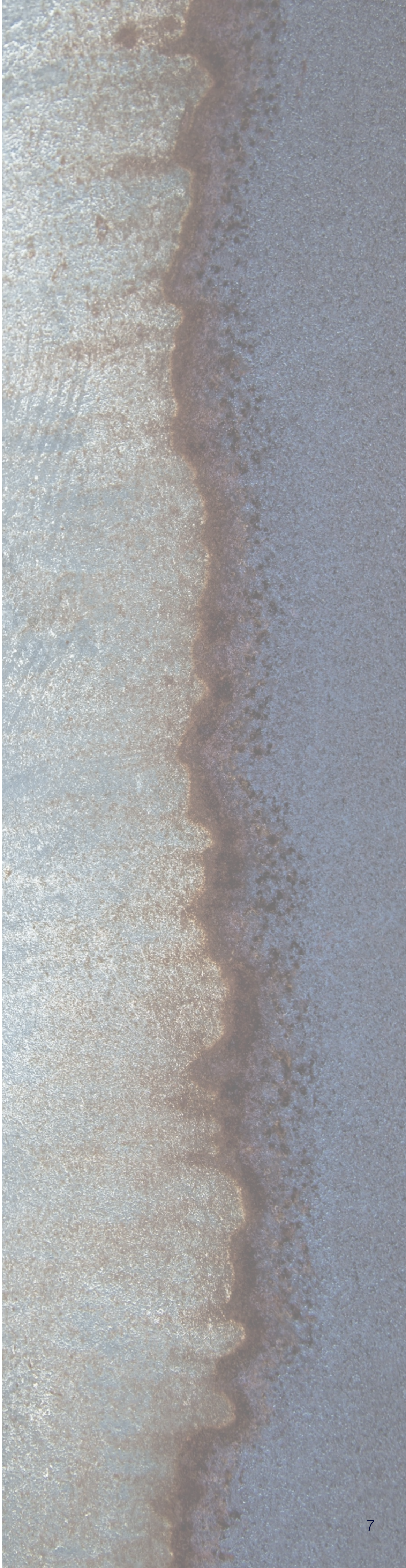
This might indicate that the Fixed Income market is far from efficient. We believe this situation cannot persist indefinitely, and the Fixed Income market will normalize, especially after the FED begins its rate-cutting cycle and quantitative easing. Although there are significant risks such as geopolitics, trade wars, and the currently unsustainable U.S. debt levels, the U.S. benefits from having the global reserve currency, the most liquid treasury market, the largest economy, the most competitive companies, and substantial treasury investments from huge pension funds, banks, insurance companies, and American households holding U.S. Treasuries. We believe that U.S. treasuries and investment-grade corporate bonds are strongly undervalued, and therefore, we have maintained our relatively long-duration bond portfolio with high credit quality.

Closing Thoughts

In summary, despite the recent challenges faced by the fixed income market, there are promising signs of a potential recovery on the horizon. Our analysis suggests that the current inefficiencies in the market, driven by a range of macroeconomic, geopolitical factors and behavioral biases, may soon correct themselves as the Federal Reserve moves towards a more expansionary monetary policy.

Our portfolios remain strategically positioned to capitalize on these anticipated shifts, with a focus on high-quality, long-duration bonds and a balanced allocation across sectors and geographies be it shares, bonds or alternative investments. We believe this approach will yield strong returns as market conditions normalize.

Good Investing.



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