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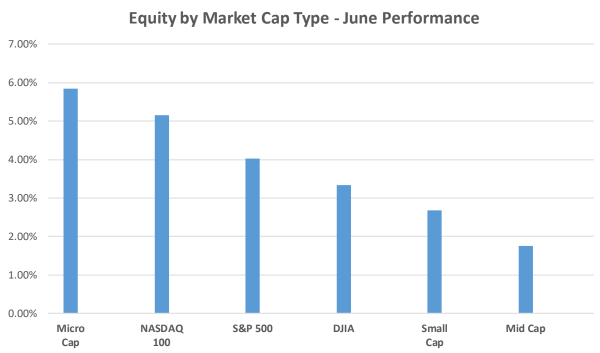
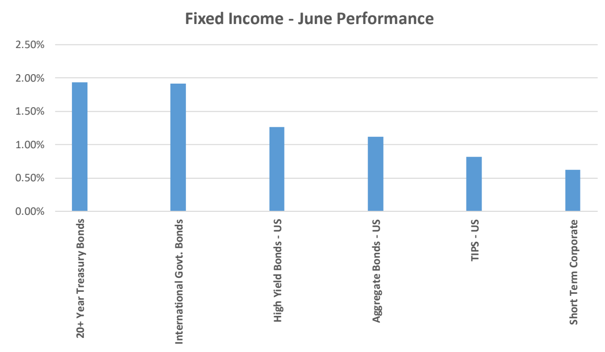
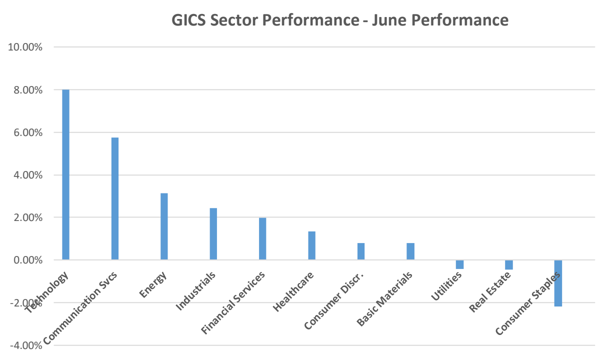
June 2025 - Market Comments

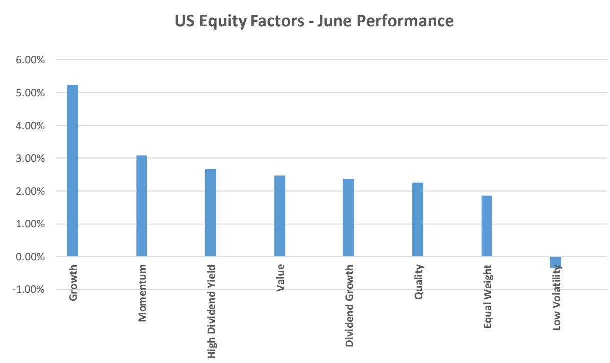
Markets in a Glimpse

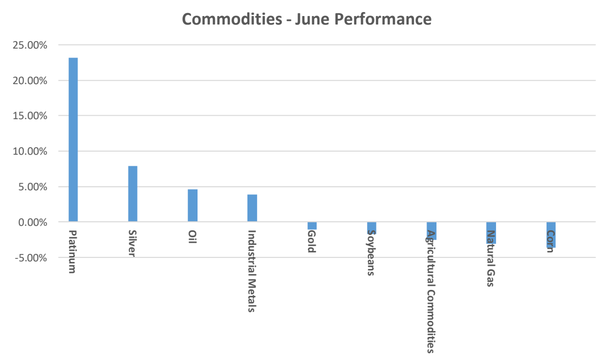
- **Global equities on Fed Speculation**: stocks rallied hitting fresh highs amid risk-on sentiment boosted by a higher probability of lower Fed fund rates in 2025.
- **Fed holds steady, hints at cuts**: In June, the Fed kept rates at 4.25–4.5%, citing inflation risks from tariffs and geopolitics, while signaling two rate cuts later this year
- **US Consumer weakness confirmed**: The lingering US consumer crisis is only assuaged by the resilience of the job market; yet international equities' resilience suggests investors are not betting for a renaissance of the American consumer any time soon.
- **Oil volatility**: Brent rose dramatically above $77/bbl amid Israel-Iran tensions, before easing back below $70 as calm prevailed and oversupply concerns returned.
- **Crypto Bounce**: Bitcoin surged dramatically as risk-on flows returned, with other key altcoins rallying on crypto-friendly regulation hopes.

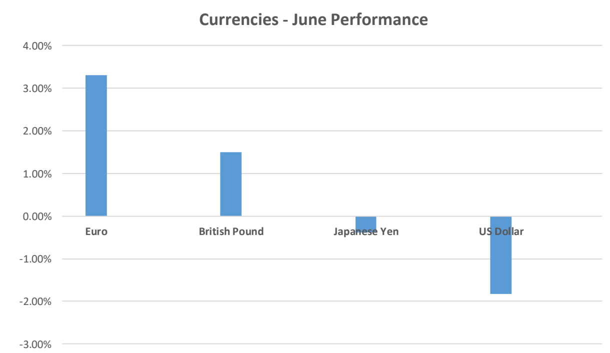












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June 2025 - Market Comments

In-Depth Market Review

Financial Markets

Equities

U.S. stocks posted steady gains through June, driven by optimism upon the Federal Reserve's willingness to adjusting policy later in the year. Growth-oriented and tech-heavy segments led the charge, while small companies and value-oriented pockets underperformed with defensive sectors suffering mild outflows as risk appetite returned. There was a clear exception with microcaps outperforming on aggressive bargain-hunting. Overall, the rally remained somewhat concentrated in large-cap, leaving questions about its fragility as Q3 earnings season kicks off.

Fixed Income

Bond markets posted a stable month, with longer-term U.S. government bonds gaining modestly but facing headwinds from sticky inflation readings and tariff concerns. Investors continued to watch the Fed's signals carefully: the central bank's steady hand has kept front-end yields relatively anchored, while longer yields reflect a tug-of-war between softening growth and inflation fears.

High-yield corporate bonds held firm, supported by the broader risk-on mood and resilient credit conditions. Outside the U.S., international government debt outperformed domestic bonds, supported by a weaker dollar and more dovish central banks abroad.

Commodities

Commodities presented a mixed picture in June with oil prices swing widely i.e. surging early in the month on Middle East tensions but pulling back as supply concerns eased and inventories remained healthy. Natural gas stayed volatile as traders weighed shifting demand against weather forecasts and regional supply data. In metals, safe-haven demand continued to support platinum and silver, both extending strong gains from earlier in the year. Gold, meanwhile, saw mild selling as immediate geopolitical fears cooled, though prices remained historically elevated. Agricultural markets softened overall as planting conditions improved and weather trends turned favourable.

Currencies

Currency markets reflected the same tug-of-war seen in bonds: the dollar weakened further in June, pressured by dovish signals and signs of investor repositioning away from U.S. assets. The weaker dollar underpinned commodity strength in parts of the market, supporting metals and oil before inventories pushed prices lower again.

Lastly, the cryptocurrency market rebounded strongly in June boosted by improved risk sentiment after geopolitical tensions calmed. Major altcoins like Bitcoin, Ether, Solana, and Dogecoin also advanced, helped by renewed speculation of friendlier regulatory frameworks.

Monthly Key Takeaway

June ended on a cautiously optimistic note: risk assets stabilized as immediate geopolitical shocks faded, but the rally's leadership narrowed around tech and growth giants. Bonds held steady, showing that the Fed's next moves remain the decisive factor for yield direction.

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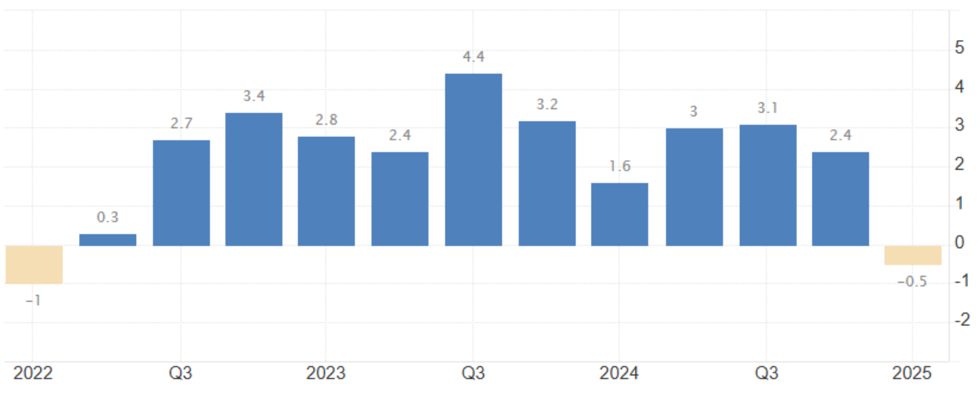
Macroeconomy

June underscored a nuanced macro landscape: the US shows pockets of resilience but faces growing headwinds, while other developed economies in Europe are grappling with policy tightening lags, sluggish demand, and inflation complexities:

- **US economic growth stumbles on weak consumer**: U.S. economy contracted at an annualized rate of 0.5% in the first quarter of 2025, marking the first quarterly decline in GDP in three years and coming in weaker than the second estimate of a 0.2% drop. The softer growth was driven primarily by significant downward revisions to consumer spending, which only increased by just 0.5%, its slowest pace since the early pandemic slump in 2020. Overall, the updated figures highlight how trade distortions and weak consumer momentum dragged on the economy at the start of 2025.

US GDP Growth – Quarterly Annualized



- **Business Confidence remains modestly solid**: The S&P Global flash Composite PMI for June stood at 52.8, reflecting resilient growth and the strongest reading since January 2024. Both the manufacturing and services sectors exhibited expansion, though services slightly softened relative to May.

- **Lingering Consumer confidence depression**: both Conference Board and Michigan indices highlight a nuanced but cautious consumer behaviour, marked by some improvements yet underpinned by underlying economic anxiety:
  - These consumer indices complement each other by providing a comprehensive view of economic sentiment. While the University of Michigan Index focuses on household inflation expectations and financial outlook, the Conference Board Index emphasises job market conditions and recession risks.
  - The Conference Board's Consumer Confidence Index declined to 93 in June, with the short-term outlook plunging to 69, falling below the critical recession warning threshold of 80. This drop reflects increasing domestic caution among consumers, who have grown apprehensive following the implementation of significant tariffs on imports by former President Trump.
  - Despite this prevailing caution, a notable silver lining emerged towards the end of the month with the University of Michigan's Consumer Sentiment Index exceeding expectations at 60.7 in June, up from 52.2 in May, the strongest monthly gain in over

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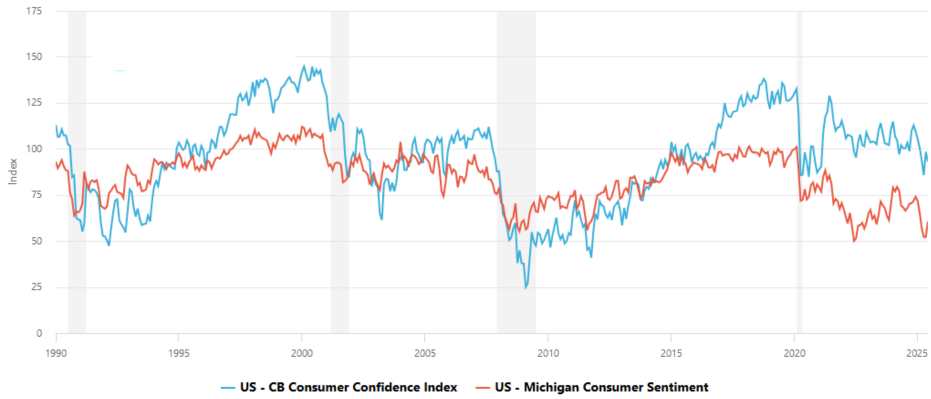
June 2025 - Market Comments

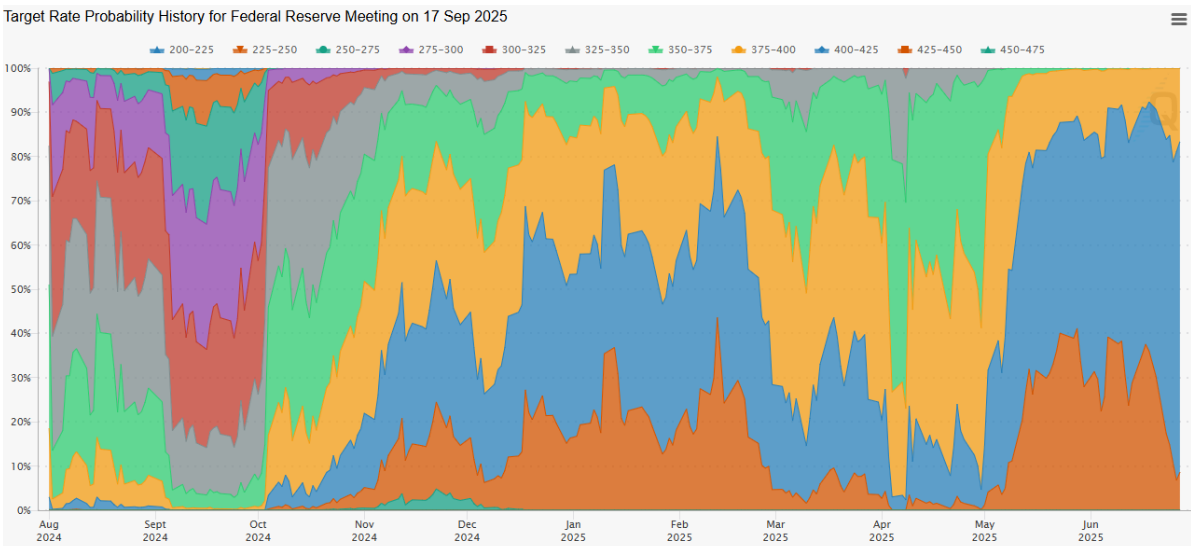
three decades. While this recovery in sentiment is encouraging, its tone remains cautious rather than confident.

- For a decisive rebound in consumer spending and consumer-led economic growth, sentiment levels need to rise significantly and maintain their upward trajectory.

US Consumer Confidence Indices



- **Inflation and rate expectations diverge**: The Fed held its policy range at 4.25-4.50% during June. The updated SEP (Summary of Economic Projections) projected two quarter-point cuts by year-end, yet internal splits emerged—seven members foresee no cuts in 2025. Fed Chair Powell emphasized the need for "more time" to assess tariff-driven price pressures while reassuring market watchers about Fed independence amidst political scrutiny. Fed Funds futures have priced an increasing probability of witnessing rate cuts in future meetings, particularly starting in September.



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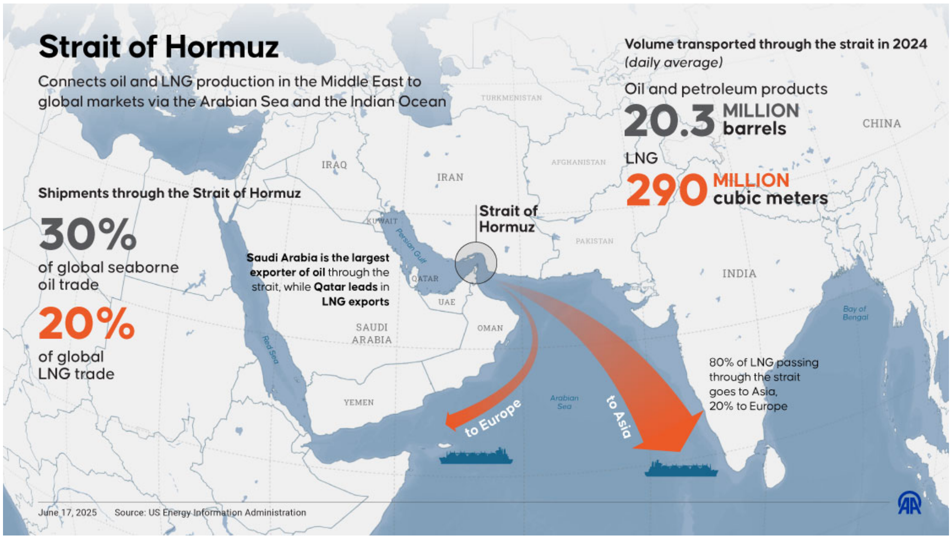
June 2025 - Market Comments

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 in June were highly volatile. Mid-month, crude prices surged by about 11% after Israeli airstrikes on Iran raised concerns over supply disruptions, with Brent crude climbing above $74 per barrel and WTI reaching nearly $78. However, as geopolitical tensions eased later in the month, prices retraced, settling closer to the $65–67 range. Despite the temporary price spike, underlying supply conditions remained comfortable: global oil demand is projected to rise by around 720,000 barrels per day in 2025, while total supply is expected to expand by about 1.8 million barrels per day. Rising inventories in May also added downward pressure on prices heading into July. Only an aggressive stance of Iran blocking the Strait of Hormuz could change this benign supply-demand picture, which might be unlikely since the lions' share of the oil and LNG volume transported is directed to China, which is the most important ally of Iran against the US after signing in 2016 a "Comprehensive Strategic Partnership" agreement focused on expanding bilateral cooperation across a large number of sectors, including energy, trade, infrastructure, and military ties.



- Metals: Gold traded within a range of $3,330 to $3,420 per ounce during June. Prices jumped mid-month due to geopolitical uncertainty but softened toward the end of the month as safe-haven demand eased. Silver stayed strong, hovering near multi-year highs around $36.40 per ounce. Platinum prices also gained ground, climbing to levels not seen in over a decade, supported by broad-based strength in the precious metals complex. Cycle-sensitive base metals like Copper were mixed throughout the month as strong structural demand from electric vehicles and green infrastructure was offset by concerns over slowing global growth and industrial activity limited gains. Lithium remained in focus too, retaining underlying

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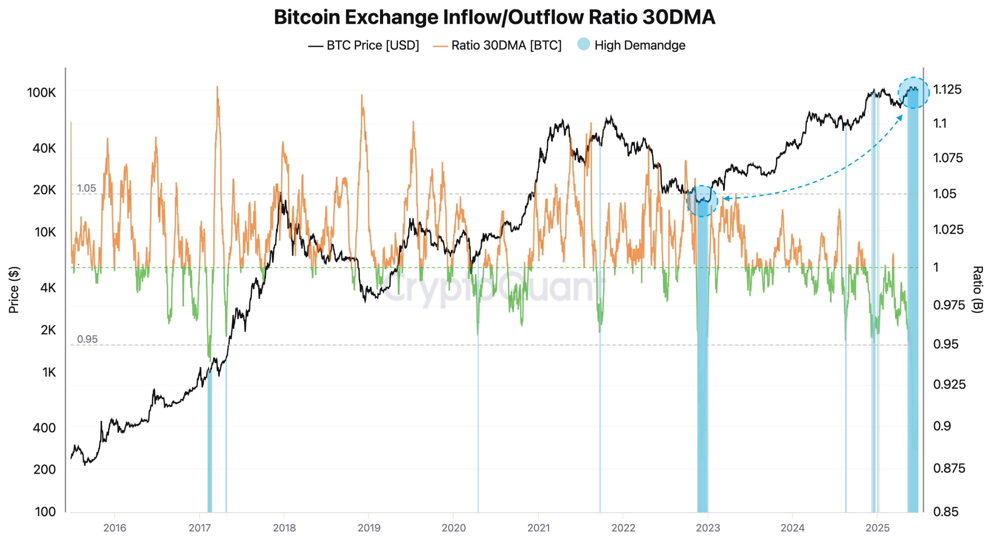
strength from the ongoing electric vehicle boom, although prices showed typical short-term volatility.

- Soft Commodities: U.S. Department of Agriculture's June update revised U.S. cotton production lower to about 14 million bales, down from 14.5 million in May. Unfavourable weather, including planting delays and heavy rainfalls in key growing regions, contributed to the downgrade. Elsewhere, grain markets remained generally stable, supported by weather tailwinds and steady demand forecasts. That said, soft commodities lagged the sharp price swings seen in energy and metals markets.
- Cryptocurrencies: The cryptocurrency market rebounded strongly in June. Bitcoin climbed past $105,000 late in the month, boosted by improved risk sentiment after geopolitical tensions calmed. Major altcoins like Ether, Solana, and Dogecoin also advanced, helped by renewed speculation that regulators might soften oversight and that monetary policy could become more supportive of digital assets in the second half of the year. On a technical basis, Bitcoin (BTC) 30-day simple moving average (SMA) exchange inflow/outflow ratio currently stands at 1.125, a high level akin to that at the beginning of the late 2023 bull run, which suggests that market demand for BTC remains strong.



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June 2025 - Market Comments

Topic of the Month: Geopolitical Risk

Geopolitical risks such as wars, terrorist attacks, and regional conflicts have long been part of the global market landscape. The Middle East, a region critical to global energy supplies, is often at the centre of these risks. Yet over the past two decades, investors have noticed a striking pattern: Western stock markets increasingly shrug off regional Middle East tensions, unless they pose a direct threat to global supply chains or Western interests.

The following table event analysis underscores how geopolitical events in the Middle East during the 21st century have exhibited a localized impact, with developed stock markets demonstrating a lower correlation to such events. This trend highlights that many Middle Eastern incidents remain confined within regional boundaries. Firstly, civil wars, proxy conflicts, or recurring Israel-Gaza escalations rarely spread region-wide. Moreover, Energy markets are more resilient due to US shale production and strategic reserves as well as the transition towards renewable sources occurring in developed economies. Lastly, investors assume regional flare-ups will not spiral into full-scale wars disrupting global trade and that, if it does, it will contain by the actions of central banks and governments as it happened of late with the 2020 global pandemic.

Stocks Usually Recover Quickly From Geopolitical Crisis
S&P 500 Performance After Geopolitical Events

Event	Start Date	1-Week Gain/Loss	1-Month Gain/Loss (%)	3-Month Gain/Loss (%)	6-Month Gain/Loss (%)	1-Year Gain/Loss (%)
Germany Invades France	May-40	-13.5	-25.8	-16.1	-6.0	-22.0
Pearl Harbor	December-41	-2.7	0.3	-9.0	-5.6	3.7
Korean War	June-50	-7.6	-8.7	1.2	4.9	11.2
Suez Canal Crisis	October-56	1.6	-4.3	-4.1	-1.4	-11.5
Cuban Missle Crisis	October-62	-1.9	7.6	17.2	24.5	32.0
JFK Assassinated	November-63	2.2	3.1	8.3	12.7	20.5
U.S. Bombs Cambodia	April-70	-2.9	-6.4	-4.9	2.0	27.9
Kent State Shootings	May-70	-2.5	-4.4	-4.1	2.2	26.8
Iranian Hostage Crisis	November-79	-1.0	3.2	11.4	3.0	25.9
USSR in Afghanistan	December-79	0.3	5.4	-7.8	6.4	25.7
Falkland Islands War	April-82	2.1	2.7	-3.7	5.8	34.5
Beirut Bombing	October-83	-1.6	0.1	0.7	-5.5	0.8
U.S. Invades Grenada	October-83	-1.5	0.6	-0.7	-5.5	0.7
U.S. Bombs Libya	April-86	3.1	0.1	0.3	-0.6	17.7
Invasion of Panama	December-89	-0.8	-3.7	-3.4	3.7	-6.9
Iraq Invades Kuwait	August-90	-3.3	-8.1	-13.5	-2.1	10.2
Gulf War	January-91	4.4	16.7	22.6	20.6	32.3
Gorbachev Coup	August-91	2.2	0.1	3.0	7.0	9.1
World Trade Center Bombing	February-93	1.1	1.9	2.5	4.2	5.4
Oklahoma City Bombing	April-95	1.3	2.8	11.3	16.1	27.0
U.S. Embassy Bombings - Africa	August-98	-1.4	-6.1	2.7	14.6	19.3
U.S.S. Cole Bombing - Yemen	October-00	-1.6	0.1	-4.7	-14.6	-19.6
WTC and Pentagon Attacks - 9/11	September-01	-4.9	-1.1	4.3	6.9	-16.7
Bali Nightclub Bombing	October-02	5.9	4.9	11.0	3.9	25.1
Iraq War	March-03	-0.5	2.1	15.7	17.4	28.4
Madrid Terror Attacks	March-04	0.0	1.9	1.6	-0.7	7.6
London Train Bombing	July-05	2.4	2.6	1.6	6.6	6.6
India, Israel & Lebanon Bombings	July-06	-2.8	-0.1	6.1	11.0	19.4
Russia Invades Ukraine (Crimea)	February-14	0.8	1.0	2.6	8.3	14.7
Mean		-0.8	-0.4	1.8	4.8	12.3
Median		-0.8	0.3	1.6	4.2	14.7
% Positive Return		41%	66%	62%	69%	83%

Nonetheless, it may be contended that the current geopolitical developments possess the potential to escalate into a scenario resembling a global conflict, with significant factors such as divisions among Western countries, localized conflicts (Russia-Ukraine, Iran-Israel-Gaza-Iran) potentially involving directly major powers (US, China), and unforeseen events serving as catalysts for a broader international war e.g. World War 3.

Regrettably, the answer to the question "How do wars broadly impact the economy and stock markets?" can only be inferred by analysing the limited and distant conflicts of the past. Consequently, any extrapolation of this data should be approached with cautious consideration. The key insights derived from historical observations are outlined as follows:

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June 2025 - Market Comments

- Although military conflicts and defence expenditures constitute a substantial portion of the United States' GDP, wars frequently exert minimal sustained effects on domestic stock markets or economic growth.
- Brune et Al 2011 examined U.S. military conflicts after World War II found a surprising pattern. When there is a pre-war phase, during which tensions build and the likelihood of war gradually rises, stock prices tend to fall in anticipation of conflict. Yet, when war actually breaks out, stock prices often rise instead. Conversely, when a war starts unexpectedly, without a clear buildup, the sudden outbreak usually drags stock prices down.
- Armbruster 2017 revealed that stock market volatility was actually lower during periods of war than during peacetime for the period from 1926 through July 2013. This counterintuitive calm suggests that once war begins, uncertainty may decrease because the market shifts focus from speculation to known realities. Historically, stock markets have demonstrated resilience, often recovering to pre-conflict levels within a matter of days or weeks following the initiation of armed engagements or standoffs.

Capital Market Performance During Times of War

	Large-Cap Stocks	Small-Cap Stocks	Long-Term Bonds	Five-Year Notes	Long-Term Credit	Cash	Inflation
1926-2013							
Return	10.0%	11.6%	5.6%	5.3%	5.9%	3.5%	3.0%
Risk	19.0%	27.2%	8.4%	4.4%	7.6%	0.9%	
All Wars							
Return	11.4%	13.8%	2.2%	3.7%	2.8%	3.3%	4.4%
Risk	12.8%	20.1%	6.4%	3.5%	5.5%	0.7%	
World War II							
Return	16.9%	32.8%	3.2%	1.8%	3.0%	0.3%	5.2%
Risk	13.8%	21.0%	1.9%	0.8%	1.1%	0.0%	
Korean War							
Return	18.7%	15.4%	-1.1%	0.7%	0.3%	1.5%	3.8%
Risk	11.1%	12.7%	3.0%	1.7%	3.2%	0.1%	
Vietnam War							
Return	6.4%	7.3%	1.9%	4.7%	2.7%	4.9%	4.1%
Risk	12.1%	21.1%	8.1%	4.4%	6.9%	0.3%	
Gulf War							
Return	11.7%	-1.2%	12.5%	12.5%	12.1%	7.0%	4.7%
Risk	19.4%	27.5%	8.4%	3.8%	6.7%	0.2%	

The recent United States' attack on Iran has elicited a measured response from the markets thus far; however, the potential for escalation remains a critical concern. A primary focus lies on the uncertainty surrounding Iran's potential retaliation, particularly regarding any disruption to the Strait of Hormuz. Such a disruption could prove pivotal for global financial markets, prompting investors to consider hypothetical scenarios that add an element of unpredictability and significantly impact oil and commodity prices. That said, Iran precipitating such event is unlikely for the reasons pointed out in the last section.

Moreover, the prospect of a direct attack on U.S. soil, reminiscent of the September 11 events, represents a substantial threat that could trigger a pronounced market correction in the short term.

Unfortunately, the timing and nature of any retaliatory actions remain highly unpredictable, compelling financial markets to maintain an outlook assuming that geopolitical risks will predominantly stay confined to the Middle Eastern region. This perspective is further supported by the expectation that the Federal Reserve will take decisive action to stabilize markets, thereby fostering the risk-on behaviour observed during the latter half of June.

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June 2025 - Market Comments

MG's Message to Investors

- June's markets staged a notable relief rally as a fragile geopolitical calm helped equities rebound, oil prices retreat, and safe-haven assets like gold oscillate within tight ranges. Beneath this rebound, however, deeper shifts are underway: global equity leadership is tilting away from the U.S. as international markets gain relative strength. Meanwhile, the Federal Reserve remains firmly data-dependent, with upcoming inflation and jobs reports set to shape the timing of two expected rate cuts later this year. Commodity markets continue to react sharply to geopolitical events, yet underlying fundamentals hint at easing momentum outside the energy complex.
- Looking ahead, the resilience of June's gains will face a real test in the third quarter as slowing economic indicators, diverging central bank policies, and softer corporate earnings forecasts challenge investor confidence. Market participants will closely watch U.S. inflation and job market data for clues about the Fed's next moves. Oil traders will scrutinize fresh signals from OPEC+ and non-OPEC producers, especially after June's inventory build-up. Fiscal developments in Washington, particularly around President Trump's trade strategy, add another layer of uncertainty. Lastly, Asia's trajectory, driven by China's domestic demand and Japan's evolving inflation picture, will remain pivotal for the global outlook.
- As July unravels, MG highlights the following tactical views:
    - Equities: Overweight exposure across the board to ensure diversification as investors start factoring gradually a higher probability of monetary easing by the Fed and bad news on inflation data gets postponed, which can result in additional stock market gains int the short term.
    - Fixed Income: Overweight exposure to Treasury instruments and Investment Grade Corporate Bonds is advisable to counterbalance risk exposure inherent in equity investments.
    - Alternatives: Gold and Real Estate Investment Trusts (REITs) remain appealing sub-asset classes, especially to play a hedging role should stagflationary risks resurge.
    - 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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June 2025 - Market Comments

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.

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