Fixed Income Mandate (USD)

Q2 2026

Market Commentary

Fixed Income markets in the second quarter were dominated by a dramatic hawkish pivot at the Fed following on from conflict driven inflation expectations. The FOMC held rates at 3.50-3.75% during their April meeting, though the 8-4 dissenting split vote was the first since 1992. In May, Kevin Warsh was confirmed as Fed Chair and in his first meeting in June the FOMD voted unanimously to hold rates but stripped out prior easing-bias language and issued a dramatically shortened statement. The accompanying SEP (dot-plot) delivered a sharp hawkish surprise with the median estimate for end-2026 jumping to 3.8% from 3.4% in March and nine of eighteen participants now looking for at least one hike. Headline PCE inflation forecasts for 2026 were revised up to 3.6% (core 3.3%), while GDP growth was trimmed to 2.2%. May CPI came in at 4.2% y/y.

Treasury yields continued higher, but the shape of the move differed sharply from Q1. The 10-year rose to c. 4.48% by quarter-end while the 2-year, more sensitive to near-term Fed pricing, jumped further to c. 4.11–4.14%, flattening the 10Y–2Y spread to roughly +35bps as the front end repriced toward possible hikes.

Elsewhere, the Bank of England held Bank Rate at 3.75% on June 18 by a 7–2 vote as May CPI eased to 2.8%,though the BoE flagged inflation rising toward 3–3.25% later in the year. The ECB moved earlier than its Q1 guidance suggested, raising rates 25bps on June 11 to a 2.25%. Japan saw the most acute stress: the 10-year JGB yield surged to c. 2.8–2.9%, its highest since 1996, as PM Takaichi's roughly ¥370trn long-term fiscal package and a yen near 40-year lows added to BoJ tightening pressure.

Commodities reversed harshly. The conflict initially intensified, pushing WTI to fresh highs above $115/bbl, before a US–Iran ceasefire and peace framework signed in mid-June “reopened” the Strait of Hormuz, sending WTI tumbling to close Q2 near $69/bbl. Gold fell from $4,503 to c. $4,015 (-11%), its worst quarter since the 2013 taper tantrum, while silver dropped from $73 to c. $58 (-20%). Equities staged a powerful recovery as conflict risk eased: the S&P 500 rallied roughly 15%, its best quarter since 2020, led by AI and semiconductor names despite rates suggesting a materially more hawkish Fed path. Other US and global benchmarks also rallied with Stoxx 600, Nikkei 225, MSCI Emerging Markets & CSI 300 rising, 12%,37%, 24% & 13% respectively

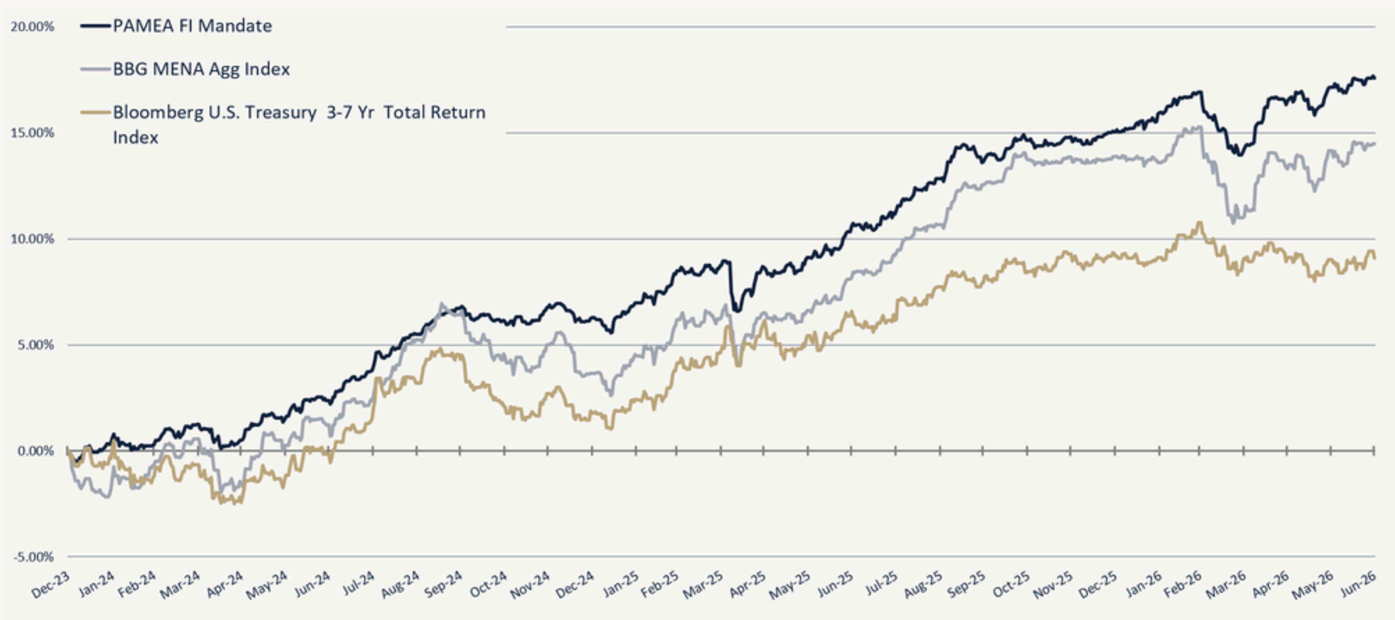
Investment Parameters

The Picard Angst MEA Limited-DIFC (“PAMEA”) Fixed Income Mandate (USD) represents a medium-term fixed income solution aimed at delivering consistent income generation. The strategic duration target of the portfolio is 3-5 years with a minimum average rating of BBB-. These targets are achieved through a blend of longer dated investment grade and shorter dated high yield allocations to single line bonds and sukuks. The portfolio is geographically and sectorally diversified with an overweight allocation to the MENA region. This investment portfolio is ideal for investors with a low to moderate risk profile seeking enhanced returns over risk free rates through diversified credit exposure.

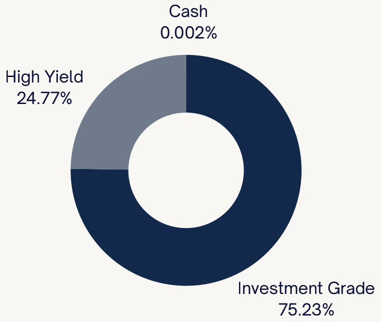
Portfolio Statistics

	Investment Grade	High Yield	Overall Portfolio
Yield to Maturity	5.52%	9.64%	**6.54%**
Duration (years)	5.68	3.32	**5.09**
Bond Rating	A-/BBB+	BB/BB-	**BBB+/BBB**
Coupon (cash flow)	4.90	5.91	**5.15**
Return (YTD)	-	-	**+2.20%**
Return (Since Inception)	-	-	**+14.26%**

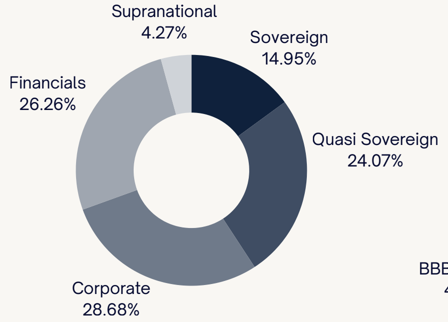
Portfolio Performance vs. Benchmark



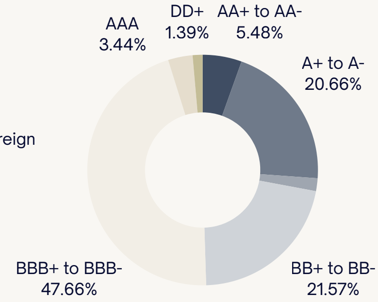
Fixed Income Allocation



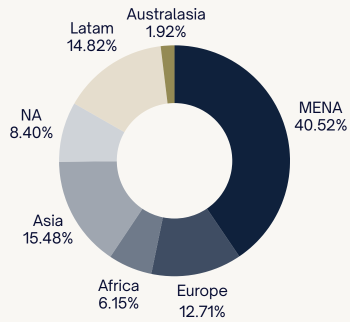
Industry Allocation



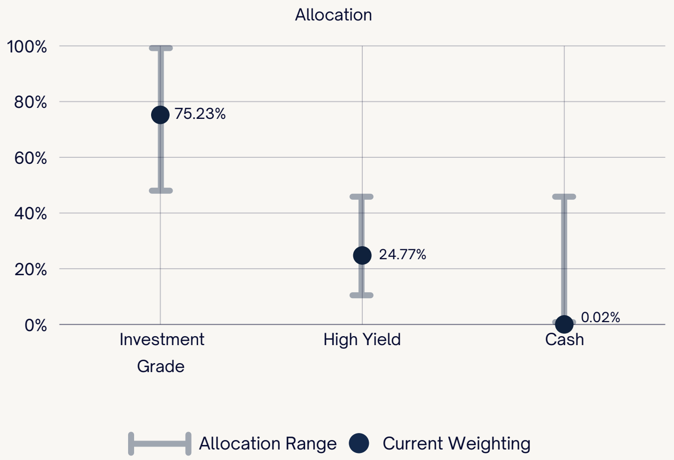
Credit Rating Allocation

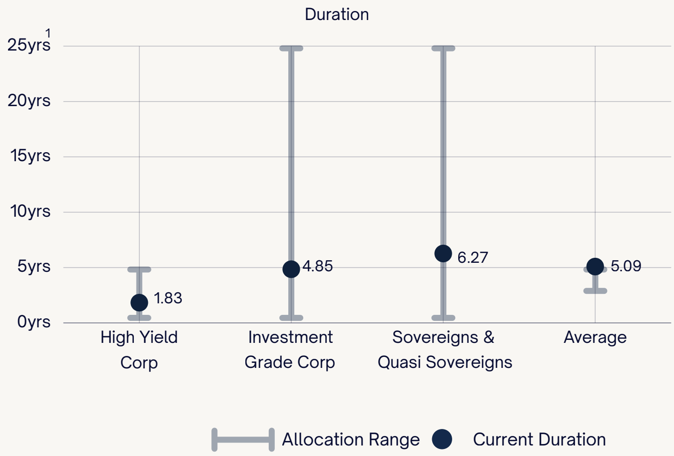


Geographical Allocation



Strategic and Tactical Asset Allocation





Maximum potential duration for investment-grade corporate and sovereign bonds, extending up to 50yrs.

High-conviction Investment Grade Bonds

ISIN	Name	Ticker	Country of Risk	Yield (YTM)	Rating	Portfolio Weighting
XS2852966501	Magellan Capital Holdings PLC	MAGELL 8 3/8 07/08/29	AE	4.809	AA-	2.00%
XS2539374673	First Abu Dhabi Bank PJSC	FABUH 5 1/8 10/13/27	AE	5.652	BBB	1.94%
XS2861555964	Saudi Arabian Oil Co	ARAMCO 5 7/8 07/17/64	SA	7.62	BBB-	1.93%
XS2343007170	African Export-Import Bank/The	AFREXI 3.798 05/17/31	SNAT	5.87	Baa2	1.91%
XS3170344314	Saudi Awwal Bank	SABBAB 5.947 09/04/35	SA	6.151	BBB	1.86%

High-conviction High Yield Bonds

ISIN	Name	Ticker	Country of Risk	Yield (YTM)	Rating	Portfolio Weighting
USY775M1CJ07	Shriram Finance Ltd	SHFLIN 6.15 04/03/28	IN	5.62	BB	2.28%
US279158AP43	Ecopetrol SA	ECOPET 4 5/8 11/02/31	CO	7.021	BB	2.15%
USY44680RV38	JSW Steel Ltd	JSTLIN 3.95 04/05/27	IN	6.535	BB-	2.03%
US698299AW45	Panama Government International Bond	PANAMA 6.7 01/26/36	PA	5.571	BB+	2.03%
US195325BR53	Colombia Government International Bond	COLOM 5 5/8 02/26/44	CO	6.665	BB-	1.82%