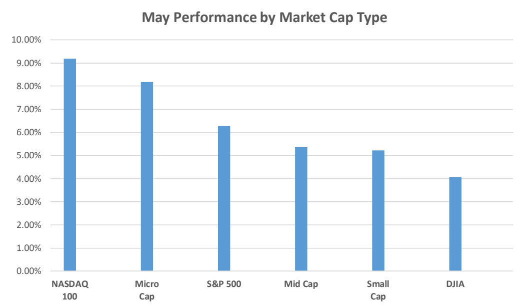
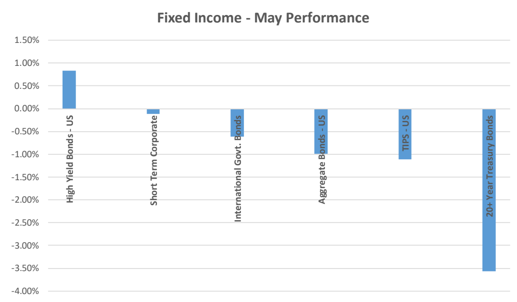
MARKET GUARD®
THE POWER OF KNOWING

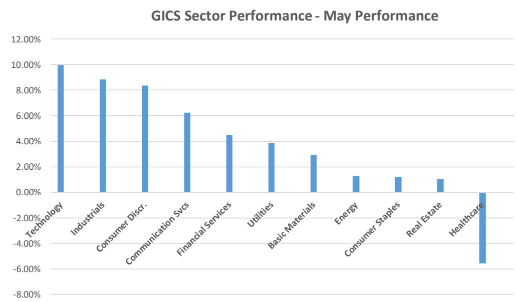
May 2025 - Market Comments

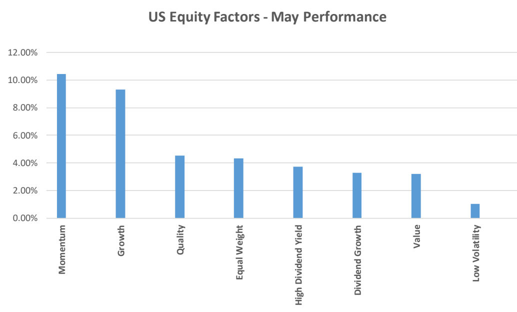
Markets in a Glimpse

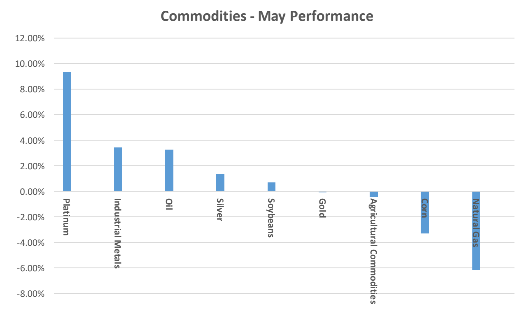
- **U.S. Equities Extend Rebound but Tariff Concerns Stir Volatility**: In May, U.S. stock markets experienced significant gains in the first half, yet heightened volatility due to renewed tariff threats, targeting the EU and corporations like Apple, overshadowed the hopeful outcome from US-China negotiations, especially as the latter eventually turned sour.
- **US Risk-Free Rate as Gold Standard in Jeopardy**: Long-term U.S. Treasury yields have surged, reflecting mounting investor concerns over fiscal policy and debt sustainability.
- **Oil Market Experiences Continued Volatility**: Brent crude oil prices fluctuated significantly, dropping to a four-year low in early May before rebounding back to levels around 61 USD per barrel, influenced by geopolitical tensions, and other supply dynamics such as OPEC+ rumours to increase production levels.
- **U.S. Dollar Faces Depreciation Amid Fiscal Concerns**: The greenback depreciation was driven by aggressive tariff policies, rising fiscal deficits, and declining investor confidence in the U.S. as a business-friendly country.
- **Cryptocurrency Market Shows Resilience**: Major cryptocurrencies like Bitcoin and Solana posted gains. Ethereum also made an impressive comeback fuelled by the rollout of an upgrade to improve its scalability and reduced transaction fees.

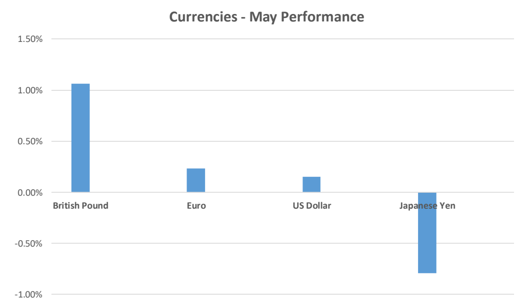












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In-Depth Market Review

Financial Markets

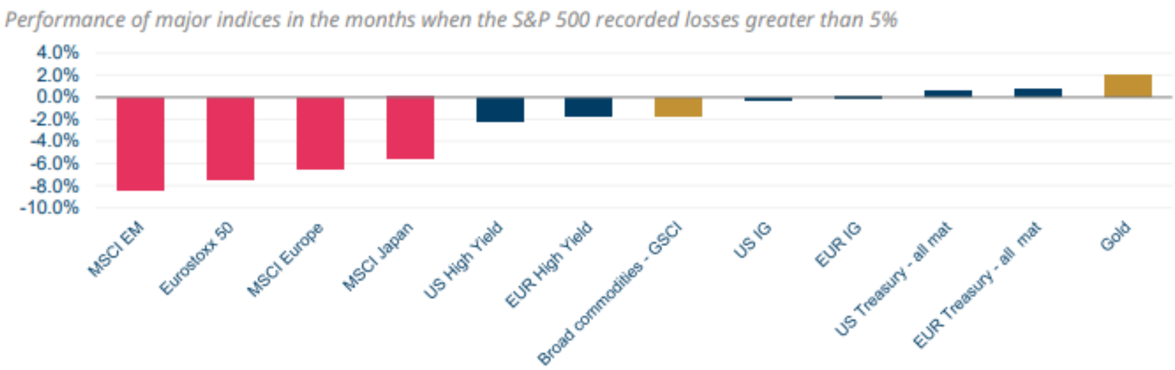
In May, global equity markets were buoyed in the first couple of weeks as trade tensions eased as the US and China engaged into hopeful talks. As a result, Large Cap growth stocks that had been significantly battered benefitted along with the small cap spectrum of the US stock market, which is the most exposed to US tariffs. That said, concerns over economic growth lingered as new macroeconomic data was released, while renewed tariff threats against the EU (European Union), US corporations like Apple and China in the last week of the month reversed this optimism as investors grappled with the implications of potential trade escalations and rising bond yields.

International markets showed relative resilience. European equities attracted investor interest due to more attractive valuations and a perception of being less exposed to U.S.-China trade disputes. Strategies focusing on value and low volatility were favoured during the sell-off, with a shift back to momentum and growth as the Trump administration postponed reciprocal tariffs to calm financial market turmoil.

In the bond markets, international bonds demonstrated significant resilience and outperformance. Concerns surrounding potential stagflation and public debt in the United States, triggered by the "Liberation Day" tariffs announcement, prompted substantial capital outflows. These developments indirectly resulted in a marked depreciation of the U.S. dollar against key currencies, including the euro, the Japanese yen, and the British pound.

Market uncertainty is anticipated to persist in the near term unless substantial progress is achieved in trade negotiations and a revised international trade framework is established. Projections indicate that the US dollar will likely remain under downward pressure, influenced by heightened policy uncertainty. In the forthcoming period, financial markets are expected to exhibit increased volatility, reacting to developments and announcements concerning trade discussions.

Given this environment, a sensible approach is advisable to safeguard income and portfolio performance. As a result, diversification across multiple asset classes and international markets has become increasingly important for ensuring resilience and stability. This approach highlights that substantial market declines remain a possibility, and effective asset allocation diversification is essential in safeguarding investors.



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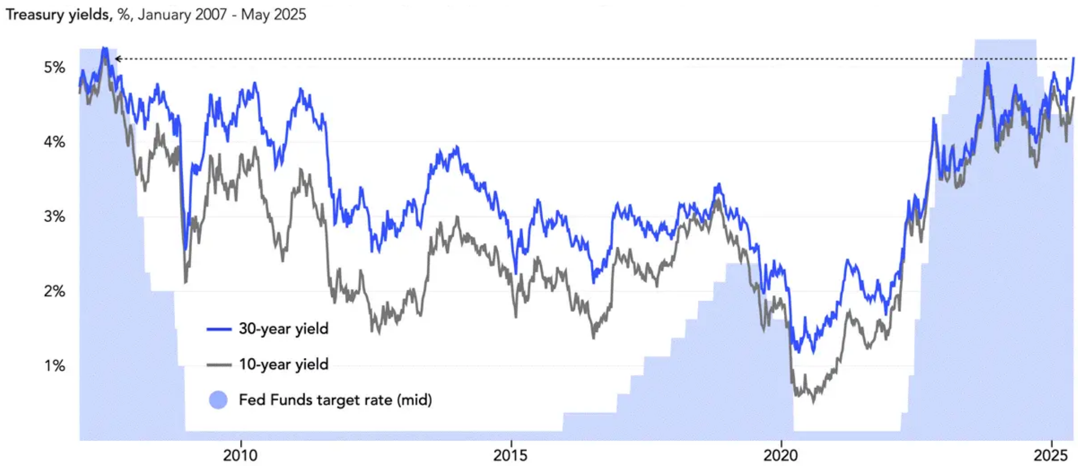
Macroeconomy

May was characterised by the influence of the passage of the "One Big Beautiful Bill Act" and the confirmation of a notably pessimistic outlook among consumers:

- **US risk-free rate as gold standard in jeopardy**: Long-term U.S. Treasury yields have surged, reflecting mounting investor concerns over fiscal policy and debt sustainability. The 20-year Treasury bond yield recently exceeded 5%, reaching 5.047% during a $16 billion auction, which was one of the weakest since the maturity's reintroduction five years ago. The spike in yields is largely attributed to the passage of the "One Big Beautiful Bill Act" by the U.S. House of Representatives. This legislation, which now awaits Senate approval, proposes extending the 2017 tax cuts and introducing significant spending cuts, including reductions to Medicaid. Analysts estimate that the bill could add approximately $3.8 trillion to the national debt over the next decade, which forced Moody's to recently downgrade the U.S.'s credit rating, citing mounting concerns over debt sustainability. As a result, long-term yields are rapidly approaching levels last seen in 2007 pre-GFC (previous to Global Financial Crisis).



- **Business confidence recovery might be short-lived**: U.S. business activity rebounded from April's 16-month low, according to PMI data. The services PMI rose from 50.8 to 52.3, and the manufacturing PMI climbed from 50.2 to a 3-month high of 52.3, with both surpassing expectations. Business sentiment, while still muted, improved to its highest level since early in the year, partly due to eased trade concerns after a temporary tariff pause. However, the report flagged weak employment trends and inflationary pressures, with prices increasing at their fastest pace since August 2022, largely due to tariffs, which suggests that some of the May improvement may reflect businesses and customers acting ahead of potential new tariffs.

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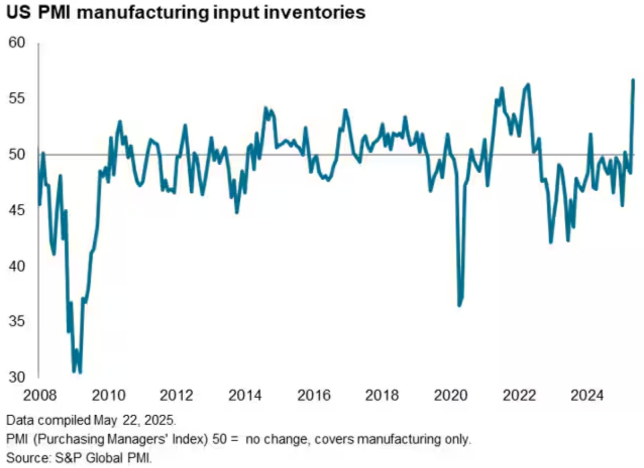
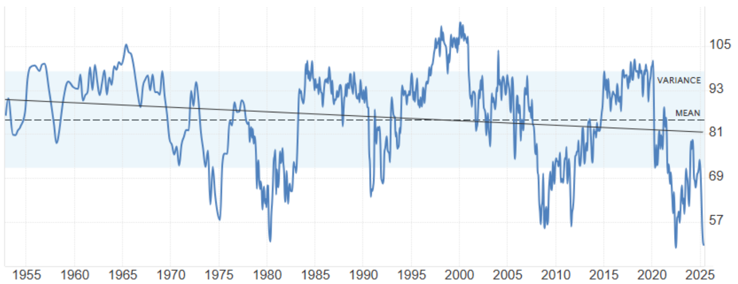


- **U.S. Consumer Sentiment Hits Near-Record Low in May**: In May 2025, U.S. consumer sentiment dropped sharply to 50.8, down from 52.2 in April and well below expectations of 53.4, marking the lowest reading since June 2022 and the second-lowest on record, per preliminary data from the University of Michigan. Concerns over tariffs were cited by nearly 75% of consumers, up from 60% in April, reflecting growing anxiety over trade policy. Personal finances weakened, with assessments falling 10% due to declining incomes. On inflation, short-term expectations surged to 7.3%—the highest since 1981—while long-term expectations rose to 4.6%.

US Consumer Sentiment (U. Michigan)



- **Two-face housing market**: April's housing data revealed a stark contrast between existing and new home markets. Existing home sales declined 0.5% to an annualized 4 million units, the lowest April figure since 2009, according to the NAR (National Association of Realtors). Yet, median prices rose to $414,000, marking the 22nd straight year-over-year increase, driven by tight inventory and homeowners reluctant to sell due to lower locked-in mortgage rates. Concurrently, 30-year mortgage rates hit their highest level since mid-February, further dampening affordability. Meanwhile, new home sales jumped to 743,000 units, a 10.9% monthly increase, per the Census Bureau. The median price fell to $407,200, down 2% year-over-year, as builders responded to high rates with price cuts and incentives. This divergence highlights that while the existing home market suffers from constrained supply and sticky prices, the new home segment shows builder agility and price responsiveness, easing access for rate-sensitive buyers but a lower level of supply available to them.

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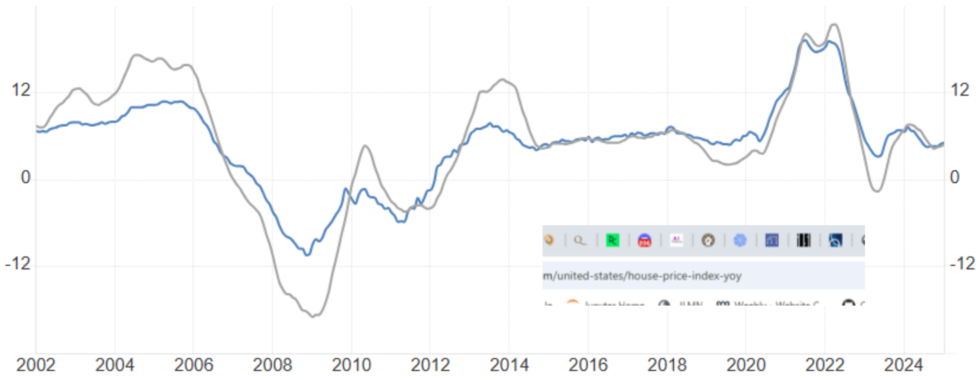
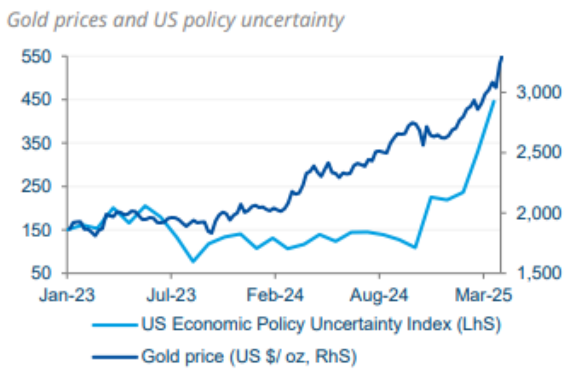
US Home Price Indices YoY



Commodities and Currencies

In May, oil markets saw sharp swings as Brent crude reversed earlier losses due to the impact of renewed sanctions on Iran and heightened concerns over global supply disruptions. Gold hit record highs amid inflation concerns, while copper wavered on mixed trade signals. Crypto markets surged, with Bitcoin and Ethereum soared on favourable U.S. regulation and major tech upgrades:

- Energy: oil markets experienced significant volatility in May, influenced by geopolitical tensions and supply dynamics. Brent crude oil prices dropped to a four-year low of just above $60 per barrel in early May before rebounding to around $66 per barrel. The fluctuations were driven by new sanctions on Iran, concerns over global supply disruptions, and broader economic uncertainties that partially offset OPEC+ decision in April to boost production.
- Metals: Gold prices surged to record highs, surpassing $3,300 per ounce, as investors continue seeking safe-haven assets amid heightened economic uncertainty and persistent inflationary pressures. The surge was fuelled by fears over inflation linked to President Trump's recent tariff announcements and geopolitical instability. In the base metals space, copper and other industrial-related metals faced a tug of war between the optimism surrounding potential easing of trade tensions and the ongoing concerns regarding global demand.



- Soft Commodities: Agricultural commodities displayed mixed performance. Grain prices like wheat, corn, and soybean prices declined as supply-friendly dynamics lingered influenced by crop-friendly weather conditions and improved supply forecasts. As a result, livestock contracts rallied, supported by expectations of lower feed costs and strong demand ahead of the grilling season.

- Crypto: the cryptocurrency market showed resilience in May, with major cryptocurrencies like Bitcoin and Solana posting gains. Bitcoin surged to a new record high, driven by growing optimism surrounding recent U.S. regulatory developments favouring cryptocurrencies. The advancement of a bipartisan crypto bill in Congress, focusing on regulating the stablecoin market, contributed to the positive sentiment. Ethereum also made an impressive comeback fuelled by the successful rollout of the long-awaited Pectra upgrade, which significantly improved Ethereum's scalability and reduced transaction fees.

Topic of the Month: US Corporate Earnings Season

While tariffs remain a persistent subject of concern in financial markets, particularly following the latest threats issued by the Trump administration towards the European Union and prominent U.S. corporations such as Apple, it is prudent to assess the overall performance of America's corporate sector amidst this environment of heightened uncertainty, especially with regard to taxation and international trade conditions.

The latest earnings season focused on 1Q25 results came in strong, with results broadly exceeding expectations on both the top and bottom lines, yet showing a certain degree of softness with regards the former when comparing it against historical records. Corporate America has now delivered its second consecutive quarter of double-digit EPS growth, even amid pockets of macro uncertainty, most notably tariff pressures:

- Strong beat rate on the bottom line, but softer on the top: bottom-line beats were widespread, with 78% of S&P 500 companies surpassing earnings expectations, which was comfortably ahead of the 5- and 10-year averages (both around 75–77%). That said, the top-line beat rate came in at 63%, a bit softer than historical norms, particularly the 5-year average of 69%, which confirm the reported weak consumer macroeconomic sentiment data. Moreover, this divergence suggests that companies are doing more with less i.e. driving profitability through cost discipline and operational efficiencies, even as topline growth moderates.
- Healthcare leading the outperformers: Health Care took the top spot with +40% YoY EPS and +8% YoY Revenue growth, driven by major upside surprises from names like Bristol Myers Squibb and Gilead Sciences. These results benefited from lapping unusually weak non-GAAP comps a year ago, but even adjusting for that, performance was solid across providers, payers, and biopharma. Other sectors such as Communication Services came in hot with +29.2% YoY EPS growth, largely thanks to Alphabet and Meta Platforms, both of which experiencing margin expansion due to both operational leverage and a rebound in digital ad spending. Lastly, Technology companies also reported double-digit growth figures, driven by resilient enterprise demand; in the same line as Utilities overdeliver reflecting base rate adjustments, favourable weather comps, and stable regulated returns.

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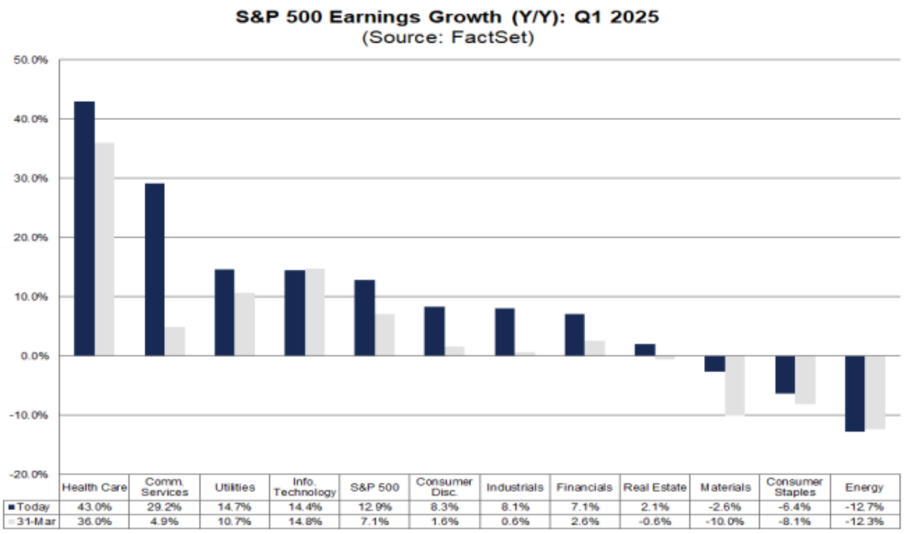
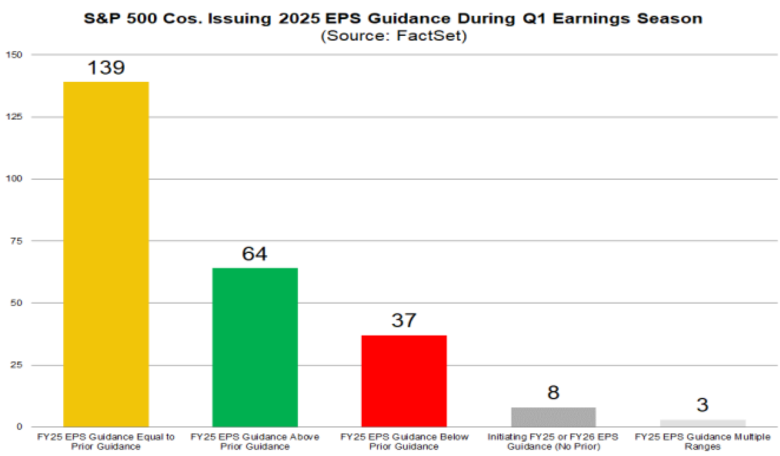


- Energy feeling the heat: Energy was the biggest drag on index-level earnings, with more than -12% YoY decline in EPS, driven by lower realized oil prices and softness in refining margins. The Oil & Gas Refining & Marketing sub-industry was particularly weak in terms of margin compression. Likewise, Industrials was the only sector with slight negative revenue growth (-0.7% YoY), as pockets like machinery and building products underwhelmed due to slowing capex and construction activity. Lastly, Consumer Staples firms delivered a soft set of results on the revenue front, with only 42% beating estimates, and several companies signalling margin headwinds tied to input costs and waning pricing power.
- Overly optimistic corporates: Unlike past periods of volatility (e.g., Q1 2020), only 3% of companies withdrew annual EPS guidance, with most maintaining or even raising prior forecasts despite tariff-related uncertainty. Of the 259 companies that offered full-year guidance, 24% raised their expectations and 14.3% lowered estimates. These guidance trends suggest that while firms are cautious, they are not panicking most have plans in place to navigate these headwinds. However, these initiatives could face significant setbacks if the Trump administration continues to pressure U.S. corporations, such as Apple, to relocate their production operations.



- Investors demonstrated unexpected leniency: Companies that exceeded earnings expectations received significant positive price action, well above historical standards.

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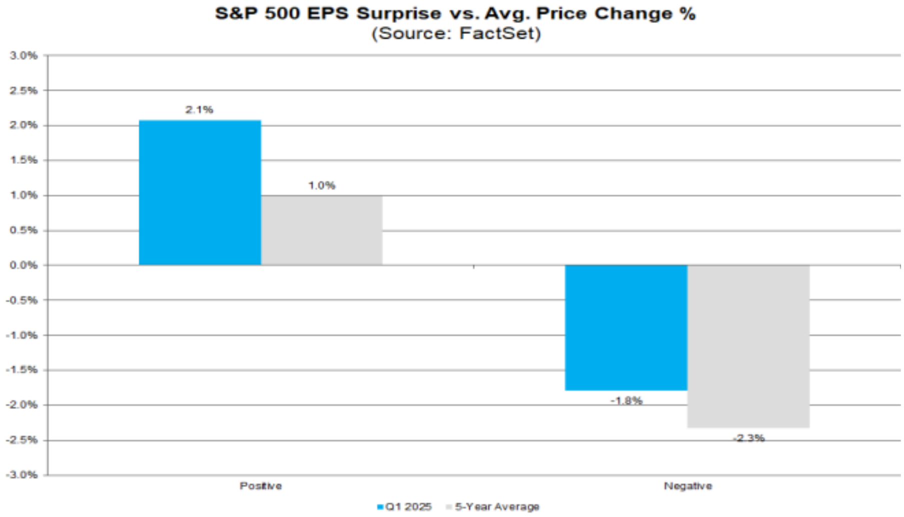
Simultaneously, stocks that underperformed saw diminished trading losses compared to the five-year average, reflecting a market environment more accommodating of downside risks than typical historical trends. For instance, as the chart below highlights, those stocks falling short of estimates suffered an average post-earnings stock trading return losses of 1.8%, which is well below the 2.3% average loss experienced on average for the period 2020-2025.



- Consensus self-assured expectations on tariffs: Earnings per share (EPS) growth for 2025 is anticipated to reach +9.1% YoY, while 2026 projections are still sanguine at +13.4% YoY. These projections highlight analysts' optimism regarding the sustained stability of margins and operational efficiency. This perspective implies that the financial community is assuming that tariff-related challenges will remain manageable for corporations or may be resolved by 2026, under the expectation that the Trump administration will reach equitable agreements with all parties involved. However, this outlook appears overly optimistic given the current economic and geopolitical climate. Moving forward, investors are advised to closely monitor developments in tariff policies, particularly in sectors with global supply chains or high consumer exposure. The upcoming earnings season will serve as a critical indicator, offering insights into corporate profitability that align more closely with the prevailing uncertainties observed since the conclusion of the first quarter of 2025.

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MG's Message to Investors

- Despite the pleasant returns in the stock market, this month of May proved to be a period of pronounced market turbulence, marked by oscillations between risk-on and risk-off sentiment, as investors grappled with unpredictable policy developments and an absence of sustained momentum across asset classes. Gold stood out as a notable exception, benefitting from its status as a safe-haven asset amid amplified volatility. The escalating economic uncertainty is the only constant, largely driven by renewed trade frictions between the Trump administration and the European Union, coupled with mounting pressure on major corporations like Apple. Additionally, geopolitical headwinds remain entrenched, with peace negotiations and ceasefire agreements repeatedly thwarted by entrenched discord among conflicting entities.
- Despite initial optimism regarding the potential resolution of trade tensions between the United States and China, investors concluded the month by adopting a more defensive stance, favouring large-cap equities as renewed tariff disputes emerged between the United States and the European Union as well as new issues in the US-China relationship after remarks of "foul play" by China during the latter week of May. The prevailing uncertainty underscored the importance of diversification across asset classes and geographic regions, as market participants sought stability amidst an increasingly volatile environment.
- As June begins, MG highlights the following tactical views:
  - Volatility Likely to Persist amid unresolved tariff and geopolitical risks.
  - <u>Equities:</u> Maintain Neutral Exposure, with a preference for large caps; avoid small/micro caps and Ems (Emerging Markets) in the near term. That said, US mid-caps offer selective value opportunities.
  - <u>Fixed Income</u>: Recent yield spikes present opportunities in long-duration government and short-term corporate bonds within the investment grade space.
  - <u>Alternatives</u>: Gold remains attractive in a stagflationary backdrop.
  - These recommendations are short-term in nature and subject to change as market conditions evolve.
- MG reminds its investors about the critical importance of disciplined risk management, reaffirming the necessity of adopting a cautious, data-driven methodology focused on achieving long-term performance objectives. In this way, MG remains steadfast in its commitment to diligently monitor financial markets and actively adjust risk exposures in alignment with shifting market dynamics. The primary recommendation emphasises the preservation of a fully diversified portfolio, ensuring its structural integrity by refraining from imprudent exposure to risks or opportunities that may appear excessively favourable or unsustainable.

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MG Investment Solutions Taxonomy

- MG ETF Asset Allocation Portfolios: Multi-asset class diversified mandates employing a quantitative asset allocation framework that dynamically adjusts portfolio exposures in response to evolving market conditions and the distinct risk profile of each mandate, with the objective of effectively navigating the prevailing environment of uncertainty.
- MG ETF High Income Portfolio: A diversified ETF portfolio designed as an alternative investment vehicle for investors seeking short-duration, highly liquid exposure with the objective of generating monthly income. The strategy targets a mid-single digit yield and is recommended for investors with a minimum investment horizon of two years.
- MG Opp Portfolio: An equity portfolio managed through a quantamental investment process, selecting U.S. stocks with a higher likelihood of outperformance over the medium to long term. The portfolio maintains a strategic bias toward large-cap growth companies.
- MG Opp Dividend Portfolio: An equity portfolio constructed through a quantamental investment process, focused on the selection of U.S. stocks with a dividend yield significantly higher than the broad U.S. equity market. The portfolio emphasizes companies with high-quality balance sheet, aiming to enhance the likelihood of outperformance over the long term, with a strategic bias toward mid-cap value and quality-oriented stocks.
- MG Emerging Technologies (MGET): A Tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by allocating capital to high-growth transformative thematic opportunities such as Artificial Intelligence, Cybersecurity, Robotics, Biotechnology, Blockchain, and Quantum Computing.
- MG Blockchain (MGBLOCK): A tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by offering investors diversified access to the cryptocurrency sector. The strategy employs a combination of direct exposure to cryptocurrency-linked, fiat currency-denominated ETFs (focused on Bitcoin and Ether) alongside indirect exposure to publicly traded companies demonstrating high sensitivity to the blockchain ecosystem.

MG Solution	Short	Asset Class	Description
MG Asset Allocation ETF	*MGAA*	Multi-Asset Class	Multi-asset class diversified mandates employing a quantitative asset allocation framework that dynamically adjusts portfolio exposures in response to evolving market conditions and the distinct risk profile of each mandate, with the objective of effectively navigating the prevailing environment of uncertainty.
MG High Income ETF	*MGHI*	Fixed Income	A diversified ETF portfolio designed as an alternative investment vehicle for investors seeking short-duration, highly liquid exposure with the objective of generating monthly income. The strategy targets a mid-single digit yield and is recommended for investors with a minimum investment horizon of two years
MG Opp	*MGOP*	Equity	An equity portfolio managed through a quantamental investment process, selecting U.S. stocks with a higher likelihood of outperformance over the medium to long term. The portfolio maintains a strategic bias toward large-cap growth companies
MG Opp Dividend	*MGOD*	Equity	An equity portfolio constructed through a quantamental investment process, focused on the selection of U.S. stocks that prioritize a dividend yield approximately three to four times higher than that of the broad U.S. equity market. The portfolio emphasizes companies with high-quality balance sheet, aiming to enhance the likelihood of outperformance over the medium to long term, with a strategic bias toward mid-cap value and quality-oriented stocks.
MG Emerging Tech	*MGET*	Equity	A Tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by allocating capital to high-growth transformative thematic opportunities such as Artificial Intelligence, Cybersecurity, Robotics, Biotechnology, Blockchain, and Quantum Computing.
MG Blockchain	*MGBLOCK*	Equity & Crypto ETF	A tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by offering investors diversified access to the cryptocurrency sector. The strategy employs a combination of direct exposure to cryptocurrency-linked, fiat currency-denominated ETFs (focused on Bitcoin and Ether) alongside indirect exposure to publicly traded companies demonstrating high sensitivity to the blockchain ecosystem.