Market Update – February 2025

As Pericles wisely noted in 430 BC, "Just because you do not take an interest in politics doesn't mean that politics won't take an interest in you." This rings especially true for the markets today. The ongoing tariff discussions are far from over and are poised to continue influencing global economic dynamics. Their impact on consumer spending will reverberate across the world, with repercussions felt in nearly every sector. However, much like many aspects of life, the direction of the market remains unpredictable. The uncertainty surrounding tariff policies means that even the most informed projections carry an extraordinary amount of risk. We however continue to have faith that the FED and the President will bail us out. What are markets without a little risk, a lot of hope and just enough bailouts to keep the adrenaline going? The US average duty on total goods import has moved up from low single digit and is now in the low teens. I think we can safely assume that US growth could crater and bring global growth to its knees.

It's challenging to form an opinion on Nvidia without considering Jensen Huang's insights. His recent statement encapsulates the enduring competitive advantage—or moat—that Nvidia maintains: 'The sheer scale of computation required is staggering... Intelligence is our most precious resource, with the potential to tackle some of the toughest challenges we face... Scaling laws are fuelling massive demand for NVIDIA's computing power'. This narrative is far from concluded. Like any stock, Nvidia will continue to face scrutiny and criticism, though perhaps one fewer detractor after such a compelling case. In my view, over time, there would be a surprising upside coming from the gaming segment as well.

Japanese inflation is clearly becoming unanchored and the BoJ needs to act quickly if they are to nip it in the bud. Headline inflation topped 4.00% which was much higher than the consensus and was amplified by soaring food prices. The underlying trend in services prices was also solid. We continue to advocate unhedged stock exposures to AI and Tech in Japan.

I am in the camp that expects the FED to dial down or make adjustments to the QT or balance sheet unwind. We could see it coming as early as March. The current balance sheet stands at USD 6.8 trillion.

After a very long time I feel that Chinese assets, especially the big tech, offer a good risk adjusted return. This optimism stems from the meeting where President Xi re-emphasised the importance of the private sector to the Chinese economy, acknowledged some challenges the sector is currently facing and reiterated the supportive stance for private enterprises and entrepreneurs. He pledged to further address some of the issues for the private sector, including high financing costs/limited financing access, corporate arrears and occasional misconduct in fee/fine collection, inspection and forced shutdown. Additionally, "high tech manufacturing / productive forces" remain a key focus for China.

Oil is a cornerstone of the US economy, making a substantial contribution to its GDP. The United States thrives when oil prices hit a sweet spot—neither too low to stifle producers nor too high to burden consumers—but instead settle at an ideal "Goldilocks" level that fosters economic stability and growth. What caught me off guard, though, was OPEC+'s signal to boost supply at a time when oil prices are already sliding, driven by growth concerns and the potential easing of Russian sanctions. The timing feels counterintuitive, leaving me scratching my head. Still, I am not ready to dismiss the idea that oil prices in the mid-$50 range might be more than just wishful thinking.

President Trump's proposal for a national cryptocurrency reserve has left me dumbfounded. The very idea of a "crypto reserve" feels like the ultimate oxymoron. A reserve, by nature, is meant to hold steady value and serve as a reliable backstop in times of crisis. Cryptocurrencies, with their wild volatility, seem the polar opposite of that. It is not a shock that Warren Buffett dubbed them "rat poison squared"—a description that is hard to argue with.

The hesitancy in gold's follow-through is somewhat perplexing, given the pervasive uncertainty gripping the markets. Nevertheless, we maintain our long-term outlook, anticipating gold to surpass the $3,200 mark. Silver, often overshadowed by its more prominent counterpart gold, stands to gain from their correlated upward movement.

The concept of an autonomous European defence system might appear to offer promising economic benefits, but the reality is likely to be far more complex. Could such a system effectively navigate the intricacies of the EU's regulatory framework? If it manages to push through these challenges, the outcome could indeed foster growth, particularly with the Eurozone opting to reduce overnight rates.

A few developments may have slipped under the radar, including the launch of the Majorna 1 Quantum chip—a noteworthy advancement designed to scale up to 1 million qubits for solving industrial-scale problems. Closely following this was Amazon's unveiling of Ocelot, a breakthrough poised to cut quantum error correction costs by up to 90%. While it is too early to fully gauge their implications, the rapid pace of these innovations hints at a trajectory exceeding market expectations. I am tempted to draw a parallel to Schrödinger's Cat—whether we are on the cusp of a quantum leap or still far from it seems to depend entirely on the observer. I am in the quantum leap camp with clear affiliations to the MSFT stock.

Manoj Mahadev, Head of Investments

Fund Positioning & Deployment Strategy

Data as of end February 2025

Global Sukuk Fund

The Fund will hold onto most positions unless we see a relative value opportunity, or an attractive premium in the new issuance market. Duration continues to tread around 6.8 years, and WARF remains in the Investment Grade space with almost 38% invested in sovereigns. The rates beta has supported the fund this month with yields starting to fall.

	1M	3M	6M	1YR	3YR	S.I.*
Global Sukuk Fund	1.67	0.16	0.69	5.30	7.68	8.12
Sukuk Peer Group**	1.05	0.74	0.98	5.22	4.54	4.68

Past performance is not an indicator or guarantee of future performance. The value of shares in the fund and income received from it can go down as well as up, and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations of the underlying holdings. *The performance data shown is for the duration of the Global Sukuk Fund I(acc) USD share class which commenced its investment program on 16 November 2020. **Peer group data source based on available data for liquid global sukuk funds managed out of Bloomberg equally weighted against each constituent (USD share class). Source: Bloomberg, Refinitiv and Aditum Investment Management Limited, USD terms, bid to bid, income reinvested.

KEY METRICS	
Fund Size (US$m)*	163.90
Number of Holdings	35
Weighted Ave. Yield to Maturity*	6.13
Weighted Ave. Modified Duration*	6.83
Weighted Ave. Credit Rating (worst of 3)	BBB-
Weighted Ave. Credit Rating (best of 3)	BBB-

*Metrics calculated excluding cash, Weighted Ave. Credit Ratings are based on the Best and Worst ratings from Fitch, Moody's and S&P

Global Alpha Fund

We maintain the Fund's barbell strategy with duration hovering around 12 years. The Fund remains in the Investment Grade space on a Weighted Average Rating Factor (WARF) basis (A-/BBB+), with 30% of the Fund at an AA- and above rating. We take conviction calls on alpha at the shorter end of the curve based on bottom-up research. The rates beta has supported the fund this month with yields starting to fall. There are no securities in the distressed or defaulted territory and the volatility that has been observed is due to rates beta.

	1M	3M	6M	1YR	S.I.*
Global Alpha Fund	3.12	(0.39)	(1.24)	3.65	7.90
Benchmark**	1.14	0.46	1.12	5.53	10.84

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KEY METRICS	
Fund Size (US$m)*	135.90
Number of Holdings	43
Weighted Ave. Yield to Maturity*	6.49
Weighted Ave. Modified Duration*	12.22
Weighted Ave. Credit Rating (Worst of 3)	BBB+
Weighted Ave. Credit Rating (Best of 3)	BBB+

*Metrics calculated excluding cash, Weighted Ave. Credit Ratings are based on the Best and Worst ratings from Fitch, Moody's and S&P

Global Fixed Income Plus Fund 2028

The Fund currently stands above 1x leverage while benefitting from the CHF carry trade and we will continue to increase that leverage. Holdings are well diversified across 50 securities with an Investment Grade WARF and a developed markets exposure of approximately 35%. The Fund is currently trading at a YTM above 5.8% with 3 year duration, allowing investors to lock in yields in an Investment Grade Fund at attractive levels. There are no securities in the distressed territory and there are no securities rated below BB-.

	1M	2M	6M	1YR	S.I.*
GFIPF	(0.05)	0.02	-	-	1.11

*The performance is calculated from C (Inc) USD share class since inception 4 November 2024. Performance is calculated net of fees. Past performance is not an indicator or guarantee of future performance. The value of shares in the fund and income received from it can go down as well as up, and investors may not get back the full amount invested.
Performance may also be affected by currency fluctuations of the underlying holdings. It is the Directors' intention to leverage the capital of the Fund at levels expected to represent around a 67% maximum loan-to-value ("LTV") ratio (approximately 2x base equity of the Fund), subject to the availability of financing and the discretion of the Directors (on the advice of the Investment Manager) to amend the LTV target as they deem appropriate. The Fund intends to source leverage by borrowing in different currencies, which will expose the fund to currency risk.

KEY METRICS	
Fund Size (US$m)*	29.76
Number of Holdings	50
Weighted Ave. Yield to Maturity**	5.87
Weighted Ave. Modified Duration	2.9
Weighted Ave. Credit Rating (Worst of 3)***	BBB-
Weighted Ave. Credit Rating (Best of 3)***	BBB

*GAV is the gross asset value which is calculated inclusive of leverage.
**Weighted Ave. Yield is based on the Fund's GAV
***Weighted Ave. Credit Ratings are based on the Best and Worst ratings from Fitch, Moody's and S&P

Aditum Islamic Income and Growth Fund Open Ended IC Plc

The Fund is currently in its ramp up phase as we raise capital in the strategy and as such it currently stands at slightly above USD 2 million in AUM. The Fund's investment decisions will be based on conviction trades and it will not look to hold more than 15-20 names in the equity space. As of today, the Fund has a 69% allocation to equities and 24% allocation to sukuk. In the coming months, we will increase our investment into the equity space while sukuk positions will be concentrated towards issuers with strong carry.

	1M	2M	3M	6M	1YR	S.I.*
Aditum Islamic Income and Growth Fund*	(4.52)	(4.36)	(3.98)	-	-	(1.82)

Performance is calculated net of fees. Past performance is not an indicator or guarantee of future performance. The value of shares in the fund and income received from it can go down as well as up, and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations of the underlying holdings
*The performance data shown is for the duration of the Aditum Islamic Income and Growth Fund A Inc USD share class which commenced its investment program on 4 November 2024. **For all income share classes. Source: Bloomberg and Aditum Investment Management Limited, USD terms, bid to bid, income reinvested.

KEY METRICS	
Fixed Income	
Weighted Ave. Yield	7.04
Weighted Ave. Coupon	5.67
Weighted Ave. Duration (Years)	10.84
Weighted Ave. Rating (Best of 3)	BBB
Equity	
Weighted Ave. Market Cap (US$trn)	1.38
Weighted Ave. Dividend Yield	0.81%
Weighted Ave. 1 Year Forward PE	23x

Metrics calculated as of the date of the factsheet, and excludes cash. Weighted Average Ratings are based on the best of 3 ratings from Fitch, Moody's and S&P.

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