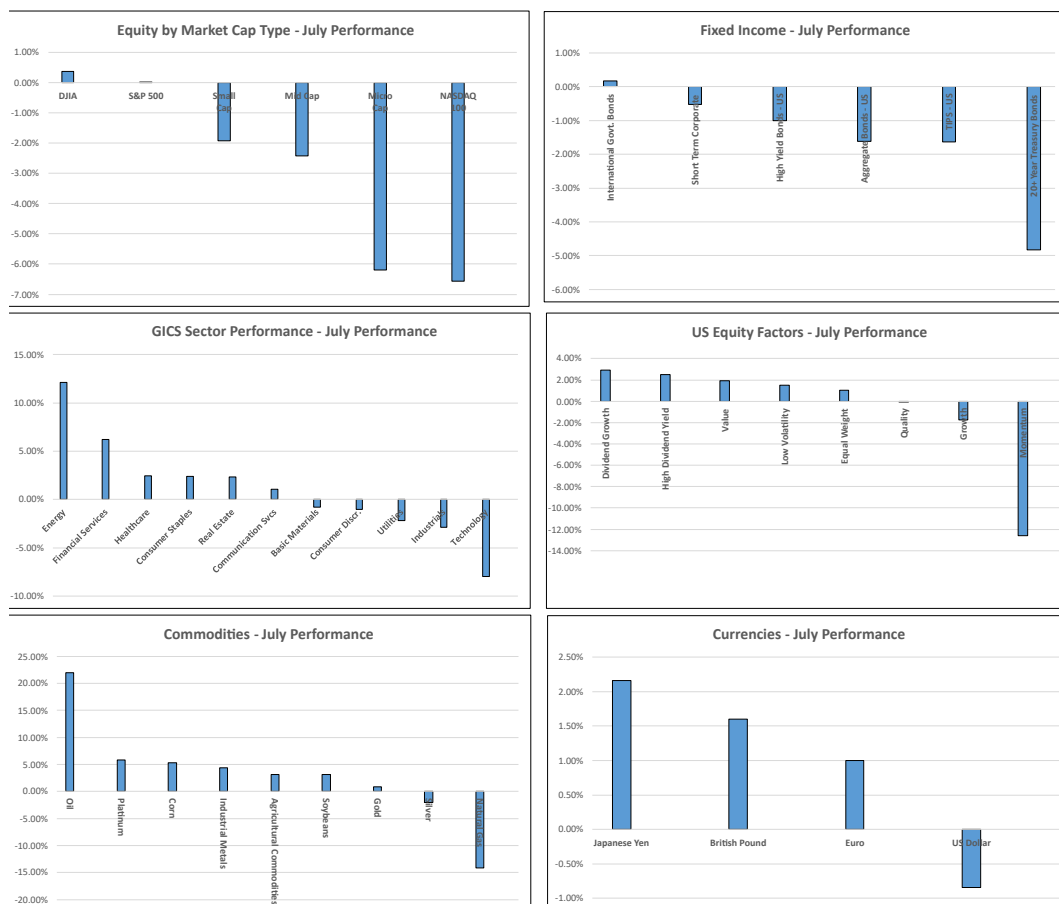


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Markets in a Glimpse

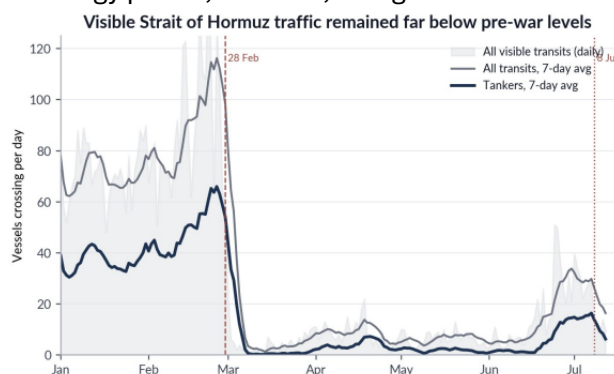
- **Fed hold shifted tightening pressure to the long end:** The Fed kept rates at 3.50%–3.75%, but three dissenters favoured a more hawkish move. Rather than producing a straightforward repricing at the front end, the decision contributed to higher long-term yields and a steeper curve as investors demanded greater compensation for inflation.
- **Energy volatility remained the central stagflation risk:** Temporary de-escalation produced sharp oil-price reversals, but renewed US-Iran tensions and persistent disruption risks around Hormuz kept an elevated geopolitical premium in energy markets.
- **AI capex became a financing discipline story:** Investors increasingly judged AI spending through free-cash-flow generation, cloud monetisation and balance-sheet capacity rather than headline capital-expenditure announcements alone.
- **Equity leadership remained narrow rather than broadening:** Large-cap technology continued to dominate capitalization-weighted indices, but market breadth weakened beneath the surface. Microsoft's late-month surge lifted major benchmarks even as a majority of S&P 500 constituents declined and the equal-weight index underperformed.
- **Gold retained its hedging role, while crypto showed only tentative stabilisation:** Gold strengthened around the Fed decision as geopolitical risk, policy uncertainty and a softer dollar outweighed the drag from elevated real yields. Bitcoin remained liquidity-sensitive, with weak underlying demand and substantial year-to-date ETF outflows.



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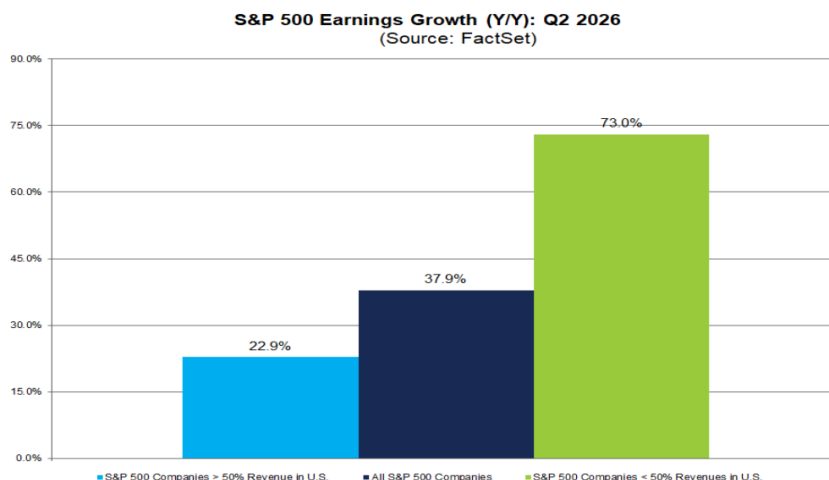
In-Depth Market Review

- The War is Back:** The US–Iran conflict has escalated sharply, with US strikes expanding beyond military targets to transport and energy infrastructure, effectively ending the previous ceasefire framework. The Strait of Hormuz remains the focal point of the conflict, with the US enforcing a naval blockade while Iran retaliates against regional allies and threatens Gulf energy infrastructure. Oil exports have partially recovered but remain below pre-war levels, and emergency stock releases, alternative export routes, and weaker Chinese demand have only temporarily offset supply disruptions. Global oil inventories and strategic reserves have been significantly depleted, leaving markets with much less capacity to absorb another shock. Refined fuel markets remain particularly tight, keeping diesel, jet fuel, and gasoline prices elevated even if crude supply improves. Overall, the conflict continues to pose a significant upside risk to energy prices, inflation, and global financial conditions.



- Strong Earnings Season Helping:** The Q2 2026 earnings season demonstrated that corporate fundamentals remained resilient despite higher interest rates and geopolitical uncertainty. Companies exceeded historical averages for both earnings and revenue beats, signalling stronger-than-expected operating performance. Firms with a larger share of revenue generated outside the United States were particularly well positioned, benefiting from stronger international demand and greater geographic diversification that helped offset softer domestic conditions. Although headline earnings growth reached 37.9%, this was inflated by Alphabet's large valuation-related gain. Excluding that one-off effect, earnings still grew a solid 25.9%, reflecting broad underlying strength across corporate America. Management commentary remained generally constructive, supported by healthy margins and continued investment in artificial intelligence. Investors increasingly favoured businesses with durable cash generation, diversified revenue sources and disciplined capital allocation, reinforcing the market's preference for quality as financing costs remain elevated.

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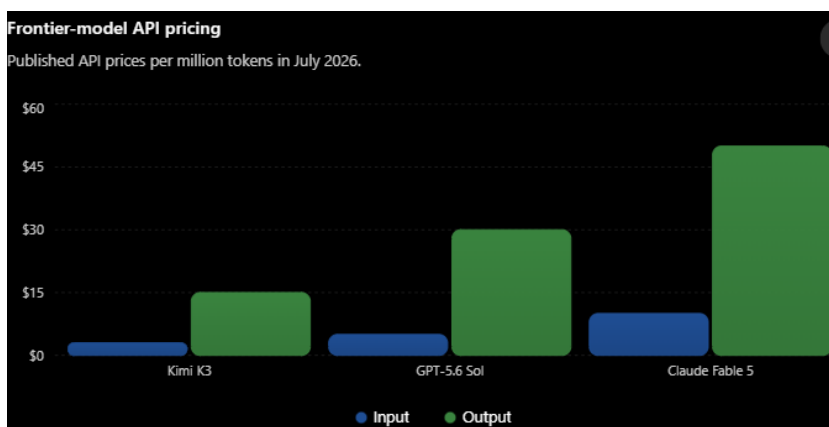
- Reasonable Tech Valuations:** The S&P 500 Information Technology sector is still trading below its 10-year average forward P/E, while the Nasdaq-100 is valued roughly in line its long-term average. Semiconductor valuations have also compressed meaningfully from the AI-driven peak, despite strong earnings expectations. Many of the market's highest-quality growth companies are entering with valuation support rather than valuation headwinds, a notable contrast to prior periods when multiple expansion had already priced in much of the optimism. While the broader S&P 500 remains above its historical average valuation, much of that premium is concentrated outside these key growth segments (source: Citadel Securities).



- AI Model Commoditization:** Kimi K3 highlights how frontier AI is becoming increasingly global and competitive, challenging the assumption that US laboratories can maintain a durable technological lead and sustain premium pricing. At \$3 per million input tokens and \$15 per million output tokens, Kimi K3 is priced well below GPT-5.6 Sol at \$5/\$30 and Claude Fable 5 at approximately \$10/\$50, giving it a meaningful cost advantage when performance is sufficiently comparable. That advantage, however, is not uniform. K3's heavy reasoning-token usage, slower generation speed and unusually high initial latency could erode its

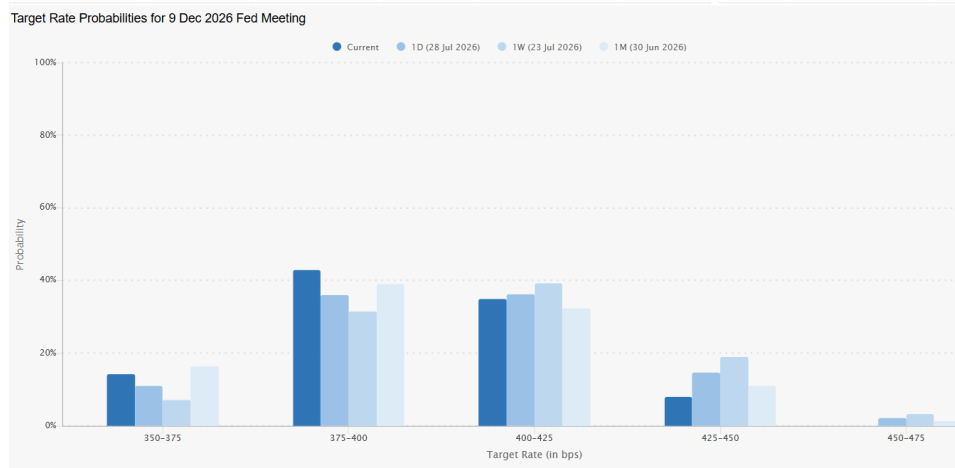
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apparent cost benefits in high-volume, real-world applications. Its greatest commercial threat to incumbent models is therefore likely to emerge in use cases where capability, customisation and eventual open-weight deployment matter more than responsiveness. More broadly, as high-performance Chinese open-weight models continue to narrow the capability gap, AI monetisation may shift away from simply renting access to the most powerful proprietary model and toward owning, adapting and fine-tuning models around enterprise-specific data and workflows. At the same time, AI governance is becoming more formalised, with leading industry figures advocating independent safety testing, common standards and stronger international coordination, even as geopolitical competition over regulation and technological leadership intensifies. The expansion of AI also faces increasingly binding physical constraints, including electricity demand, grid capacity, permitting restrictions and political opposition. Energy availability is therefore becoming a critical bottleneck for the next phase of AI infrastructure investment. Overall, AI remains a powerful long-term growth theme, but one increasingly shaped by global competition, regulation, infrastructure constraints and geopolitics, making the distribution of winners and losers far less straightforward.



- Fed “hawkish hold” produces a credibility steepener:** The Federal Reserve kept the policy rate at 3.50%–3.75%, but three of 12 voting members preferred a 25-basis-point increase. Chair Kevin Warsh acknowledged that persistent inflation could require tighter policy while declining to specify a reaction function. Markets reduced the implied probability of a September increase to roughly 57%, from nearly fully priced before the meeting. The most important signal was not the unchanged rate but the curve response: two-year yields fell while 10- and 30-year yields rose, with the 30-year exceeding 5.20% for the first time since 2007. This was a policy- and credibility-driven bear steepening, suggesting investors are less confident that the Fed will contain inflation without allowing term premium to rise.

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MG's Message to Investors

- AI Leadership Narrowed as Stagflation Risks Re-emerged: July was shaped by the return of geopolitical and inflation risks, rather than a continuation of June's broad risk-on rally. Renewed tensions involving the United States and Iran, alongside ongoing disruption risks around the Strait of Hormuz and the Red Sea, rebuilt an energy risk premium, pushing oil prices higher and complicating the global inflation outlook. Although the Federal Reserve kept rates unchanged, policymakers adopted a more hawkish tone, while long-term Treasury yields rose as investors demanded higher compensation for inflation and fiscal risks. Equity markets remained resilient, supported by a strong earnings season, but leadership narrowed toward cash-generative AI leaders such as Microsoft rather than broadening across the technology sector. Investor focus shifted from AI spending alone to companies' ability to fund large capital investments through strong free cash flow and durable earnings. Gold regained appeal as a geopolitical hedge, while Bitcoin remained mainly liquidity-sensitive, with modest ETF inflows suggesting stabilization rather than a full return of institutional risk appetite. Overall, July marked a shift toward a more selective market environment, where resilient corporate fundamentals were increasingly balanced against higher long-term rates, renewed energy-driven inflation risks, and growing market concentration.
- As August kicks off, MG highlights the following tactical views for the short term:
 - Equities: Neutral allocation, reflecting a more cautious risk stance. While corporate earnings have remained supportive, the model views the positive earnings momentum as partly masking underlying risks that may not yet be fully priced into valuations, including stagflation concerns and hidden debt risks linked to AI capital expenditure.
 - Fixed Income: Neutral allocation, with a continued preference for sovereign risk after the recent yield curve steepening. The model has reduced exposure to investment grade and high yield credit toward more neutral levels, reflecting recent yield-curve volatility and widening credit spreads.
 - Alternatives: Neutral allocation, with increased exposure to Real Estate after recent underperformance in duration-sensitive sectors following the sharp move higher in long-term yields. The model is positioning for a potential short-term reversal in REITs over the coming weeks. At the same time, it has reduced exposure to Gold and is not favouring commodity risk in the short term, as the risk-reward profile appears less attractive.
 - Outlook and Strategy: These positioning shifts are tactical in nature and will be reassessed as incoming economic data, policy developments, and market dynamics evolve.
- MG reminds its investors about the 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 Solution	Short	Asset Class	Description
MG Asset Allocation ETF	<i>MGAA</i>	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	<i>MGHI</i>	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 Sector ETF	<i>MGS</i>	Equity	An actively managed ETF strategy designed to deliver high-single-digit annualized returns over the long term through a concentrated sector rotation approach. The portfolio invests exclusively in liquid, U.S.-listed ETFs that provide targeted exposure to GICS sectors, and using a dynamic, machine-learning-based quantitative model developed to address the limitations of traditional factor strategies.
MG Opp	<i>MGOP</i>	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	<i>MGOD</i>	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	<i>MGET</i>	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	<i>MGBLOCK</i>	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.