Incrementum All Seasons Fund

- in pursuit of real returns -

2026 / 03

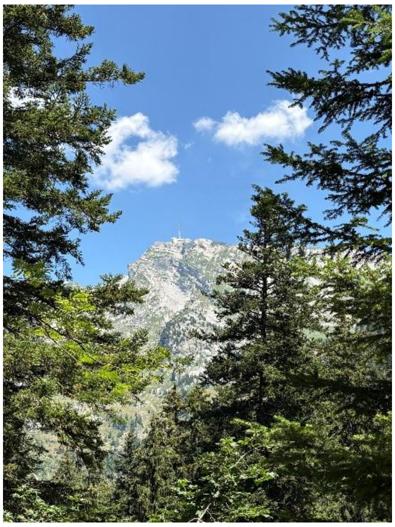
Seasonal Reflections

Turn Of The Cycle?

Dear reader,

Summer is here, and with its heat come memories of the summers of my youth, which were characterised above all by lots of music, particularly at the weekends.

These memories came flooding back when I recently listened to Bruce Springsteen's *Born in the U.S.A.* once again. Bruce's raw emotionality, combined with his honest and often ironic portrayal of the 'American Dream' – complete with a healthy dose of social criticism – really struck a chord with me back then. At the same time, his music always conveyed a sense of the freedom, progress and boundless possibilities we associated with the United States at that time. – Sure, that may have been naïve and starry-eyed, but as I listened to it again, it became clear to me what we have lost, and just how much (not only) my view of the USA has changed. And that is a regrettable loss.



A summer view of Säntis mountain, Toggenburg, 12JUL2026

For what do young people listen to – or where do they look – today when they are searching for inspiration and ideals?

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Semi-Annual IASF Management Commentary

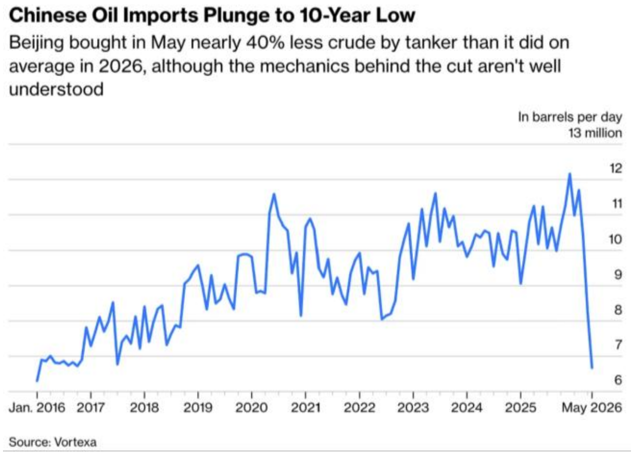
I would like to open this edition of my Seasonal Reflections with a review of the first half of 2026, which will also feature as the fund manager's activity report in IASF's 1H 2026 report, supplemented by a number of charts and cartoons and finalised on 11 July:

Dear investors,

A politically turbulent first half of the year was characterised above all by the protracted war waged by the US and Israel against Iran, which has become the greatest military escalation in the Middle East for decades. The resulting months-long blockade of the Strait of Hormuz has led to massive and persistent disruptions to global energy and commodity flows.

Hedgeye, Cartoon of the Day, 29JUN2026

Meanwhile, the war between Russia and Ukraine is now in its fifth year, with neither side having made any significant territorial gains, although Ukraine has apparently been increasingly successful of late in damaging energy infrastructure deep within Russian territory. From the perspective of energy security, neither conflict bodes well for Europe's future. At the same time, the US is ruthlessly pursuing its own energy dominance – through the ousting of Nicolás Maduro's Venezuelan regime at the start of the year, as well as repeated threats to 'take over' Greenland.



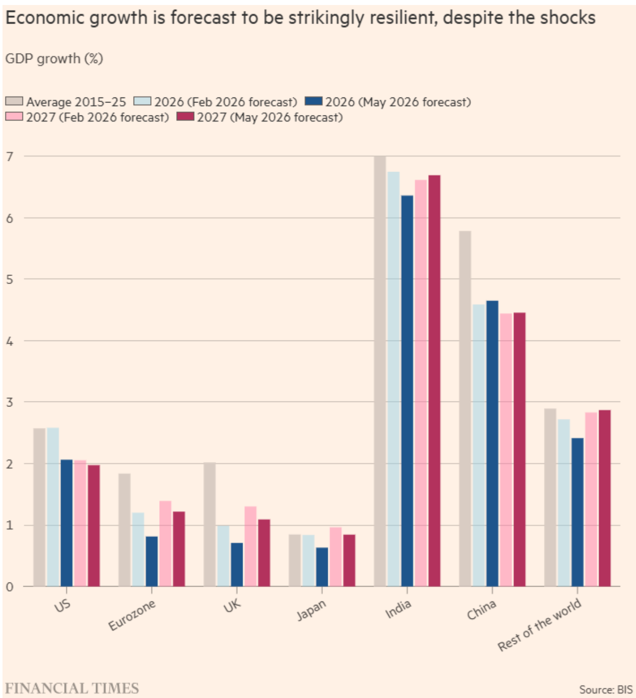
Trader Ferg, Substack, 23JUN2026

China, the US's major international rival, has used the past few months to demonstrate its own ability to influence energy markets by leveraging its vast reserve storage capacity, which is by far the largest globally. This has enabled the country to drastically reduce its oil and gas imports in recent months, thereby not only helping to stabilise international oil and energy prices but also demonstrating its relative resilience to energy shocks.

At the half-year mark, the country appears to be the real winner in these conflicts, as the Trump administration has scared a lot of friends and allies with its bullying tactics and perceived lack of reliability, and is currently negotiating for peace in a war it has started and at terms that are worse than those that prevailed before the war began.

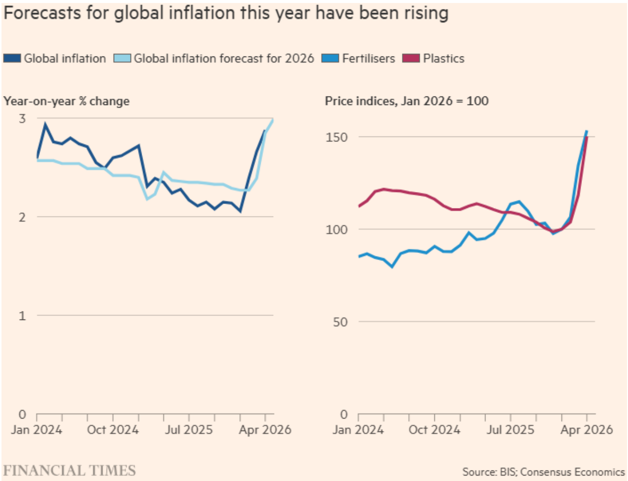
Against this backdrop, the global economy has remained surprisingly resilient, and this despite of the post-pandemic burst of inflation, Donald Trump's tariff-driven trade war, or the wars in Ukraine and Iran with their accompanying energy shocks.

We are frank to admit that we clearly underestimated this resilience, which is owed to the combination of unprecedented government stimulus and monetary largesse during and post Covid, a significant increase in defence spending following the start of Russia's war with the Ukraine, and the recent wave of corporate investment in artificial intelligence (AI), all of which have helped to sustain the momentum of aggregate demand.



Source: Martin Wolf, Financial Times, 1JUL2026

The general wealth effect of rising asset prices has also played a part in the surge in demand aggregates, as household spending is increasingly driven by the top tiers of the wealth distribution. This has also ensured that global trade has remained remarkably robust.



Financial Times, 1JUL2026

At the same time, however, it has also become evident that inflationary pressures are picking up again, further boosted by energy and the resulting electricity prices, as well as oil derivatives such as plastics and fertilisers. Across the Western world, this has meant that expectations of potential interest rate cuts have receded into the background, which in turn means that there is no short-term relief from debt servicing cost for indebted governments and companies.

Given an estimated global debt of 350 trillion US dollars (305% of world GDP) and average interest costs that continue to rise following years of a zero-interest-rate environment, we are, admittedly, surprised by the still relaxed state of global bond markets. So far, neither yield curves nor the spreads on corporate bonds are sending out any clear warning signs; indeed, credit spreads remain surprisingly low. This is likely also a result of the fact that global risk appetite has repeatedly recovered swiftly from all macroeconomic shocks, including the recent unrest in the Middle East. Investors, it seems, clearly rely on governments to do whatever it takes to keep this house of cards from collapsing. Whether and how they can succeed in this endeavour at a time when investors are increasingly looking to diversify away from government debt will greatly influence the macro-picture going forward.

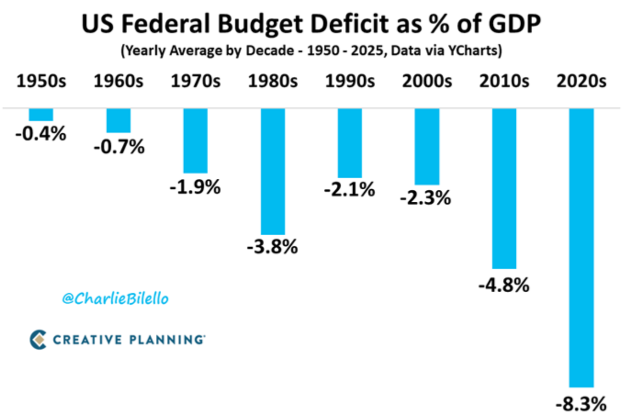
A key ray of hope for investors appears to be the prospect of an AI-driven productivity boom, which is widely expected to unleash deflationary forces that will counteract inflationary pressures out of the real world. We remain unconvinced that this will work and are reminded of the promises made a quarter of a century ago in connection with the built-out of the World Wide Web. Whilst the internet has revolutionised many aspects of our lives, including the way we do business, official estimates suggest that the increasing use of the internet and the expansion of e-commerce reduced inflation by no more than one-tenth of a percentage point per year.

We believe similar parallels hold true for the increasing use of AI: whilst certain economic sectors may experience a significant boost in efficiency and thus cost savings, we doubt that this will be the saving grace against ongoing inflation and currency debasement.

China's industrial rise is likely to play a far bigger role here, as the country has experienced an unprecedented investment boom over the past decade and now dominates most key industrial sectors. This has led it to export persistent deflationary pressures, which has more recently prompted the Chinese government to launch an 'Anti-Involution' campaign, aimed at curbing overproduction and price wars. In other words, we fear that the real deflationary force of the recent past is losing its effectiveness.

Financial Times, 9JUL2026

In summary: even though financial markets view the potential risk with relative calm, we continue to see a high probability of a stagflationary environment, as growth momentum dries up and inflationary pressures regain momentum.



@PeterMallouk, X, 23JUN2026

And given that policymakers in the US and the rest of the developed world are pursuing a 'run it hot' playbook, we have little doubt that they will do *Whatever It Takes* to prevent a seizure of the bond market, even if it comes at the expense of debasing their currencies. Once investors realize that this is where we're heading, we expect to have heard the final echo of the technology led bubble of the past decade and the focus will return to market segments and themes that promise more efficient inflation protection.

Of course, only time will tell whether this is the case. However, following the Nasdaq's strongest quarterly rise since the second quarter of 2020, the index has now quadrupled over the last six-and-a-quarter years, which equates to an annualised growth rate of 25%. No wonder investors apparently cannot get enough of such a fantastic source of investment returns and seem to be programmed to use every price dip as an opportunity to buy…

AI-Related Stocks in the S&P 500

41 AI-Related Companies as Identified by JP Morgan Analysis

Market Cap Changes as of June 26 2026

Company	Total Return Since 12/31/25	Market Cap ($Billions)	YTD Market Cap Change	Pct of S&P 500	Contribution to S&P 500 Return	Forward P/E Ratio
Other AI-Direct						
Broadcom Inc	5.85%	$1,737	$96	2.64%	0.15%	23.4
Oracle Corp	-23.33%	$428	-$132	0.65%	-0.20%	18.4
Palantir Technologies Inc	-36.47%	$271	-$153	0.41%	-0.23%	70.7
Advanced Micro Devices Inc	143.55%	$850	$502	1.29%	0.76%	59.4
Salesforce Inc	-39.91%	$130	-$119	0.20%	-0.18%	11.1
International Business Machine	-7.09%	$255	-$22	0.39%	-0.03%	21.6
Uber Technologies Inc	-6.74%	$155	-$15	0.24%	-0.02%	21.3
ServiceNow Inc	-35.81%	$101	-$58	0.15%	-0.09%	22.4
QUALCOMM Inc	11.86%	$200	$16	0.30%	0.02%	19.2
Arista Networks Inc	20.28%	$198	$33	0.30%	0.05%	41.7
Adobe Inc	-42.08%	$81	-$66	0.12%	-0.10%	7.8
Micron Technology Inc	296.92%	$1,279	$958	1.94%	1.46%	7.8
Palo Alto Networks Inc	65.15%	$248	$120	0.38%	0.18%	77.6
Intel Corp	247.75%	$645	$461	0.98%	0.70%	117.9
Crowdstrike Holdings Inc	49.56%	$178	$60	0.27%	0.09%	135.8
Cadence Design Systems Inc	20.70%	$104	$19	0.16%	0.03%	46.2
Dell Technologies Inc	219.80%	$258	$173	0.39%	0.26%	21.5
NXP Semiconductors NV	28.72%	$70	$15	0.11%	0.02%	17.7
Fortinet Inc	90.59%	$111	$52	0.17%	0.08%	48.2
Digital Realty Trust Inc	26.43%	$69	$15	0.10%	0.02%	92.0
Hewlett Packard Enterprise Co	83.60%	$58	$26	0.09%	0.04%	11.4
Super Micro Computer Inc	4.65%	$20	$2	0.03%	0.00%	10.4
Totals	**36.36%**	**$7,446**	**$1,985**	**11.32%**	**3.02%**	
S&P 500 INDEX	**8.15%**	**$65,753**	**$4,952**	**100%**	**8.15%**	**21.5**
41 AI-Related Stocks	5.69%	$29,508	$1,589	44.88%	2.61%	
459 Non AI-Related Stocks	10.23%	$36,245	$3,363	55.12%	5.53%	

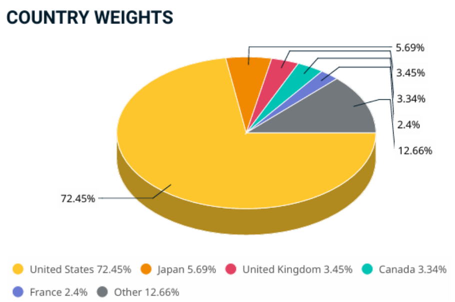
Company	Total Return Since 12/31/25	Market Cap ($Billions)	YTD Market Cap Change	Pct of S&P 500	Contribution to S&P 500 Return	Forward P/E Ratio
Magificent Seven						
NVIDIA Corp	3.36%	$4,659	$127	7.09%	0.19%	19.2
Apple Inc	4.58%	$4,168	$151	6.34%	0.23%	30.9
Microsoft Corp	-22.54%	$2,771	-$824	4.21%	-1.25%	20.1
Alphabet Inc	7.93%	$4,092	$310	6.22%	0.47%	25.1
Amazon.com Inc	0.81%	$2,503	$36	3.81%	0.05%	23.7
Meta Platforms Inc	-16.50%	$1,397	-$267	2.12%	-0.41%	14.6
Tesla Inc	-15.57%	$1,426	-$70	2.17%	-0.11%	191.0
Totals	**-2.49%**	**$21,015**	**-$537**	**31.96%**	**-0.82%**	
AI-Utilities						
NRG Energy Inc	-5.61%	$32	$1	0.05%	0.00%	19.2
Vistra Corp	1.64%	$55	$0	0.08%	0.00%	30.9
NextEra Energy Inc	11.85%	$185	$17	0.28%	0.03%	20.1
Southern Co/The	13.23%	$110	$14	0.17%	0.02%	25.1
Constellation Energy Corp	-25.05%	$96	-$15	0.15%	-0.02%	23.7
Public Service Enterprise Grou	5.82%	$42	$2	0.06%	0.00%	23.4
Entergy Corp	26.91%	$55	$14	0.08%	0.02%	18.4
NiSource Inc	19.07%	$24	$4	0.04%	0.01%	14.6
Totals	**6.63%**	**$597**	**$37**	**0.91%**	**0.06%**	
AI-Capital Equipment						
Eaton Corp PLC	27.16%	$156	$33	0.24%	0.05%	18.4
Trane Technologies PLC	23.38%	$106	$19	0.16%	0.03%	70.7
Johnson Controls International	16.24%	$84	$11	0.13%	0.02%	59.4
Quanta Services Inc	63.05%	$103	$40	0.16%	0.06%	11.1
Totals	**29.91%**	**$450**	**$104**	**0.68%**	**0.16%**	

AI Related S&P 500 Stocks Indicated By Michael Cemblast of JP Morgan
www.assets.jpmprivatebank.com/content/dam/jpm-pb-aem/global/en/documents/eotm/the-blob.pdf

Bianco Research LLC
www.biancoresearch.com

@biancoresearch, X, 30JUN2026

However, as large-cap technology stocks already dominate the broader US indices (41 AI-related shares as defined by Bianco Research (see above), i.e. around 8% of index components, now account for 44% of the S&P 500 weight), whilst the ten largest stocks in the MSCI World Index – comprising exclusively US tech stocks and Tesla – account for 26% of the index, one must inevitably ask how much further this level of concentration can rise.

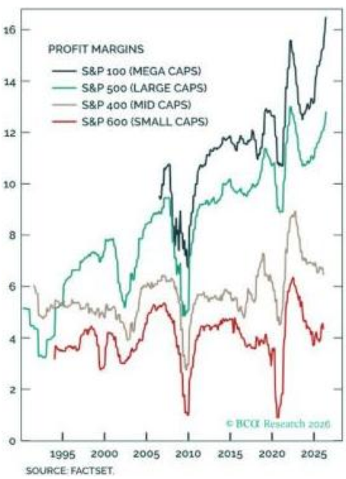


MSCI World Index (USD), 30JUN2026

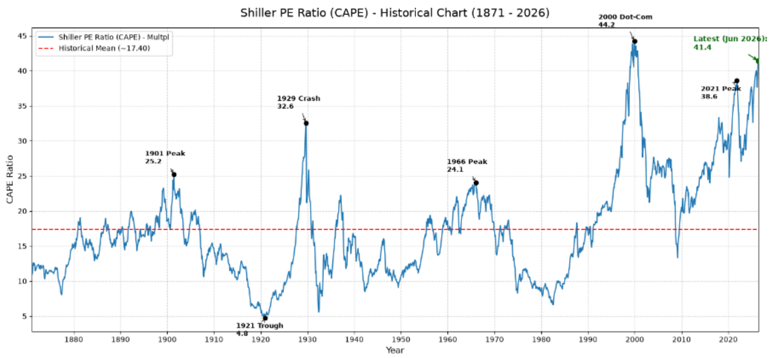
In our regular investor newsletter *Seasonal Reflections*, we have repeatedly highlighted the excessive valuations and extreme sentiment indicators in this sector, as well as in US equity markets as a whole, which now account for 72.5% – and thus almost three-quarters – of the global equity benchmark, MSCI World Index.

Among them are record-high profit margins for US companies, including and as the chart on the right shows, an unhealthy concentration of high margins amongst mega-caps.

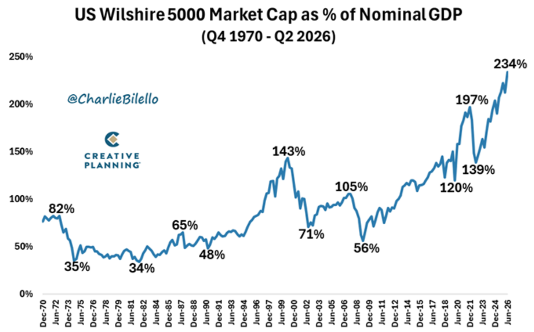
We also note a Shiller PE ratio (cyclically-adjusted price-to-earnings ratio) that was only surpassed once during the record high of 1929, a Buffett indicator (total market capitalisation-to-GDP) that has reached clear new all-time-highs, and an unprecedented appetite for risk among investors, reflected in record-high margin lending volumes, leveraged ETFs and the rapidly growing use of 0DTE (zero-days-to-expiry) options.



@PeterBerezinBCA, X, 6JUL2026

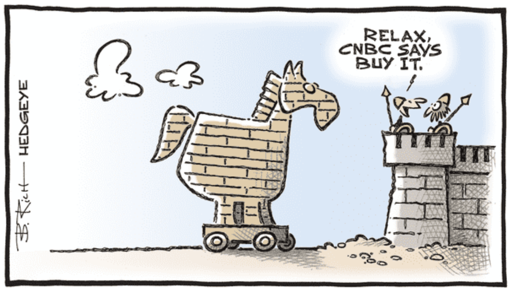


Shiller CAPE Ratio, JUN2026, Wikipedia



Buffett Indicator, The Week in Charts, C. Bilello, 14JUL2026

Just how little fundamental analysis still plays a role, and the extreme level of risk appetite that can be relied upon, is perhaps most clearly illustrated by the corporate guidelines published on page 1 of the prospectus for the largest and downright ridiculously **overpriced*** initial public offering in history: Elon Musk's SpaceX. These include, amongst other things, the ambition: *"to expand life to multiple planets, to understand the true nature of the universe, and to carry the light of consciousness to the stars."*

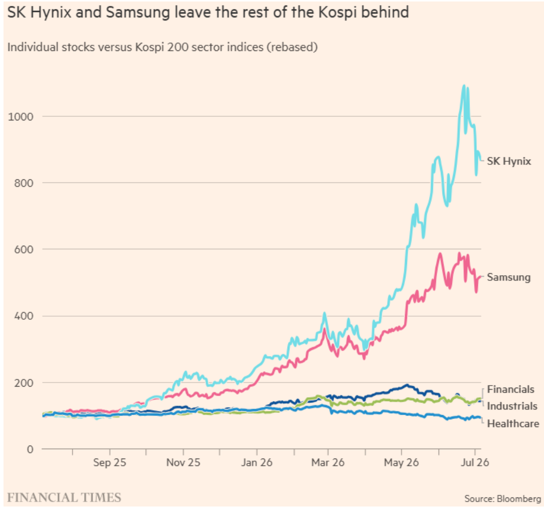


Cartoon of the Day, Hedgeye, 16JUL2026

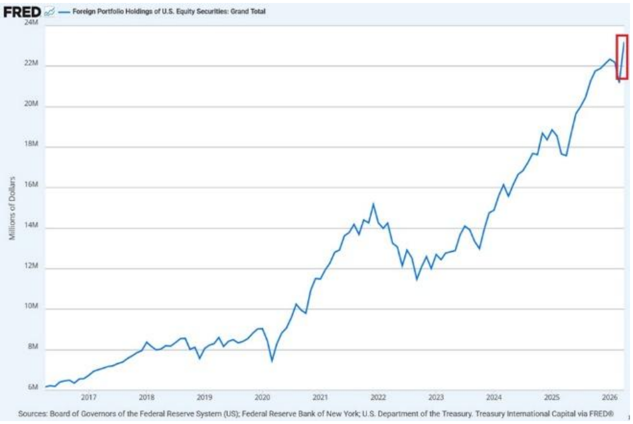
In fact, we're willing to bet that this IPO marked the peak of the current cycle.

* **Key IPO figures**: Issue price: USD 135 per share – implied **market capitalisation**: approx. USD 1.75 trillion – **Revenue** in 2025: USD 18.7 billion (price-to-sales ratio: 94) - Adjusted **EBITDA** for 2025: USD 6.6 billion (estimated EV/EBITDA: 265; assuming that net debt has only a minor impact on market capitalisation) - **Net loss** for 2025: USD -4.9 billion...- What's not to like?

Compared with the performance of the US stock market in the first half of 2026 (S&P 500 +10 per cent, Nasdaq 100 +20 per cent), almost everything else paled into insignificance. Admittedly, we witnessed twin technology bubbles in South Korea (where Samsung Electronics and SK Hynix account for around half of the KOSPI, which doubled in 1H26), Taiwan (where TSMC now accounts for 43% of the TWSE, which in turn rose by almost 60%) and Japan (the Nikkei 225 rose by 39%, also led by semiconductor shares and other AI-related stocks), but outside the technology sector, hardly anything else played a significant role.



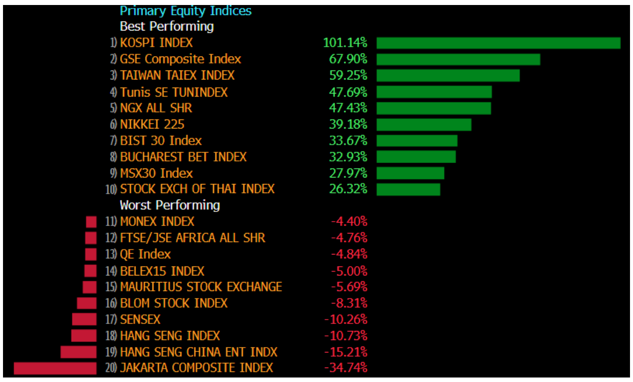
FT Unhedged, 7JUL2026



Foreign holdings of US equities, @KobeissiLetter, X, 25JUN2026

Following a strong start to the year, in which international shares outperformed US shares as investors sold US shares in favour of the former, and HALO (Heavy Asset, Low Obsolescence) stocks were in demand at the expense of tech shares, the narrative shifted almost entirely back towards the seemingly limitless potential of high technology and artificial intelligence, leading to renewed net inflows into the US.

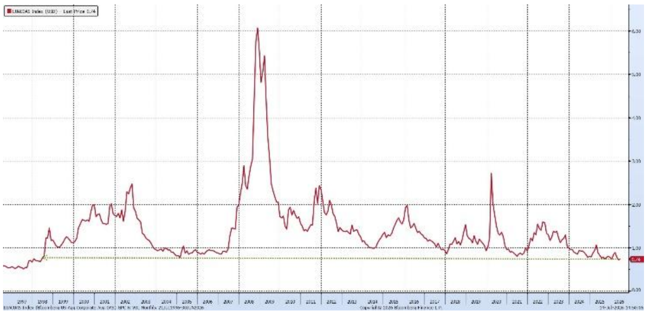
As a result, the tech sector rose by 30%, the industrials sector by 17% and the energy sector by 15%, while the consumer discretionary and communications sectors each lost around 5%.



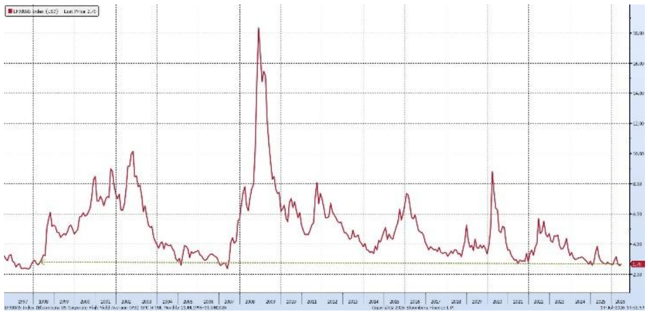
Best / Worst Stock Market Performance, 1H26, Bloomberg

At country level, South Korea and Taiwan, together with Ghana (+68%), topped the rankings, whilst Indonesia (-34%), Hong Kong (-11%) and India (-10%) were shunned.

In fixed-income markets, yields on 10-year government bonds rose in Japan (+61 bp to 2.68%) and in the US (+30 bp to 4.47%), were essentially flat in Germany and fell in China (-13 bp to 1.73%). At the same time, spreads on US investment-grade corporate bonds narrowed to 74 bp, their lowest level since 1998, whilst those on US high-yield, i.e., non-investment-grade, bonds fell to just 270 bp. In both cases, and as the graphs below show credit spreads have thus fallen near their lowest levels in almost 30 years.



Credit spread on US IG bonds, since 1996, Bloomberg



Credit spread on US HY bonds, since 1996, Bloomberg

Even more remarkable – and to point out the obvious – is the fact that 10-year Chinese government bonds now are bought at yields that are 60% lower than those on equal-maturity US government bonds. In other words, China can raise funds on international markets at the lowest interest rates of any major economy in the long term – apart from Switzerland with its traditional hard currency. One might conclude from this that the CNY is also on its way to building a reputation as a hard currency…

Yields on 10-year government bonds in the **US**, **Germany**, **France**, **the UK**, **Switzerland**, **Japan** and **China**, since 2019, Bloomberg

As far as the foreign exchange markets are concerned, the Dollar Index gained nearly 3% over the course of the first half of 2026, as the USD was supported by higher rates and the renewed wave of capital inflows into US financial markets. The new Fed Chairman, Kevin Warsh, was initially perceived as a hawk, though we very much doubt that he can live up to this reputation over the course of his tenor.

Hedgeye, Cartoon of the Day, 22JUN2026

The EUR was weaker overall, losing ground against the USD (-2.8%), the NOK (-4.5%) and the CHF (-0.8%), whilst gaining against the JPY (+0.9%) and the CAD (+0.6%).

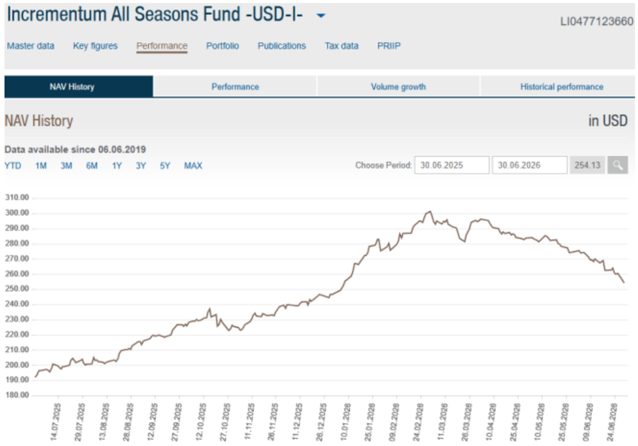
Precious metals experienced a real rollercoaster ride: they surged to new all-time highs at the start of the year before suffering significant price falls (XAU -28%, XAG -52%, XPT -47%, XPD -36%, all in USD and measured against the end-January highs), resulting in significant overall losses for the first half of the year (XAU -7%, XAG -18%, XPT -22%, XPD -25%, also in USD).

XAU (gold), XAG (silver), XPT (platinum), XPD (palladium), in USD, past 5 years, Bloomberg

Commodity prices as a whole, by contrast, rose during the first half of the year. Despite corrections in the second quarter, the Bloomberg Commodity Index recorded an overall double-digit gain (+12.3%), led by oil (WTI +21%).

Given its allocation / risk exposure, the first half of the year proved to be a similar rollercoaster ride for our Incrementum All Seasons Fund (IASF).

Following a sharp rise at the start of the year, and peaking at 301.22 on March 2 (a terrific +22.16% for the calendar year) in its USD-I share class – which followed on seamlessly from the excellent performance of the second half of 2025 – an abrupt period of consolidation set in. By the end of June, this culminated in a correction / drawdown of nearly 16%, thus leaving a meagre year-to-date gain of 3.07% and thereby erasing nearly all gains registered at the start of the year.



Incrementum All Seasons Fund, USD-I-NAV, 1H2025–26, IFM

Whilst the initial upturn had been supported by ongoing momentum from the previous year's precious metal price rally and a renewed rotation into international and HALO shares, in which the fund has been holding significant exposure, the picture subsequently changed almost entirely. What is remarkable is that this development began practically with the outbreak of war in Iran (February 28), an event from which market observers – including ourselves – had expected a reduction in risk appetite as well as higher commodity prices. That the former did not happen is evident from the broad equity market rally that ensued. The latter seemed to materialize initially, most notably in the energy sector.

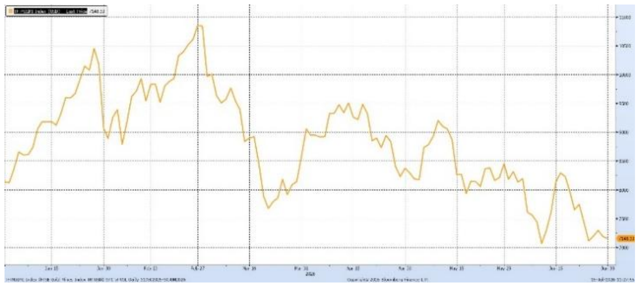
Brent crude oil futures, 1H2026, Bloomberg

However, after the Brent crude oil price peaked at USD 126 on April 30, it subsequently rolled over and fell, and despite of the most drastic supply disruption in history (approximately 1.5 billion barrels, or the equivalent of 15 days' global consumption, were lost), it eventually returned almost to its pre-war price level (approximately USD 73).

Consequently, IASF's equity theme **ENERGY** suffered a setback of around 20% in the second quarter. We will go into more detail on this issue further below. - At this stage, however, we are convinced that market participants are underestimating the continuing risks to global energy and commodity supplies posed by the Strait of Hormuz, which has so far only been partially and / or temporarily reopened.

The correction in precious metal prices over the last five months described above (see chart on page 10) in terms of its magnitude also came as a surprise, compared with the all-time highs registered at the end of January. We had already reduced our allocation during the preceding rally, but remained significantly exposed to this sector, which partly explains the decline in the fund's net asset value during the second quarter. In our view, the recent correction and consolidation have now washed out the majority of speculative positions that had built up previously, and we see good reasons for a healthy consolidation before the next rise.

As precious metal producers have also lost around a third of their value since their peak at the end of February, as demonstrated by the FTSE Gold Mines TR Index (see chart on the right), our **GOLD AND PRECIOUS METALS** equity theme also suffered heavy losses, albeit to a lesser extent than the index.



FTSE Gold Mines TR Index (USD), 1H 2026, Bloomberg

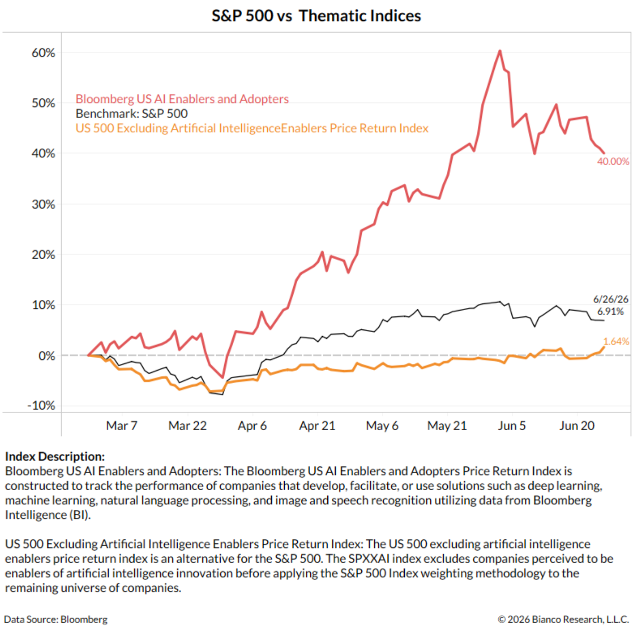
Furthermore, a number of other equity themes also recorded losses during second quarter, such as our **EM and JAPAN VALUE** themes, where – as outlined earlier – the broad equity indices were primarily driven by a handful of large technology stocks. Our recently expanded **GROWTH / TECH** theme also suffered a setback in June due to a renewed sell-off in software shares – which we had began adding to the portfolio over the course of the second quarter – as well as profit-taking in a single stock that had previously risen sharply. The **OTHER COMMODITIES** theme also suffered losses in June in the face of a broad-based correction in commodity prices. Meanwhile, our significantly reduced **SHIPPING** theme remained fairly stable in the second quarter, whilst the **MISCELLANEOUS** theme recorded only minor losses. On a year-to-date basis, however, we were able to record some very encouraging contributions to performance in our equity themes **SHIPPING** (+28% average weighted performance of our holdings in local currency), **ENERGY** (+22%), **OTHER COMMODITIES** (+9%) and **EM VALUE** (+6%), whilst **GOLD AND PRECIOUS METALS** (-12%), **JAPAN VALUE** (-5%) and **GROWTH / TECH** (where we are unable to provide sufficiently accurate figures as positions were only established during the course of the second quarter) weighed on performance, whilst **INFRASTRUCTURE / REAL ESTATE** had a neutral impact.

In the following I would like to provide you with an overview of the best and worst-performing (equity) holdings in the first half of the year to help illustrate the thematic developments described above. The list includes securities which, as at June 30, had a portfolio weighting of at least >0.5% and, according to custodian bank data, a half-yearly performance of at least +/-30% (in each case in the security's base currency):

- **ENERGY**: Kosmos Energy (+151%), Saipem (+87%) and Subsea 7 (+82%), which are in the final stages of merger negotiations, HF Sinclair (+54%), Cenovus Energy (+52%), Valaris (+50%), Equinor (+42%), APA (+40%), BlueNord (+36%) and Tidewater (+36%).
- **SHIPPING**: CMB.Tech (+58%), Star Bulk (+39%), Safe Bulkers (+36%), Hafnia (+35%).
- **GOLD AND PRECIOUS METALS:** Sibanye Stillwater (-37%), Equinox (-30%).
- **EM VALUE:** CK Hutchison (+31%), Alibaba (-38%).
- **MISCELLANEOUS:** Bayer (+31%), LSB Ind. (+31%), Cleveland Cliffs (-33%).

This is hardly the sort of volatility that sets investors' hearts racing, but for IASF and its often-neglected themes, it consistently presents opportunities…

As for our US equity short positions, it was once again a case of *'Groundhog Day'*. Because after they had made a positive contribution to the fund's performance in the first two months, we subsequently had to absorb substantial losses here, as both the S&P 500 (+15%) and the Nasdaq 100 (+28%) soared. The driving force behind this were the major semiconductor manufacturers and AI industry equipment suppliers, which were registering record revenues and margins due to the massive surge in demand driven by the expansion of data centres, whilst the 'Mag7' have recently faltered due to dwindling free cash flows and share buybacks, as well as rapidly rising new capital (bonds and shares) issuing activities.



@biancoresearch, X, 30JUN2026

Hedgeye, Cartoon of the Day, 15JUN2026

It is therefore hardly surprising that we are once again encountering some criticism concerning our positioning. After all, and despite of record-high valuations, extreme market concentration and speculative capital flows, it is widely assumed that the ongoing bull market will continue for at least another one to two years…

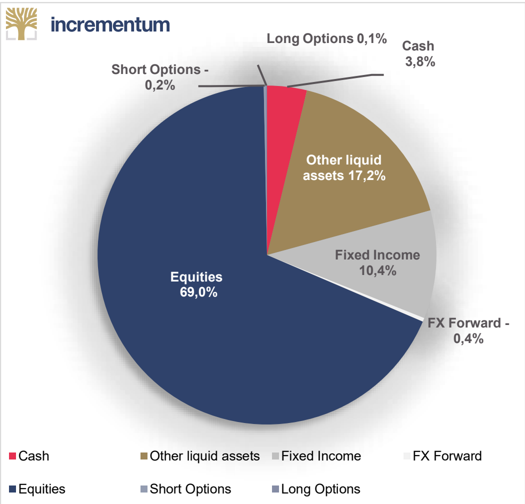
We admit, unreservedly and without mincing words, that we have underestimated the scale of this development and that we have been warning of a correction for many years now. After all, a mere *'... six weeks (*HGS: annually & on average*) is about how much time the S&P 500 has spent in a bear market during the past fifteen years. Barely a blink since the Great Recession. The few brief dips hardly qualified as legitimate resets of the market cycle. A 20% drawdown from here would only put the S&P back to June 2025 levels. The bull continues to outrun increasingly soft bear market thresholds."* (Palm Valley Capital Fund, Investor Letter, 2Q 2026, p. 2)

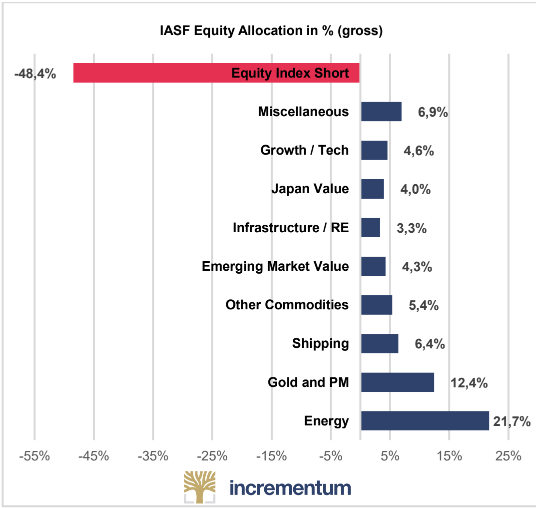
Palm Valley Capital Fund investor letter for 2Q 2026 (which, as always, is well worth reading)

This is an observation that we have also made time and again in a similar vein on these pages, namely that US equity markets have not experienced a genuine bear market since the depths of despair in 2008/09. Spending an average of around six weeks a year in a market correction (even though the longest of these lasted around two years) has clearly had a very significant impact on investors' risk appetite.

Hedgeye, Cartoon of the Day, 28MAY2026

But ultimately, we are fundamental investors. And just as we do not simply liquidate our equity investments merely because they do not meet our short-term price expectations, we take the same approach to our short positions in equity indices. After all, the overvaluation of the major US indices is undisputable, and overall – and despite of any criticism – these short positions have made IASF's portfolio significantly more resilient during general market corrections and ensured a relatively low correlation with broad equity markets (correlation with global equity markets, as measured by the MSCI World Index, according to Bloomberg: approx. 0; adjusted beta: approx. 0.4).



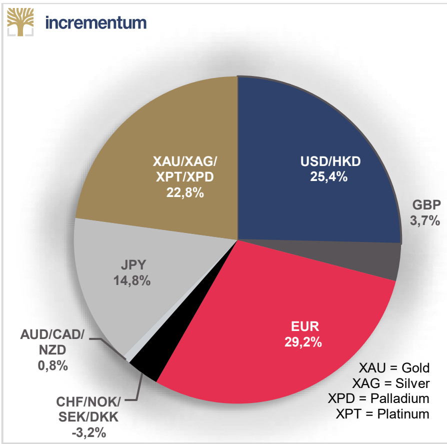


IASF asset allocation and equity theme overview as of 30JUN2026

IASF's performance was also supported by our 10% bond position. Whilst the allocation to local-currency emerging market bond funds recorded only modest gains, our holdings of corporate bonds – with an average coupon of around 8% – in some cases also posted substantial price increases. Many of the latter are securities from the energy and shipping sectors, where balance sheets have improved to such a significant degree that we are increasingly seeing early redemptions, which we welcome.

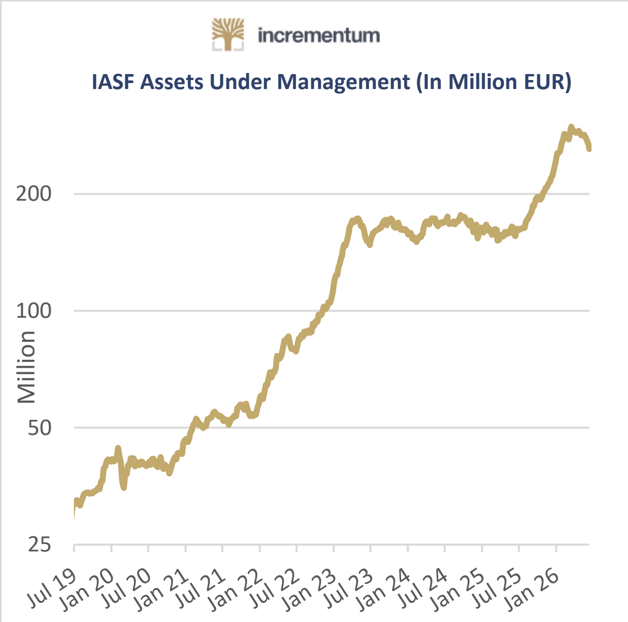
Our precious metals ETCs, which account for 12% of the portfolio, overall performed rather weakly and thus weighed on portfolio performance by approximately 1.5% in the first half of 2026.

Our currency allocation, by contrast, had no significant impact on performance, as the strength of USD and NOK roughly offset the weakness of both, the JPY and CAD, as well as related hedging costs.



IASF currency allocation as of 30JUN2026

Overall, and in line with our active investing approach, we managed the IASF portfolio during the first half of the year through more than 600 transactions, which resulted in realised gains of EUR 27 million. Our volatility arbitrage (options trading) generated around EUR 2.7 million (1% of the average fund volume of EUR 261 million). On the income side, net interest income from our bond positions contributed approximately EUR 0.5 million and dividend income of approximately EUR 3.1 million (about 1.4% of AuM). And over the first six months, IASF continued to record rising inflows (approximately EUR 32 million), thus dampening the recent NAV correction.



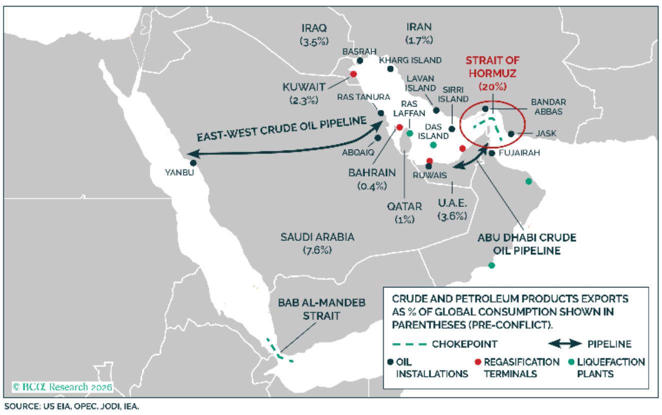
All things considered, few investors would likely have complained if we had closed the first half of the year with a gain of 3%, rather than getting off to a flying start with a 21% rise, only to fall back to 3%. But that is precisely where the true challenge of investing lies. With the benefit of hindsight, it is easy to point out where we should have acted differently to secure the level of return already achieved. Yet in financial markets, it is always the future that counts – and this is invariably overshadowed by uncertainty.

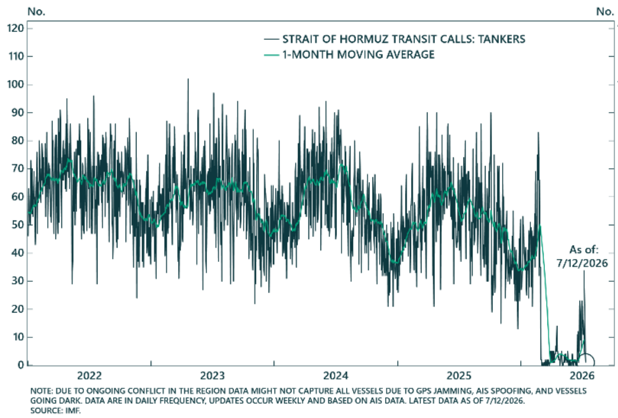
We can, however, state that, as always, we have managed IASF's portfolio to the best of our knowledge and belief, based on our fundamental assessments and convictions, and must therefore accept the setback we have suffered. At the halfway point of 2026, we can nevertheless look back on an annualised return of 12% / 14% / 10.5% for IASF's share classes EUR- / USD- / CHF-I over the past seven years, a return we are proud of, given an average net equity allocation of approximately 40%. And as this has obviously and meaningfully outperformed the rate of inflation, we have clearly upheld our promise to every long-term investor to achieve comfortable real – that is, inflation-adjusted – growth of the funds invested with us, and we are confident that we will continue to do so in the future.

Iran War & Global Oil Market – An Update

Following this detailed half-year review, I would now like to address the issues that could play a particularly important role in IASF's ongoing positioning during the second half of the year. And here, I would first like to explain why our expectation of higher oil prices, as set out in the spring edition of our *Seasonal Reflections*, has not materialised.

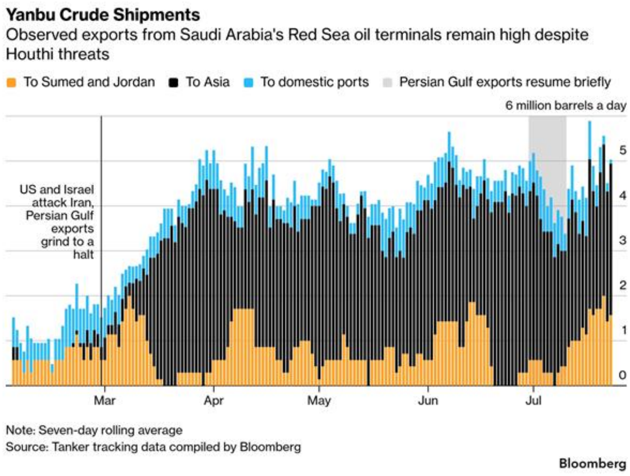
Three months on, and the war in Iran is still raging – despite a brief and hopeful lull following the signing of a memorandum of understanding (MoU) aimed at securing a ceasefire and, ultimately, a resolution to the conflict. The Iranian side wants to control the Strait of Hormuz, as this currently provides the greatest political leverage, and has recently resumed attacks on ships passing through. Meanwhile, the US is bombing Iran with the aim of destroying its military capabilities and gaining control of, or securing the freedom of, the Strait of Hormuz, through which approximately 20% of global oil and oil product exports flow and which – it should be recalled – was freely passable before the war began.





Iran Conflict Daily Dashboard, BCA Research

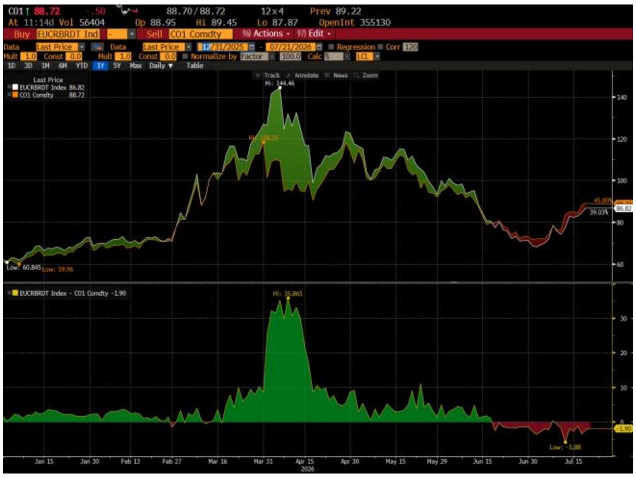
As the chart on top to the right shows, tanker transit figures have fallen sharply since the start of the war. The volumes of oil thus withheld from world energy markets have been partially offset by increased utilisation of the Saudi Arabian east-west pipeline (see map above and chart on the right) to Yanbu, as well as by the deployment of 'dark fleet' vessels – i.e. those that switch off all tracking signals in order to secretly transit the Strait of Hormuz.



Bloomberg, 24JUL2026

Nevertheless, experts estimate that this only partially offsets the shortfall in supply and that, since the start of the war, approximately 1.5 billion barrels of oil have been missing from overall global supply.

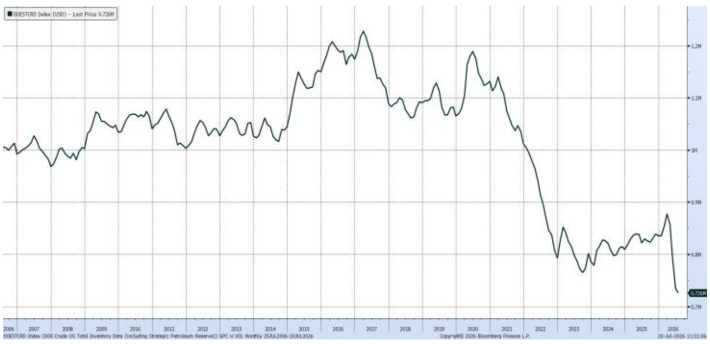
In the spring, we cited three normalisation criteria: namely, the number of ships passing through the Strait of Hormuz (see above), the trend in insurance premiums for ships passing through the SoH (still far too high or non-existent), and the difference between oil futures and spot prices for physical delivery. The latter has so far been the main surprise.



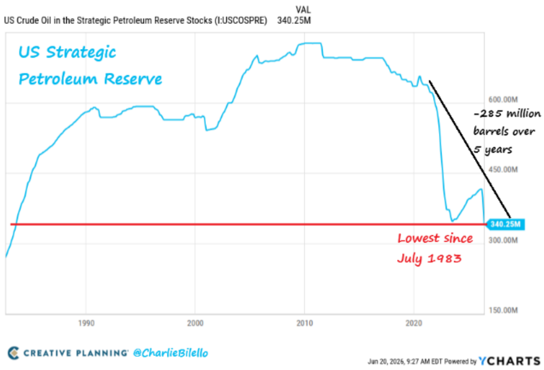
Dated Brent(white) vs Brent Futures, Bloomberg, 21JUL2026

In fact, as shown in the chart on the left, comparing Dated Brent (as a physical spot market indicator; white line) with the Brent futures price (orange line), it becomes evident that following a brief period of much higher prices in March and April, the former has even been trading at slight discounts since June 17. That was the day the framework agreement between the US and Iran was signed, which was intended to end military hostilities and pave the way for further negotiations.

This can therefore only serve as evidence that market participants do not (at present) perceive any physical shortage of crude oil. How is this possible when volumes of oil equivalent to 15 days' global consumption have been unable to be shipped and thus lost from the global balance in recent months? – Well, we have obviously underestimated two factors: firstly, the reduction in global stockpiles, which have served as an effective buffer in recent months, leading the market to believe that there is no shortage. US stocks have fallen by around 20% since April and by 40% since the 2017 peak. The bulk of this decline was attributable to the US Strategic Petroleum Reserve (SPR), which has almost halved over the past five years.



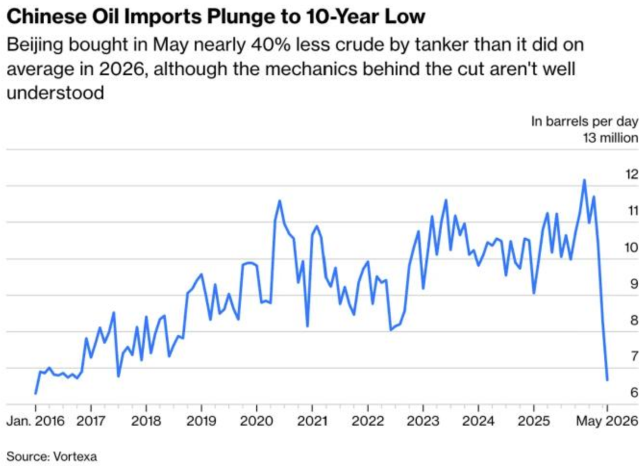
US DOE crude oil stocks (incl. SPR), Bloomberg, 20JUL2026



@charliebilello, X, 20JUN2026

Similar responses to the crisis have been seen across the globe, as politicians have sought to limit short-term damage by releasing reserves. This move was intended to cushion the impending shortage with the aim of limiting the expected rise in oil, petrol and general energy prices. As is so often the case in the modern political arena, it can hardly be regarded as a sustainable approach but obviously worked as a short-term patch over.

According to experts, China's behaviour played by far the biggest role in this. As the chart below shows, the country's crude oil imports have fallen by almost half since the start of the war, which has offset approximately a third of crude oil supplies lost.

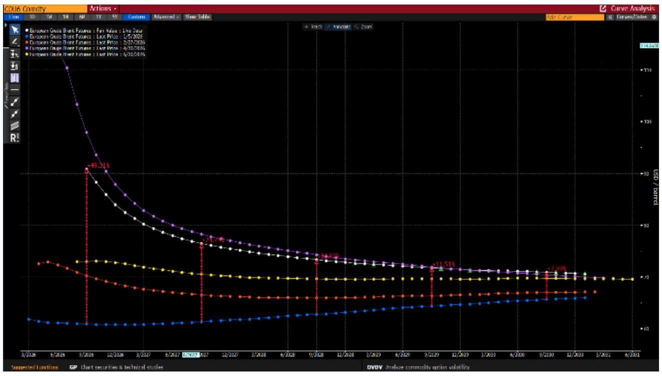


Trader Ferg, Substack, 23JUN2026

Visualcapitalist.com, 8MAY2026

As the chart above on the right shows, China's reserves are larger than those of all other consumer and supplier nations combined. As a result, the country has proven to be the most effective regulator of the oil price this year, thereby implicating to the oil market that there is no supply problem.

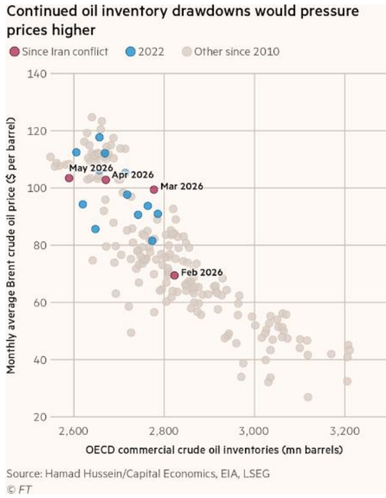
A further factor in depressing spot oil prices was the fact that the signing of the framework agreement on June 17 opened a three-week window, enabling many tankers (and other vessels) stranded in the Persian Gulf to set sail fully laden and escape this trap. If one also takes into account that the last tankers to depart before the outbreak of the war did not reach their destinations until April or even May, it becomes clear that the actual shortfall in supply has so far been felt less acutely than one might expect given the length of the conflict and the associated closure of the Strait of Hormuz. The true state of affairs will only become apparent in the coming months, for even if the war were to end tomorrow and the Strait of Hormuz were once again freely passable, it would take many weeks and months before pre-war energy flows were fully restored.



Brent Futures Kurven, 5.1., 27.2., 30.4., 30.6., 21.7. (live)), Bloomberg

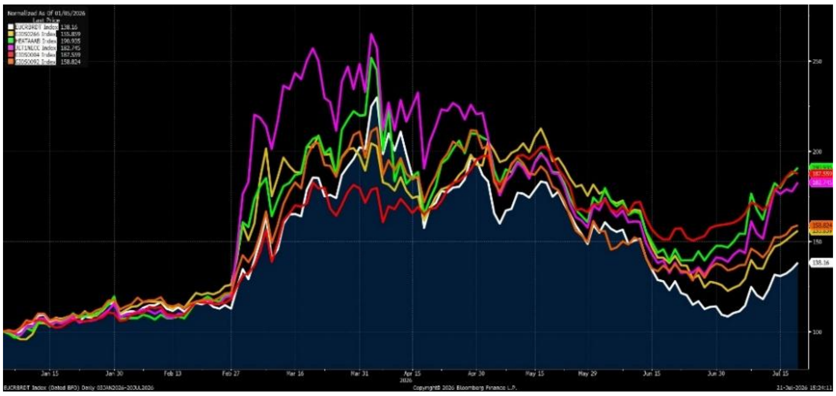
This is particularly evident in the Brent futures curve, the trajectory of which has changed significantly this year. Prices for near-term contracts, such as September 2026, have risen by just under 40% since January 5 (at the end of April, the increase was even greater). By contrast, the increases for September 2029 (+11.5%) and 2030 (+8%) are much more moderate, suggesting that market participants do not anticipate a long-term shortage.

Regarding global oil flows, we remain convinced that the supply shortfalls are being underestimated and that their impact will become more visible and pronounced as the year progresses and into 2027. Historically, there are clear correlations between the level of global oil stocks and the oil price. This makes sense, as higher stock levels provide more scope for necessary adjustments in the event of an unexpected supply disruption. Such adjustments may range from increasing other oil production, to logistical adjustments and of course also substitution measures. Low stocks limit this scope and thus increase the risk of higher prices, which aid the creation of a new market equilibrium through final demand destruction.



FT Unhedged, 6JUN2026

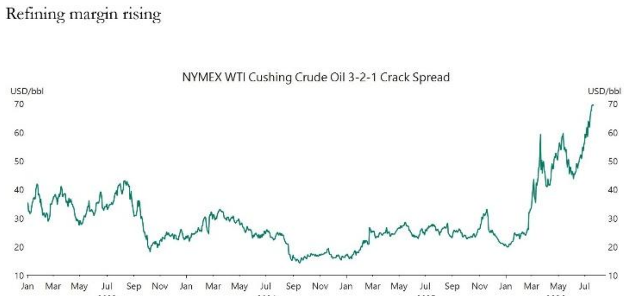
Ultimately, drawing down stocks can only provide short-term relief. In the long-term, however, these stocks must be replenished and, depending on the assessments of national energy security, may even have to be expanded. This is because current prices are simply too low to achieve a long-term reduction in demand.



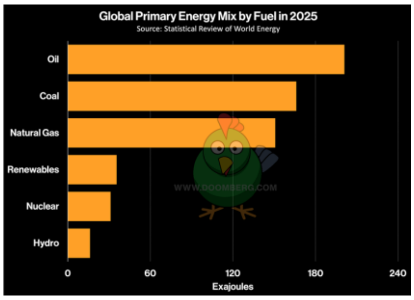
Gas oil, petrol, jet fuel, naphtha, fuel oil, Dated Brent, Bloomberg, 21JUL2026

Price developments for refined products illustrate just how serious the situation actually is. Whilst the Dated Brent price has risen by 38% over the course of the year, the increases for crude oil products range from 56% (fuel oil) to 91% (gas oil).

We have taken advantage of this by reducing our (relatively small) allocation to the refining sector, which is currently generating record-high margins (see chart on the right). For us, this sort of excess in cyclical industries is always a sign that a great deal of positive potential is already priced in, prompting us to look for opportunities elsewhere.



Apollo, 22JUL2026



Doomberg, Substack, 18JUL2026

Now, you might object that we are, after all, moving away from oil and the use of other fossil fuels, aren't we? – In this regard, an article on the subject has just come to my attention, based on the Energy Institute's recently published *Statistical Review of World Energy*. The article published by Doomberg examines the world's primary energy consumption as set out in the review, quantifying it as shown in the adjacent graph and commenting as follows:

"Institute leaders waxed profusely about renewable sources of electricity, the need to accelerate away from oil, gas, and coal, and how its data support all the right conclusions. Amazing progress is being made in the climate fight, but simultaneously, it is not nearly enough. In short, the cure to what doesn't ail us is more of what isn't working.

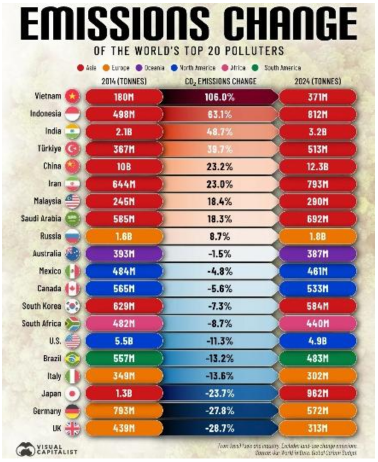
… Hydrocarbons provided 86.24% of all global primary energy in 2025, down markedly from 86.65% the year prior. Won't be long now!" (Irony off)

"Despite this rounding error of so-called progress—and the inconvenient fact that each of the major hydrocarbons experienced record-setting consumption in 2025—all manner of statistical jujitsu was applied to convince the casual observer otherwise. Among the tired tricks of the trade were the casual conflation of electricity with total primary energy, an expansive grouping of "renewables" that includes burning wood, and divvying up the wedge of global energy growth to amplify the incremental contribution of wind and solar. That renewables accounted for a third of global primary energy growth in 2025 sounds impressive, until you consider that the latter grew by just over 1%." (Doomberg, Substack, 18 July 2026)

I have never made a secret of my scepticism regarding global energy policies, which replace reliable energy sources with unreliable and expensive 'renewables', in an attempt to make us believe that this form of energy is practically free and at the same time helps safe the planet…

In the past seven years alone (since the launch of IASF), this has led to a 35% increase in German electricity prices, which are now the second highest in the EU (behind Ireland, and thus 73% above the EU average). German gasoline prices have risen by around two-thirds over the same period, whilst fuel oil prices have actually doubled. And since energy is not a discretionary consumer good and is a significant cost factor in a highly industrialised economy, it is hardly surprising that households are lamenting their dwindling purchasing power and that industry is either closing down or simply relocating.

And so, as the chart on the right shows, thanks to this policy and the enormous costs associated with it, Germany has managed to reduce local emissions by a formidable 27.8% between 2014 and 2024. In absolute terms, this corresponded to a reduction in CO_2 emissions of 221 million tonnes, which seems like a great deal until one realises that this merely offsets the increase in emissions in Vietnam (+191 million tonnes) – not to mention those in Turkey (+146 million tonnes), Indonesia (+314 million tonnes), India (+1.2 billion tonnes) or China (+2.3 billion tonnes). Proponents of this policy often invoke the idea of a 'One World', but rarely seem to take the concept into account in their actions.



Visualcapitalist.com, 4MAY2026

Be that as it may, I have no intention of making a political statement here and certainly do not wish to come across as a climate denier. What I find regrettable in general is the extent to which we – in politics as well as in society as a whole – have lost the ability to tackle the complex interrelationships of our world pragmatically and free from ideology, and to carefully weigh up which goals we wish to define as a society, and how we can best achieve them in the medium to long term.

As a fund manager, that is precisely our job: to consider how we can invest the funds entrusted to us pragmatically (globally and across all asset classes) in such a way that the goal of maintaining or increasing long-term purchasing power can be achieved. And in this regard, I continue to view the issue of ENERGY as one that will enjoy macro-economic tailwinds. After all, both the war in Iran, which is flaring up again as I write these lines, and the increasing damage wrought by the Russia-Ukraine war onto energy production and infrastructure, are making growing structural supply bottlenecks increasingly likely.

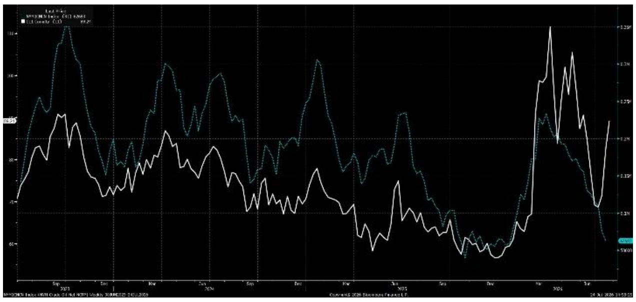
But why did the oil price fall back to nearly USD 70 in June, which also weighed on our ENERGY investment theme allocation during the second quarter?

Amidst all the above fundamental considerations, it is important to remember that the energy (not just crude oil) futures markets are many times larger than the physical markets. A KI query delivered the relative market structure proportions shown here:

Segment	Approximate Annual Scale
Physical crude oil / oil-equivalent market	USD 2.4–3.3 trillion
Exchange-traded energy derivatives (total)	USD 250–320 trillion notional
Of which: oil and refined oil products (rough estimate)	USD 100–200+ trillion notional
Additional OTC / paper market	Likely substantial, but not transparently consolidated

MS Copilot, 21JUL2026

So, when hedge funds (CTAs and systematic trend-followers) detect a breakout of key moving averages or trend formations, they are not concerned with the world's physical supply situation. Instead, at the touch of a button, they flood the market with thousands of paper contracts for which there are no corresponding buyers. Risk managers then tighten margin requirements in response to the resulting volatility, forcing leveraged long positions to liquidate their holdings simply to meet margin calls.



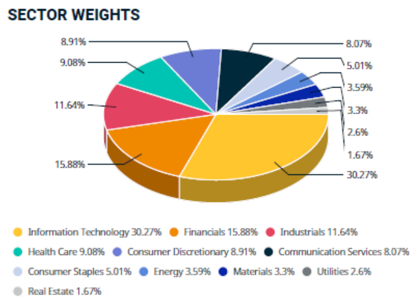
WTI oil price vs net non-commercial oil futures positions, Bloomberg, 24JUL2026

The whole situation only finds an equilibrium when the price is low enough to attract fundamental buyers, both on the financial as well as the real investors (not only Chinese oil traders) side. This is a process which, of course, also runs in the opposite direction, thereby explaining the prices of over 120 USD registered in April.

This results in the far more excessive volatility of the spot or near-term futures price, as documented above, whilst long-term prices are dominated by fundamental considerations and are also more important for the pricing of energy shares. And even if the rise here appears modest so far, the direction is, in my view, clear.

Similar considerations could also be applied to natural gas, coal or uranium, but as the investment case is related, I would like to conclude this chapter with our current allocation to the ENERGY equity theme.

As at July 21, we have allocated 22% to this sector, which, given that the energy sector's weighting in the MSCI World Index stood at 3.59% as of June 30, reflects our conviction in this sector.



MSCI World Index (USD), 30JUN2026

Our allocation comprises 7.3% oil producers, 6.5% service providers, 3.3% gas producers, 3.2% uranium and 1.7% coal producers. Uranium and coal have had a very difficult first half of the year, whilst the winners were primarily to be found among energy service companies and oil producers. The latter remain attractively valued, whilst the former, in our view, have considerable potential for recovery.

Further Macroeconomic Thoughts

In the spring, we forecasted an increasingly stagflationary environment, and at present we see no reason to revise this assessment. The fact that growth prospects do not appear particularly dynamic is illustrated, for example, by the latest growth estimates from the BIS (Bank for International Settlements) on page 3 of this report. The BIS attributes this to rising inflation, which has stubbornly remained at or above the central banks' former 2% rate ceiling over the past five years and following the excesses of the post-Covid phase.

The exception among the major economic blocs is China. There, a rapidly growing industrial sector, together with the curbing of property speculation and the resulting asset bubble, has ensured relatively low inflation rates, even though the trend appears to be reversing of late.

Consumer Price Inflation (CPI), **USA**, **EU**, **China**, **Japan**, Bloomberg, 23JUL2026

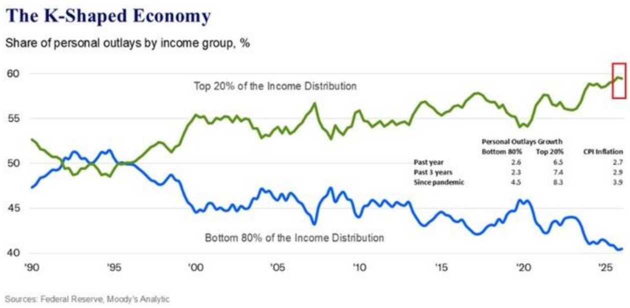
Bloomberg Commodity TR Index, last 10 years, Bloomberg

But what could now trigger a renewed rise in global inflation rates?

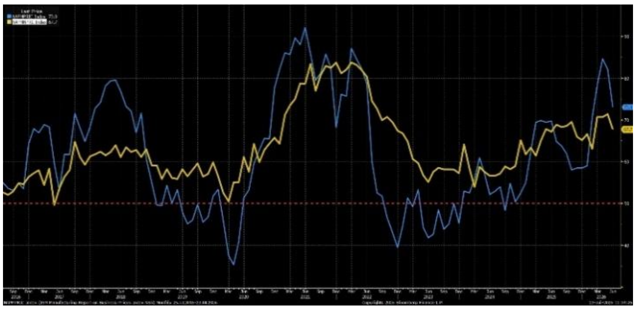
Well, for one thing, there is cost pressure from rising energy and commodity prices – an upward trend that appears to have been firmly established since 2020. Another key factor is the global rise in interest rates, which is also boosting cost pressures.

Added to this are rising tariffs, persistent supply chain problems and the associated need for increased stockkeeping. The regulatory requirements that continue to tighten, particularly in Europe, are also a cost driver. Meanwhile, in the US the stock market bubble of recent years has led to rising consumption of premium and luxury goods, for which consumers are evidently less price sensitive, a phenomenon that plays out in other parts of the world, too.

Such price increases that are easier to implement in the relevant segments are linked to the so-called *K-shaped economy*, a term used to describe the divergent trends in prosperity within the US. For instance, the share of total consumer spending accounted for by the top 20% of income earners has recently risen to almost 60%.



@KobeissiLetter, X, 25JUN2026

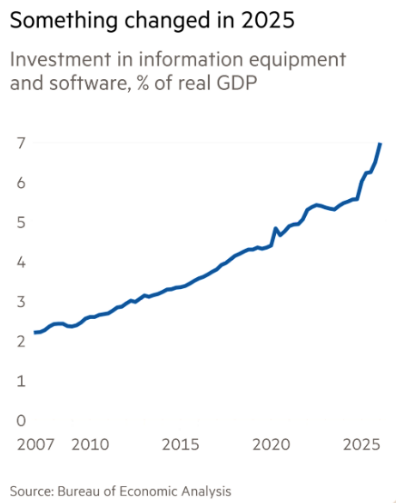


ISM Prices Paid – **Industrie** & **Services**, Bloomberg

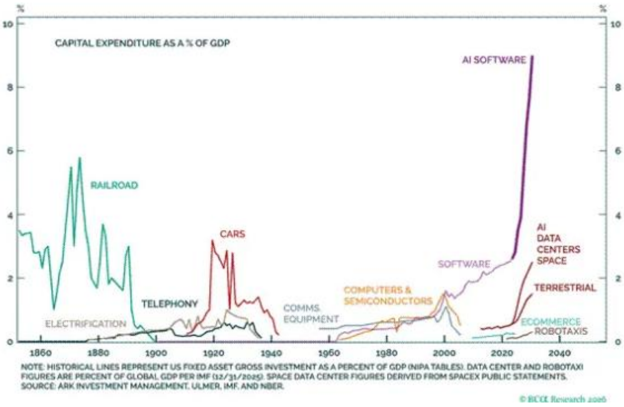
The trend in prices paid as reported by the US ISM (Institute for Supply Management), shown in the chart opposite, clearly indicates that price pressure has been rising again for some time. The most recent correction has been heavily influenced by the fall in energy prices during the second quarter, a trend that has recently reversed.

Accelerating price rises have the effect of constraining the budgets of economic actors and are therefore a key factor behind the anticipated economic stagnation.

Another factor dampening growth could be a slowdown, or even a reversal, of the trend in IT and tech investment expenditure, which has recently seen massive growth. This applies above all to the US, but also to the rest of the world, which has benefited in many ways from these massive investments. As the chart opposite shows, investment in IT hardware and software in the US has risen over the past 20 years from just over 2 per cent to more than 7 per cent of real(!) GDP. And initial estimates suggest that the contribution to growth from these investments – driven primarily by AI – was greater in the second quarter than that of US household and consumer spending, which on average and in absolute terms is around ten times higher than investment expenditure.



Unhedged, FT, 1JUN2026

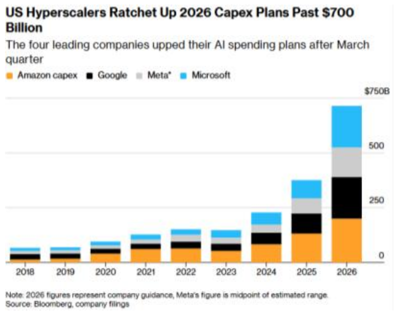


Historical capital cycles as a % of GDP, BCA Research 2026

In fact, historical data has provided ample evidence that corporate investment expenditure is a significantly more volatile component of national accounts than household consumption expenditure. The investment cycle is therefore also the most important factor influencing economic fluctuations. And the chart opposite illustrates just how exceptionally pronounced the current investment cycle has been from a historical perspective.

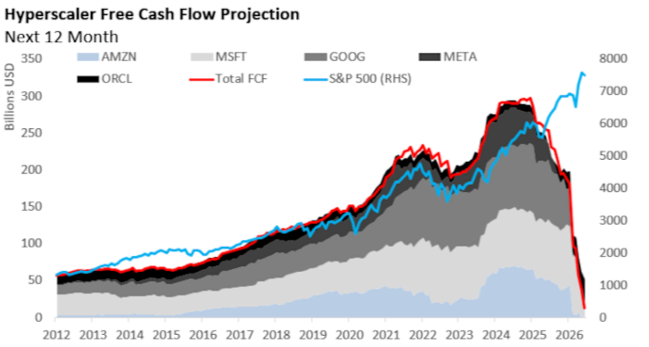
As fund managers of the Incrementum All Seasons Fund, we are perhaps particularly aware of the cyclical nature of the economy and financial markets. Exceptional developments such as those shown above inevitably lead us to consider how far the cycle may still progress and what impact a reversal of the cycle will have. And the answer to the latter is very easily one that points to economic stagnation.

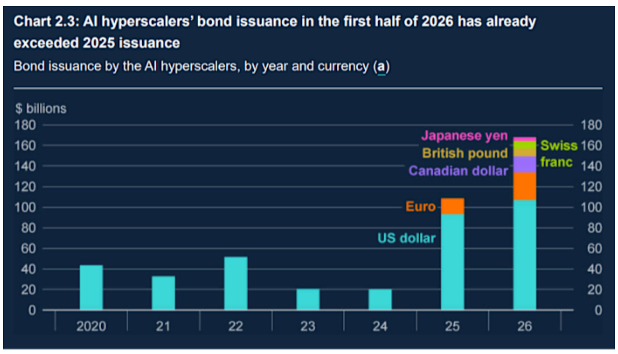
But could the cycle not continue for a few more years? – I would like to summarise my answer to that question briefly as ~~'No'~~ 'Unlikely'…



Bloomberg, 5MAY26

In our view, the colossal investments shown above and projected in the adjacent chart could only ever have been made by oligopolistic companies which, in a supposed race for the Holy Grail of General Artificial Intelligence (AGI), are now increasingly burdening capital markets with new bond and share issues, whereas until recently they had been providing a supply drain through share buy-backs.

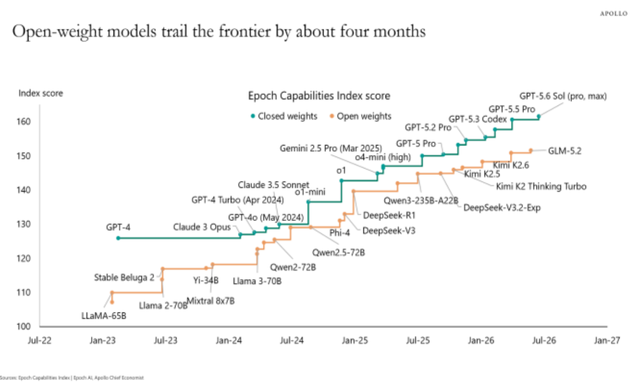




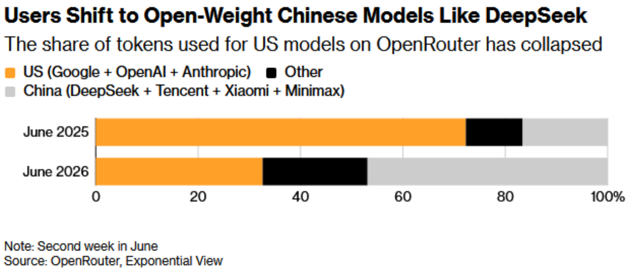
Unhedged, Financial Times, 8JUL2026

So far, we see little evidence that a breakthrough towards achieving General Artificial Intelligence is imminent or even within reach, and we therefore wonder whether these massive investments will bear fruit, i.e., if they can deliver an adequate return for the investing companies.

What worries us most is the observation that, in this race, no one has so far been able to demonstrate a 'moat' that would keep subscribers loyal even in the face of significant price increases. Instead, barriers to entry are low (and thus the price-driven willingness to switch is high), and the differences in the quality of the models, as measured by the relevant indices and benchmarks, are becoming increasingly negligible.



Frontier vs Chinese Models, Torsten Slok, Apollo, 16JUL2026

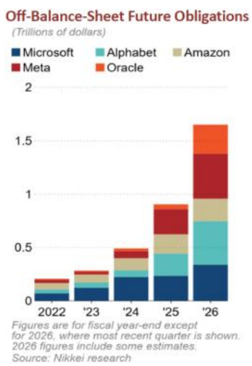


Michael W. Green, Substack, 28 June 2026

Furthermore, competition has intensified over the past two years due to much more affordable Chinese open-source models. At the same time, the expansion of data centres is progressing more slowly than expected and is also proving to be more expensive than originally anticipated.

Grants Interest Rate Observer wrote on this subject in its July 3 issue: *"… the share of all tokens processed on open-source models—primarily Deep-Seek and MiniMax from China—climbed to roughly 65% in the second week of June, up from 34% during the same week in January and 26% the year prior. The collapse in the performance gap between best and second-best is only one reason why AI will not be a winner takes-all market. A second reason is that users can switch between models with little or no operational disruption."*

Until now, the investment boom has been fuelled by cut-throat competition between mega-tech rivals and, increasingly, off-balance-sheet financing, as this has been rewarded by capital markets with ever-rising valuations. But the bond markets are sending out the first warning signs, as new tech bond issues – totalling USD 350 billion since the start of last year and continuing to grow – are meeting with waning market enthusiasm and rising yield spreads.

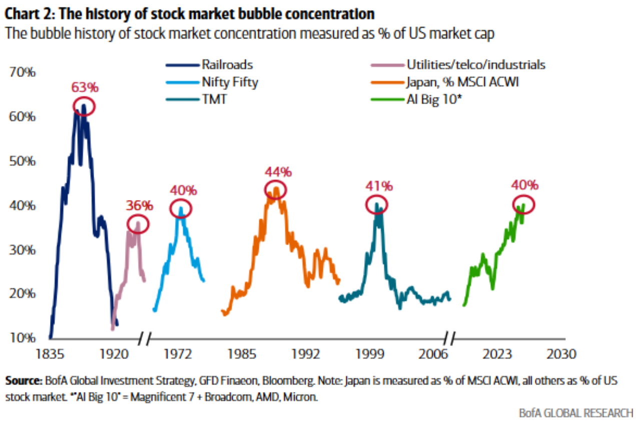


Nikkei Asia, 21JUL2026

Oracle, 5-Jahres CDS, Bloomberg, 23JUL2026

Oracle recently became the first mega-cap company to be downgraded to BBB–, the lowest rating above non-investment grade or 'junk' status, and the CDS (credit default swap) chart paints a worrying picture of the direction ahead. Meanwhile, planned investment in the sector continues to accelerate, which, in our view, suggests that financial markets will sooner or later face digestion issues.

Similar developments have occurred on numerous occasions during the various financial market bubbles of the past, and market concentration amongst the 10 largest AI firms has now reached a comparably high level as seen during those prior excesses. The moment the market no longer rewards the continuation or expansion of these investments with even higher share prices and valuations (as has already been hinted at recently), the game is over. – Rien ne va plus!



Historical stock market bubbles, @biancoresearch, X, 30JUN2026

This increases the pressure on management teams and owners to put the brakes on investment. This pressure is also heightened by growing opposition to the technology, with the general public perceiving not only jobs but also their livelihoods as being at risk. And, as is well known, politicians are highly sensitive to such shifts in public sentiment.

I hope it is clear from my analysis that this factor could have a growth-dampening effect, particularly in the US but also internationally. This factor has a direct impact on GDP through a corresponding reduction in capital expenditure. Added to this is the indirect influence – which should not be underestimated – that would result from a potentially reversed wealth effect brought about by a pronounced stock market correction.

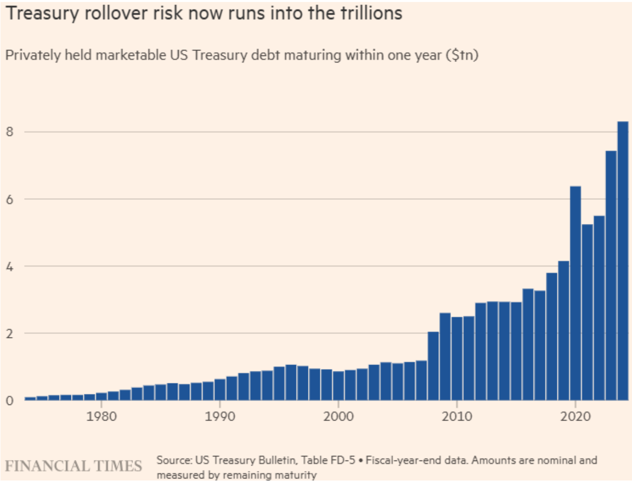
@Thierry From Arvy, Substack, 20JUL2026

A decline in the global supply of liquidity is another risk factor for global growth that has tended to be overlooked until now. Despite rising average interest rates, global liquidity has so far proved to be generous, a fact reflected in depressed risk premiums in the bond markets mentioned in the half-yearly report, and attributable to renewed central bank interventions.

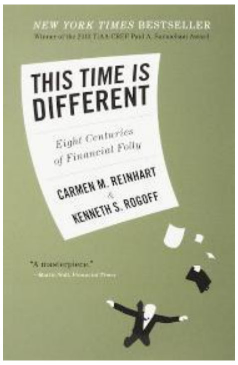
However, the colossal investments in the tech sector described above, as well as the war in Iran, which is proving unexpectedly costly, have brought about a reversal in this regard. In this context, we believe that, above all, private markets – which have grown extremely rapidly in terms of volume (particularly private equity and credit) – represent a potentially highly volatile and significant risk factor, having played a key role in the build-up and expansion of global leverage.

A further risk factor for the global growth outlook is the rapidly rising level of public debt, which we have reported on regularly in these pages.

We continue to see the risk of an accelerating debt spiral here, in which rising deficits require new borrowing, which is accompanied by rising interest rates, which in turn cause deficits to swell further. This is a self-reinforcing cycle and, given the scale it has already reached, may be very difficult to break.



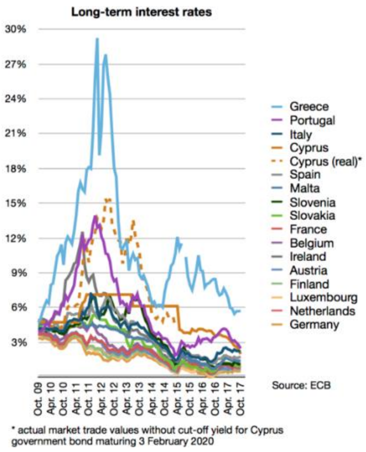
Financial Times, The Long View, 6JUN2026



This is all the more true given that there appears to be a complete lack of political will to even attempt it…

And why should there be? – After all, it is now 17 long years since Carmen Reinhart and Kenneth S. Rogoff published their book *This Time Is Different: Eight Centuries Of Financial Folly*, which attracted a great deal of attention in the wake of the global financial crisis and at the onset of the eurozone debt crisis, and was hotly debated in economic and investment circles.

The FT wrote on the subject in 2009: *"Throughout history, rich and poor countries alike have been lending, borrowing, crashing - and recovering - their way through an extraordinary range of financial crises. Each time, the experts have chimed, "This time is different" - claiming that the old rules of valuation no longer apply and that the new situation bears little similarity to past disasters. With this breakthrough study, leading economists Carmen Reinhart and Kenneth Rogoff definitively prove them wrong."* (Financial Times, 2009)



Wikipedia

But did they really? – For so far, the prevailing impression seems to be that this time everything really is different. Admittedly, there was the euro area crisis of 2010–2012, in which Greece and the countries collectively labelled with it as PIIGS (Portugal, Ireland, Italy, and Spain), were confronted with a boycott by bond investors and, consequently, rising interest rates. However, this debt crisis was mitigated by the ECB and its bond-buying programme, and market confidence was ultimately restored through various EU bailout schemes such as the EFSF and ESM, as well as a 'voluntary' debt write-off and the associated restructuring of Greek government bonds.

Whilst this subsequently led to greater fiscal discipline in Europe, that was eventually sacrificed on the altar of short-term political activism by the time the Covid pandemic came along. As a result, public debt in almost all major nations of the world has now risen well above the 90% of GDP threshold defined as the 'point of no return', that historically had led to a systemic collapse. This was so far averted by the unprecedented monetary policy of the 2010s, characterised by zero / negative interest rates, coupled with central bank buying of government bonds. This, however, led to other unpleasant symptoms, such as excessive public debt, credit- and asset bubbles in the private sector, as well as an associated surge in inflation since the start of this decade.

In my view, this has merely postponed the problem, and every new intervention will come at a higher cost and carry a greater risk of things spiralling out of control. Ultimately, the associated systematic devaluation of money, as well as the widening gap in income and wealth distribution against the backdrop of a rapidly ageing population, is a political powder keg that should not be underestimated and which could well call existing response patterns into question.

What we have learnt from this is that actual political and market developments cannot be reliably predicted. Thus, we strive to structure IASF's portfolio in such a way that it can withstand most eventualities, even if these involve a departure from familiar patterns. For the notion that we could grow out of an advanced debt crisis is not supported by historical evidence and current numbers, which show that each additional unit of debt provides an ever-diminishing boost to growth. – Ultimately, I fear that Reinhart & Rogoff will, after all, be proven right by their empirical analysis, and that 'This time it's different' will once again prove to be a fallacy.

Investor Feedback & IASF Shorts

As usual, the report is getting longer and longer, whilst my publishing deadline is approaching. I would therefore like to address another investment topic here, based on an investor's question concerning IASF's short positions, which was dated May 18:

"I have invested a large proportion of my assets with you in IASF, as I have great faith in your strategy. The only thing that continues to worry me is your short hedging against a falling stock market. This has been loss-making for at least the last two years and, due to the monetary illusion, could well continue with share prices rising further – measured in a currency that is continuing to depreciate – even though the economy is weakening.

In this regard, I'd like to share the following video clip from … with you.

I'd be interested to hear your views on this. Shouldn't the short hedges in the IASF be scaled back?"

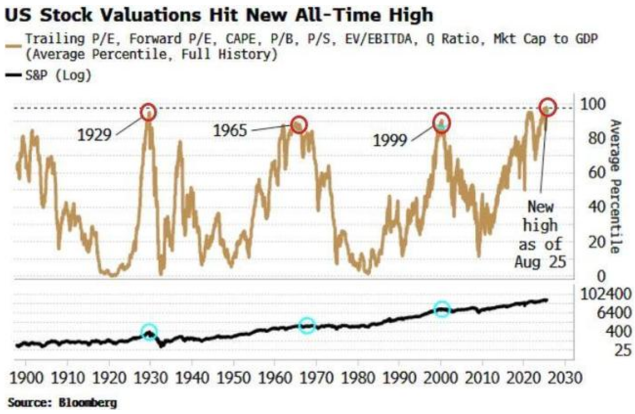
Dear readers,

it will hardly come as a surprise to you that this remains—and I think I can safely say — the only controversial investment topic concerning IASF's investment approach. This is particularly interesting because our short positions were not the only ones to have made a negative contribution to our results in the first half of the year. For example, our losses in the GOLD AND PM segment (including precious metal ETCs) were similarly high.

Of course, I am aware that it is not always easy for investors to understand why we have been short U.S. stocks almost continuously since the fund's inception. This lack of understanding stems primarily from the fact that they focus first and foremost on the resulting lost profits, rather than—as we do—on the fund's greater resilience and its defensive behaviour during broad market corrections.

Here then, was my response: *"… Thank you also for your feedback, which is not entirely unexpected following 2.5 years of another wild bull run in US markets. And this is precisely why I address this topic time and again ad nauseam in my Seasonal Reflections (see p. 27 of the latest issue). I listened briefly to the piece by …, but I found it too superficial. If you're looking for a more nuanced assessment, do take a look at the interview on Thoughtful Money with (Professor and Fund Manager) Mike Green, who attributes that performance primarily to the growth of passive investing as well as the related automatic flows in the US.*

As fundamentally oriented investors, we are using these short positions in IASF as a tactical hedge in an overheated bull market that has reached historically record high valuation levels—a market driven by a handful of stocks that either operate largely cyclical businesses (e.g., Nvidia & Co.) or whose business models are undergoing drastic changes (from asset-light and cash-flow-positive to the opposite, such as the hyperscalers). As a fundamental investor, this sets off all my alarm bells.



@ekwufinance, X, 23JUL2026

Of course, after seven years, one can argue that the short positions cost us a lot of money, but it is equally true that they proved valuable during challenging market phases (specifically, 1Q 2020 and 2022), as they significantly cushioned or completely prevented participation in the respective downturns. And despite of these, we have achieved a satisfactory performance since IASF's inception, as well as over shorter time horizons—and we've done so with a low correlation to stock (or bond) markets and a very low beta.

It may therefore come as no surprise to you when I say that we will not change our approach but will continue to seek attractive investments that promise us real returns, and will hedge these during periods of overvaluation—for example, through short positions in overheated markets. It doesn't surprise me that other investors or competitors may not consider this sensible and pursue different investment strategies and approaches; after all, herd mentality and career risk is a widespread phenomenon in our industry. And if our investors believe they're better off elsewhere, then we have to accept that... – In other words, we offer an investment strategy to the market that we are convinced of and in which we ourselves are significantly invested, we make this strategy sufficiently transparent and understandable, and then we wait for (or actively seek out) investors who value our expertise, feel comfortable with this strategy, and believe they can achieve their investment goals with it.

Mr. ......, since 2019 we have seen all too clearly that overvalued markets can become even more overvalued. What's still missing is a renewed recognition that the market cycle is prone to extremes not only on the upside but also on the downside. This experience still lies ahead for us in the coming years, and when it transpires our investors will once again appreciate our steadfastness and consistency in this matter. – I hope you will continue to be part of this journey."

I hope this serves as a useful refresher on this topic, and I'd like to take this opportunity to once again express my sincere gratitude for this and any other constructive feedback from investors. After all, it helps us greatly in our investor communications, which we hope will make our work more transparent and understandable.

Excerpts From Quarterly Commentary To Incrementum PM Clients

Despite the length of this report, I would like to take this opportunity to share a few excerpts from the quarterly report by our esteemed partner and CEO, Dr. Stefan M. Kremeth, which very well describe the overall philosophy of Incrementum AG and its partners and may therefore be of interest — and hopefully insightful — in light of our work:

„We live in challenging times, and it probably makes sense not to always take everything at face value. Crises are a part of life, but a sense of calm can, at least to some extent, be learnt...

Wealth structuring to help you achieve your life goals

We constantly ask ourselves how our wealth management services can help you achieve your life goals.

We aim to consistently tailor our approach to our clients' individual needs and objectives. To this end, we generally distinguish between three key areas of focus: Wealth accumulation with a focus on long-term growth; distributions aimed at generating regular income; and security and stability, with the minimisation of volatility and the risk of loss being a key priority.

Time and again, we find that our private clients value clarity, predictability and trust in the investment process above all else. This is precisely where we come in – or at least try to. Our aim is to consistently meet these expectations over many years through transparent decision-making processes, comprehensible strategies and a disciplined approach. Should we not always succeed in this, we ask for your understanding, as we sometimes face a conflict of objectives. Should we now try to optimise returns or keep volatility low? We have observed that clients generally seek the highest possible return in rising markets and the lowest possible volatility in falling markets. This is only natural, but difficult to achieve.

Focus on asset allocation

At the heart of our work lies a needs-based asset allocation and our consistent independence in asset management. We ensure the latter, amongst other things, by having always completely refrained from accepting retrocessions.

Our aim is to design a portfolio for our clients that not only meets their objectives but is also coherent and resilient. We are convinced that sustainable investment success is based on clear principles such as consistency, stability and discipline in allocation, rather than a short-term focus on fads and market cycles.

We are aware, however, that there are no risk-free investments. Every investment carries its own risk; this applies not only to shares and bonds, but also to property and precious metals. Time and again, we encounter people who regard a particular asset class as risk-free. From a scientific point of view, such views are unfounded and incorrect.

A diversified portfolio cannot offset every risk, but in the medium to long term it can lead to a substantial increase in wealth or provide the liquidity needed to cover living expenses, whilst maintaining a reasonable level of risk.

Collaboration

Jesse Livermore coined his quote about Wall Street a hundred years ago. It holds just as true today. "The wallets change. The shares change. Investors come and go. But human nature, greed, FOMO (fear of missing out), and the conviction that this time you'll be quicker and smarter than the herd – those never change." Nevertheless, in the end, it is not short-term trends that enable wealth to grow sustainably, but continuously compounding on a solid, predictable foundation. To achieve this, investors must be prepared to work with us, stick to the chosen path and not allow themselves to be swayed by short-term or unsound thinking.

Our role as portfolio managers

There are moments in the markets when everything is in flux, prices rise and fall, and the markets seem to react frantically to every new headline. At first glance, it appears as though the price itself is telling the truth. Yet this is precisely where our real work begins. As my partner Hans G. Schiefen once aptly put it, the role of a portfolio manager is to pause when the market gets noisy and to look more closely at where prices and reality are diverging. For whilst prices often lose sight of the present, the crucial answers usually lie in the data – in the fundamentals – in what is really changing beneath the surface, or indeed not changing at all. As investors acting in a fiduciary capacity, we therefore regard it as our duty to identify these areas of tension and to recognise when markets are overreacting, underestimating the situation, or simply getting it wrong. Our decisions are therefore not driven by price movements, but by the facts. It is not the price that guides us, but an understanding of what should drive us in the long term. Dear clients, we too make mistakes; I ask for your understanding in this regard. We strive to eliminate these over time, and so far, we have been quite successful.

*… **Thank you very much!"***

Dear Readers, personally, I feel blessed and am very pleased to be able to work in an organization where the values of the managing partners align so closely.

If you would like to learn more about Incrementum's Portfolio Management services, please feel free to contact Stefan under smk@incrementum.li directly.

Market Overview, Outlook & Conclusion

At the end of July (the weekend of July 25–26), the outlook seems no longer quite so rosy for global financial markets. The conflict with Iran is on the verge of escalating once again, the Strait of Hormuz remains effectively closed, and as a result, the price of oil has risen again to just under USD 100 over the course of the month. An energy crisis seems on the cards once more, especially considering that Europe has not yet sufficiently replenished its natural gas reserves. The Trump administration has also imposed new tariffs of 10%+ on 60 trading partners, which account for 99.4% of U.S. imports. Since these tariffs are largely paid by U.S. importers and consumers, this — combined with the renewed rise in energy prices — risks triggering another surge in inflation. In the U.S., midterm elections are also scheduled for November 3, which will determine the new composition of the U.S. Congress, and President Trump looks like his is entering the race with the worst poll numbers compared to a long line of predecessors. – Overall, positive news on the geopolitical front is few and far between.

Index	Value	Net Chg	%Chg	Δ AVAT	Time	Adv/Dcl	%Ytd	%YtdCur
1) Americas								
11) DOW JONES	51947.25	+235.60	+0.46%	-4.85%	07/24 c	23 / 7	+8.08%	+8.08%
12) S&P 500	7411.98 d	+3.68	+0.05%	+1.70%	07/24 c	363 / 140	+8.28%	+8.28%
13) NASDAQ	24975.82	-161.87	-0.64%	-4.16%	07/24 c	1339 / 1848	+7.46%	+7.46%
14) S&P/TSX Comp	35369.10 d	+176.44	+0.50%	-10.12%	07/24 c	135 / 82	+11.53%	+8.59%
15) S&P/BMV IPC	66383.26 d	+117.25	+0.18%	-9.79%	07/24 c	20 / 15	+3.23%	+6.34%
16) IBOVESPA	174042.00 d	-2681.63	-1.52%	-19.46%	07/24 c	11 / 66	+8.02%	+16.78%
2) EMEA								
21) Euro Stoxx 50	6280.94 d	+70.77	+1.14%	-14.15%	07/24 c	40 / 10	+8.45%	+4.99%
22) FTSE 100	10736.23 d	+97.06	+0.91%	-23.00%	07/24 c	83 / 17	+8.10%	+6.89%
23) CAC 40	8372.28 d	+73.19	+0.88%	+9.16%	07/24 c	27 / 12	+2.73%	-0.55%
24) DAX	25099.00 d	+335.88	+1.36%	-9.86%	07/24 c	29 / 11	+2.49%	-0.79%
25) IBEX 35	19585.40 d	+318.40	+1.65%	+33.40%	07/24 c	29 / 5	+13.16%	+9.54%
26) FTSE MIB	51802.23 d	+486.39	+0.95%	-9.84%	07/24 c	27 / 9	+15.26%	+11.58%
27) OMX STKH30	3199.62	+32.52	+1.03%	+22.71%	07/24 c	26 / 4	+10.98%	+5.13%
28) SWISS MKT	14327.20 d	+112.25	+0.79%	-20.55%	07/24 c	18 / 2	+7.99%	+4.61%
3) Asia/Pacific								
31) NIKKEI	64611.15 d	-1811.45	-2.73%	-12.20%	07/24 c	91 / 133	+28.35%	+22.77%
32) HANG SENG	24963.23 d	-247.58	-0.98%	-23.42%	07/24 c	16 / 74	-2.60%	-3.35%
33) CSI 300	4649.19 d	-78.81	-1.67%	-23.97%	07/24 c	42 / 255	+0.42%	+3.62%
34) S&P/ASX 200	8772.31	-66.68	-0.75%	+8.94%	07/24 c	38 / 149	+0.67%	+5.27%
4) Global								
41) BBG World L/M	2558.73	-5.14	-0.20%	-16.55%	07/24 c	1055 / 1235	+8.61%	+8.61%

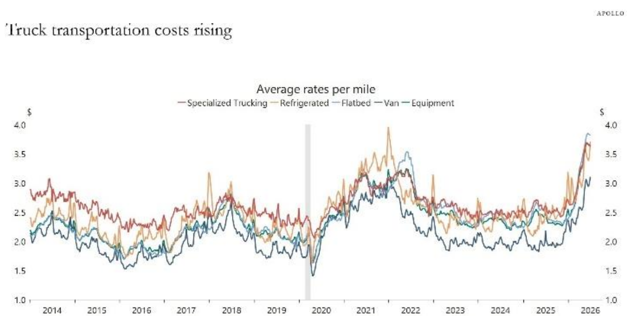
Maturity: 10 Year — Data Range: YTD

Region	Security	Price	Chg	Yld	Chg	Low	High	YTD Chg
1) Americas								
10) United States	T 4 ⅜ 05/36	97-20+c	+04	4.677	-1.6	3.937	4.693	+51.0
11) Canada	CAN3 ¼ 06/36	97.092c	+0.295	3.603	-3.6	3.124	3.697	+17.5
12) Brazil (USD)	BRAZIL7 ⅛ 37	106.205c	-0.028	6.307	+0.3	5.779	6.398	+16.4
13) Argentina (USD)	ARGENT4 ⅛ 35	78.978c	-0.039	9.098	+1.5	8.529	10.600	-55.8
14) Mexico (USD)	MEX6 ¼ 08/37	98.230c	+0.166	6.473	-2.1	5.589	6.494	+70.4
2) EMEA								
20) United Kingdom	UKT4 ¾ 10/35	97.939c	+0.510	5.031	-7.1	4.231	5.171	+55.7
21) France	FRTR3.7 11/36	97.756c	+0.393	3.967	-4.8	3.215	4.015	+40.6
22) Germany	DBR3 08/15/36	98.550c	+0.260	3.170	-3.1	2.642	3.201	+31.7
23) Italy	BTPS3.8 07/36	98.729c	+0.371	3.994	-4.7	3.269	4.046	+44.9
24) Spain	SPGB3.4 10/36	98.062c	+0.343	3.630	-4.1	3.060	3.672	+34.6
25) Portugal	PGB3 ¼ 06/36	97.743c	+0.326	3.524	-4.0	2.996	3.570	+38.2
26) Sweden	SGB2 ½ 10/36	95.834c	+0.144	2.978	-1.7	2.599	2.995	+18.1
27) Netherlands	NETHER2 ¾ 36	95.606c	+0.277	3.274	-3.4	2.705	3.311	+30.9
28) Switzerland	SWISS 2 ½ 36	119.298c	+0.443	0.444	-4.3	.160	.549	+21.2
29) Greece	GGB3 ⅜ 06/36	95.887c	+0.397	3.883	-5.0	3.262	3.982	+44.7
3) Asia/Pacific								
30) Japan	JGB 2.7 06/36	99.392c	-0.195	2.778	+2.5	2.052	2.854	+72.6
31) Australia	ACGB 4 ¼ 36	93.693c	-0.815	5.084	+11.2	4.630	5.114	+35.0
32) New Zealand	NZGB 4 ¼ 36	95.917c	-0.664	4.776	+8.8	4.314	4.862	+39.9
33) South Korea	KTB4 ¼ 06/36	99.176c	-0.341	4.422	+4.8	3.337	4.422	+104.3
34) China	CGB1.72 05/36	100.006c	+0.028	1.719	-0.3	1.696	1.887	-11.2

Equity Market Performance (YtD) – Bloomberg, 25JUL2026 – 10y Government Bond Performance (YtD)

On the surface, financial markets seem to have been largely unaffected by all this so far. After the surge in the second quarter, global stock markets have taken a breather but remain in positive territory on a year-to-date (ytd) basis (MSCI World +8.1% / +11.5% in USD/EUR).

Government bonds, on the other hand, have recently suffered renewed losses, as the latest turnaround in oil prices, combined with another round of tariffs, has reignited inflation expectations. (The chart on the right illustrates the time lag with which disruptions in the energy market trickle down to the real economy — similar developments will occur globally and in many other sectors.)

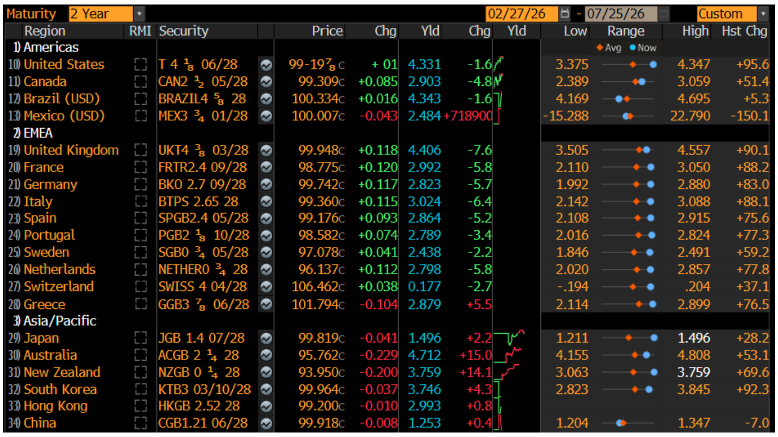


The Daily Spark, Torsten Slok, Apollo, 24JUL2026

Nevertheless, the mood seems calm enough, and investors appear to be largely unconcerned.

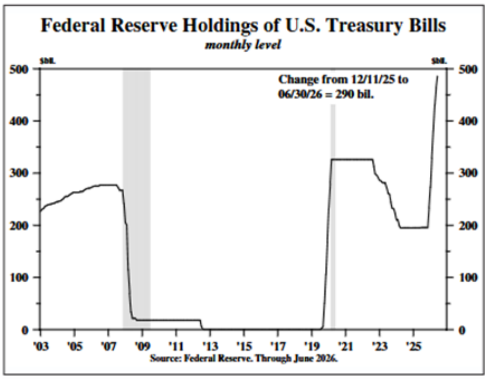
But beneath the surface, the cracks in the picture continue to widen.

In the bond market, not only are long-term bond yields rising, but since the start of the war in Iran, yields on short-term bonds — such as 2-year Treasury bills, over which central banks have decent control — have also been rising. In the U.S., 2-year yields have risen by nearly one percentage point, despite of Fed purchases amounting to approximately USD 500 billion in T-bills since December 2025.


Maturity 2 Year | 02/27/26 - 07/25/26 | Custom

Region	Security	Price	Chg	Yld	Chg	Low	High	Hst Chg
1) Americas								
10) United States	T 4 ⅛ 06/28	99-19⅞c	+ 01	4.331	-1.6	3.375	4.347	+95.6
11) Canada	CAN2 ½ 05/28	99.309c	+0.085	2.903	-4.8	2.389	3.059	+51.4
12) Brazil (USD)	BRAZIL4 ⅝ 28	100.334c	+0.016	4.343	-1.6	4.169	4.695	+5.3
13) Mexico (USD)	MEX3 ¾ 01/28	100.007c	-0.043	2.484	+718900	-15.288	22.790	-150.1
2) EMEA								
19) United Kingdom	UKT4 ⅜ 03/28	99.948c	+0.118	4.406	-7.6	3.505	4.557	+90.1
20) France	FRTR2.4 09/28	98.775c	+0.120	2.992	-5.8	2.110	3.050	+88.2
21) Germany	BKO 2.7 09/28	99.742c	+0.117	2.823	-5.7	1.992	2.880	+83.0
22) Italy	BTPS 2.65 28	99.360c	+0.115	3.024	-6.4	2.142	3.088	+88.1
23) Spain	SPGB2.4 05/28	99.176c	+0.093	2.864	-5.2	2.108	2.915	+75.6
24) Portugal	PGB2 ⅛ 10/28	98.582c	+0.074	2.789	-3.4	2.016	2.824	+77.3
25) Sweden	SGB0 ¾ 05/28	97.078c	+0.041	2.438	-2.2	1.846	2.491	+59.2
26) Netherlands	NETHER0 ¾ 28	96.137c	+0.112	2.798	-5.8	2.020	2.857	+77.8
27) Switzerland	SWISS 4 04/28	106.462c	+0.038	0.177	-2.7	-.194	.204	+37.1
28) Greece	GGB3 ⅞ 06/28	101.794c	-0.104	2.879	+5.5	2.114	2.899	+76.5
3) Asia/Pacific								
29) Japan	JGB 1.4 07/28	99.819c	-0.041	1.496	+2.2	1.211	1.496	+28.2
30) Australia	ACGB 2 ¼ 28	95.762c	-0.229	4.712	+15.0	4.155	4.808	+53.1
31) New Zealand	NZGB 0 ¼ 28	93.950c	-0.200	3.759	+14.1	3.063	3.759	+69.6
32) South Korea	KTB3 03/10/28	99.964c	-0.037	3.746	+4.3	2.823	3.845	+92.3
33) Hong Kong	HKGB 2.52 28	99.200c	-0.010	2.993	+0.8			
34) China	CGB1.21 06/28	99.918c	-0.008	1.253	+0.4	1.204	1.347	-7.0

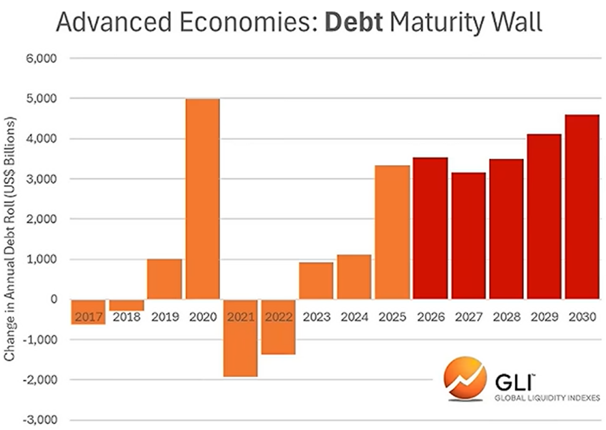
2y government bonds (YtD), Bloomberg, 25JUL2026

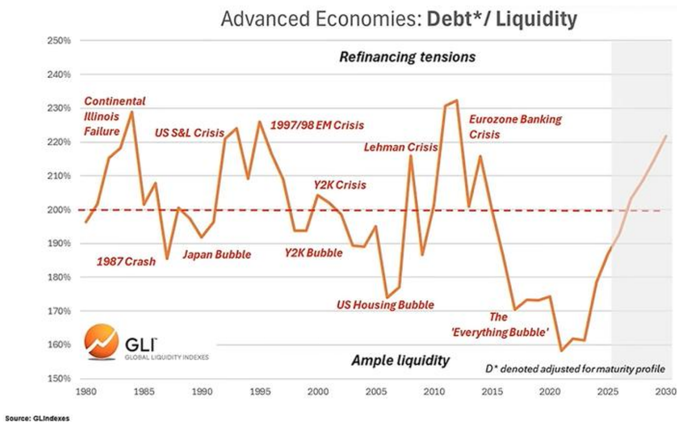


Source: Hoisington Investment Management

@wmiddelkoop, X, 25JUL2026

Similar rises in yields at the short end of the curve are being observed everywhere outside of China and are occurring at a time when refinancing needs have surged dramatically. The chart shown below on the left is taken from a presentation by Michael Howell of Crossborder Capital and refers to the 'maturity wall' of bonds due for refinancing globally. It shows how, during the 2020 pandemic, approximately USD 5 trillion in bonds were refinanced with government assistance and at extremely low interest rates — bonds that are due for refinancing again right now and in the coming years. Michael Howell explicitly stated that this maturity wall does not take into account net new government debt, the exploding financing needs for the AI expansion, or other new borrowing, and clearly illustrates the enormous challenges this will pose for the capital markets.



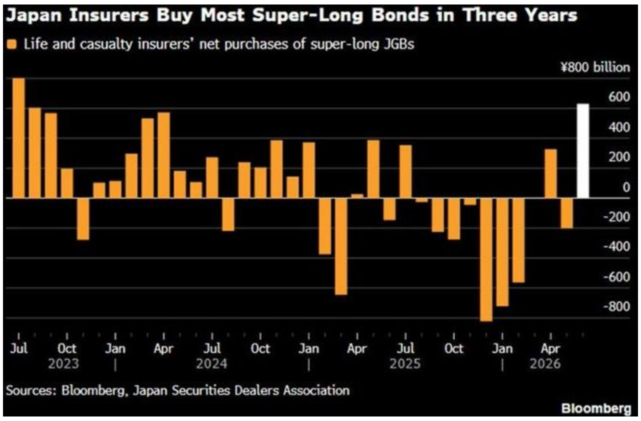


Crossborder Capital, RealVision, 19JUL2026

As borrowing continues to grow rapidly, more and more liquidity is being tied up, leading to a rise in the debt-to-liquidity ratio (chart on the right, above). Its trajectory is clearly moving into an area that has seen financial crises being triggered in the past.

Some may object here that policymakers (via the central bank) will certainly intervene. (I find it noteworthy in this context that the same people who largely view Western policymakers as short-sighted, opportunistic, and amateurish, are nevertheless firmly convinced that these politicians have everything perfectly under control when it comes to steering the economy and financial markets and thus will ensure that financial market prices remain stable or continue to rise…) - Overall, however, we would point out that policymakers today face a much more severe conflict of interest in their decision-making. With inflation rates that have been well above the 2% mark for years, the scope for interest rate cuts (outside of a recession) is limited. Furthermore, central banks' bond (or even stock) purchases—which are once again on the rise—risk undermining confidence in the respective currencies and will therefore not be undertaken lightly. The problem is further exacerbated by the fact that it is global in nature, and a stable currency is essential in the international competition for capital.

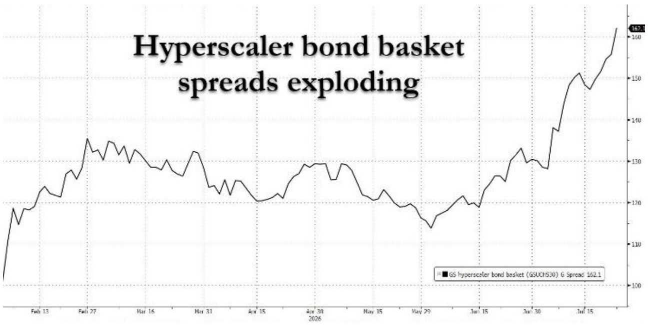
Using Japan as an example, we are currently seeing what steps governments may take to prop up their own currencies while keeping local interest rates under control. On July 10, the Japanese finance minister called on the country's pension funds — which are among the largest in the world — to invest more heavily in domestic assets with precisely this goal in mind. After all, when liquidity becomes scarce, its price rises, and with it, the competition for available funds…



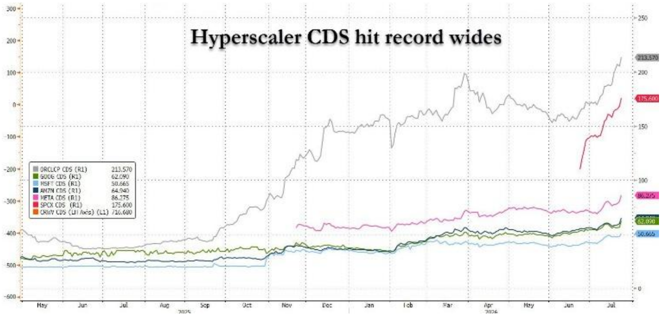
@Cointelegraph, X, 23JUL2026

One may add the fact that wars traditionally have an inflationary effect, and this is clearly the case in the current iteration as well. After all, it is primarily the international creditor nations — such as Germany, Japan, and South Korea — that pushed by the current US administration are increasingly investing in military buildup and financing this through higher levels of new debt. This is already reflected in the bond market by a corresponding rise in long-term interest rates. This leaves only a few steps remaining before a policy of yield curve control — and the associated capital controls — is implemented. After all, repatriating international capital can provide relief for creditor nations overall, both in terms of interest rates and currency. As usual, Japan appears to be the furthest along in implementing such measures — and in our view, this poses the main risk to the USD as the currency of the world's largest debtor nation.

Beneath the surface, changes in credit spreads on corporate bonds can no longer be overlooked, especially among yesterday's darlings — namely, U.S. megacaps / hyperscalers, whose bonds have seen a 50 bp spread widening over the past 8 weeks, while credit default swap (CDS) rates — contracts that hedge against corporate bond defaults — led by Oracle and SpaceX, have also risen significantly.



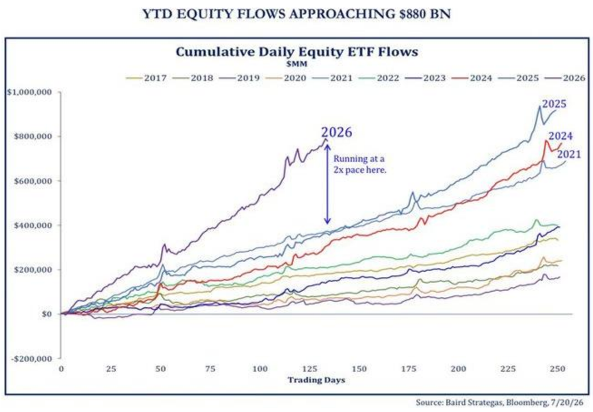
@zerohedge, X, 23JUL2026



@zerohedge, X, 24JUL2026

Is it time for the 'Bond Vigilantes' to make a comeback? – We can certainly see that happening, which is why we are significantly underweight in the bond market.

In the global competition for capital, this could also have negative repercussions for the stock market, where we are currently experiencing yet another echo boom. Since the beginning of the year, U.S. equity ETFs have seen total inflows of more than USD 800 billion — a trend that significantly exceeds all previous years' results and, if it continues at this pace, could reach a total volume of USD 1.4 trillion.



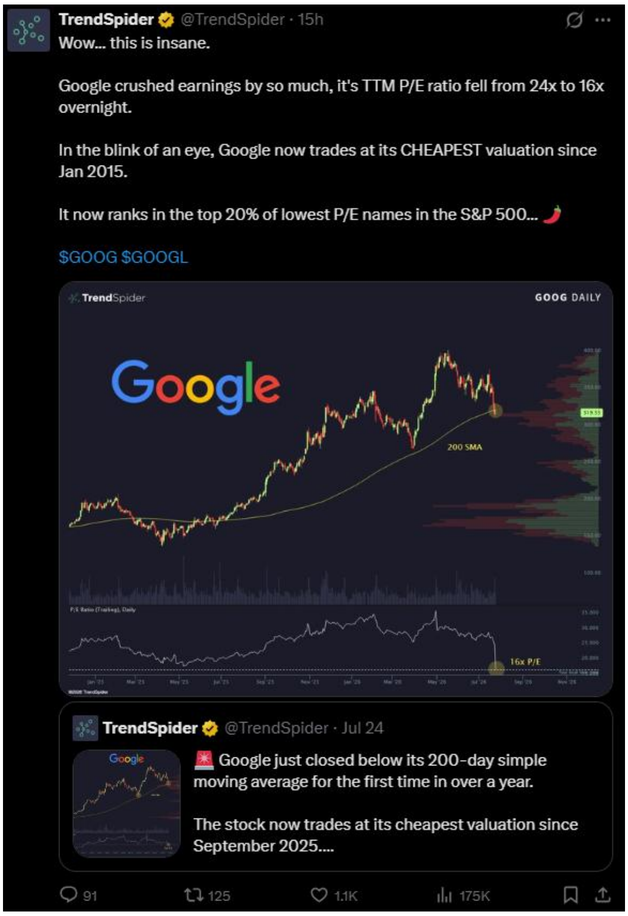
@KobeissiLetter, X, 24JUL2026

On My Radar, Steve Blumenthal, 24JUL2026

We have mentioned on several occasions in this publication that a significant portion of these inflows is leveraged. - Here, too, however, as the charts on the left show, the latest trend is clearly setting new records — not only in absolute terms but also in relative terms — which is a clear indicator of increased risk appetite in the market. This borrowing boost to anticipated investment results, however, has the same enhancing effect in both uptrends and downtrends...

Of course, the usual cheerleaders — who can not only be found on the sell side of major investment banks and research firms but also, and hardly unexpectedly, on social media — are also helping to keep the “Forever Bull” alive. A good example was provided by the 2Q results of Google’s parent company, Alphabet Inc. — The company once again succeeded in exceeding analysts’ expectations in its quarterly report, but the stock price subsequently fell in response to management’s announcement that it would raise its new corporate investment volume to 200 billion by 2026.

Sure, at first glance, Alphabet reported record earnings and combined with the subsequent correction in its share price (-7%), the price-to-earnings ratio did indeed fall significantly—according to this X participant, *“to its cheapest valuation since January 2015,”* ranking it *“in the top 20% of lowest P/E names in the S&P 500.”*



@TrendSpider, X, 24JUL2026

S&P 100 (OEX) | Other Income / Expense Adjustments

Jan 2016 to May 2026 | 100 companies | all signs flipped | values in $ millions

Top 10 Highest Events (flipped)

#	Company	Quarter	Fiscal Period	Other Income ($M)
1	GOOGL	2026Q1	2026-03-31	+$36,722
2	NVDA	2026Q2	2026-04-26	+$15,929
3	AMZN	2026Q1	2026-03-31	+$15,807
4	MO	2016Q4	2016-12-31	+$13,660
5	GOOGL	2025Q3	2025-09-30	+$11,969
6	AMZN	2021Q4	2021-12-31	+$11,838
7	GOOGL	2025Q1	2025-03-31	+$10,322
8	AMZN	2025Q3	2025-09-30	+$10,187
9	MSFT	2025Q4	2025-12-31	+$9,917
10	CMCSA	2025Q2	2025-06-30	+$9,760

The MacroTourist, 27JUL2026

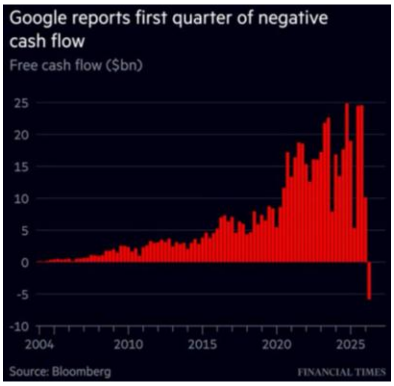
However, profit growth appears in a different light when one considers its underlying quality. In fact, a full 87% (or UDS 98 billion) of Alphabet’s record net profit of USD 112 billion in the second quarter was derived from increases in the value of its portfolio investments (primarily SpaceX, Anthropic, etc.). These appreciations were thus nearly three times as high as the record-high write-ups in the first quarter, which — as the MacroTourist overview shown on the left indicates — were already the largest adjustments ever recorded to date.

Those type of write-up of equity investments represent extraordinary factors that do not determine the company’s sustainable earnings or, even less so, its free cash flow trends.

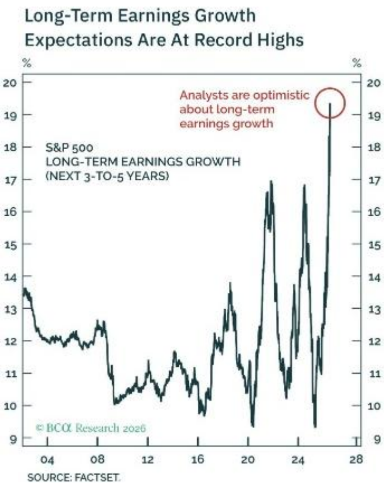
And anyone who considers SpaceX's stock performance in July alone (-33% through July 24, which for Alphabet at that time corresponds to approximately USD 38 billion in future write-downs on about 690 million shares, i.e., roughly one-third of its 2Q profit) would have to factor in these special circumstances on the downside as well.

In summary, without this "other income," Alphabet's net income would have shown only a modest 2% increase from the first quarter to about USD 33 billion.

Meanwhile, the company's transformation — like that of most of its competitors — from an asset-light tech conglomerate into an increasingly asset-heavy quasi-real estate company, which is increasingly focused on financing the construction of data centres, is also clearly reflected in the company's free cash flow (FCF).



@brewmarkets, X, 23JUL2026



@PeterBerezin, BCA, X, 24JUL2026

Among cheerleaders of the U.S. stock market, and in light of the sharp rise in corporate earnings, the current bull market has long been regarded as "*the most hated bull market in history*". This view rests on the assumption that all known risks and negative developments are already largely reflected in stock prices. Critical observers — among whom we count ourselves — have, however, for years been pointing out the increasing concentration within the market, the inflation of corporate profits due to the time lag between strong order inflows in the technology sector and the corresponding depreciation and amortization charges, the revaluation of unlisted investments, and the growing use of off-balance-sheet financing structures to raise capital.

This continues to leave us sceptical about the future prospects of the dominant U.S. tech sector, both in terms of the hyperscalers and AI companies and enablers And thus, we remain fully convinced in the value of our short positions on both Nasdaq 100 and the S&P 500.

NotYourAdvisor recently summarized the AI business model simply, drawing inspiration from the legendary bubble bath scene with Margot Robbie in the 2015 film The Big Short, as follows:

"You have probably heard already that Artificial Intelligence is changing everything. And whenever something is changing everything, investors start building very large buildings. These are AI data centers. Inside them are thousands of expensive computer chips, consuming enormous amounts of electricity, so you can ask a chatbot whether chicken is still safe to eat.

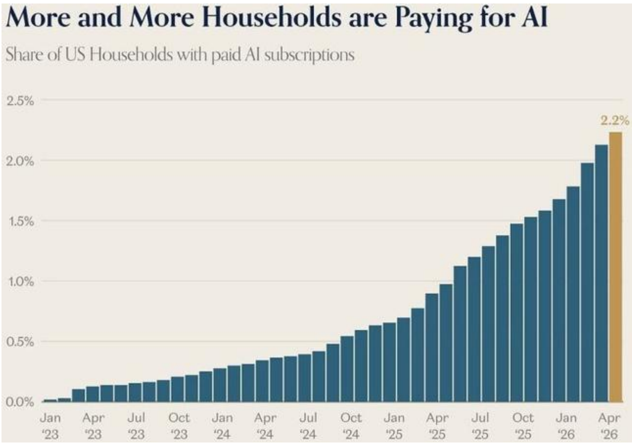
The business model sounds simple:

1) BUY THE CHIPS
2) BUILD THE FACILITY
3) SECURE THE POWER
4) FIND CUSTOMERS
5) COLLECT ENORMOUS PROFITS

But there is a small complication. Everyone is trying to do it at the same time. So now technology companies, private-equity firms, utilities, real-estate developers and possibly your dentist are all competing for the same chips, transformers, land and electricity. The projections assume demand keeps rising, the equipment never becomes obsolete, and customers remain willing to pay increasingly heroic prices.

Could that happen? – Absolutely. – Could everyone's spreadsheet be assuming the same perfect future? – Also, absolutely. – But don't worry. They are calling it infrastructure!" (FIRM Selling, Not Your Advisor, Substack, 23JUL2026)

Point 4 of the business model, in particular, still leaves much to be desired. A recent study concludes that, four years after ChatGPT's launch, only 2.2% of U.S. households are currently paying for an AI subscription—at an average of USD 20 per month. According to the study, ChatGPT has 900 million weekly users, but only 5% of them are paying subscribers. Four years after its launch, Netflix already had 25% paying customers, and Spotify had 15%.



@HedgieMarkets, X, 24JUL2026

Of course, a large portion of revenue comes from corporate subscriptions. But even here, it is by no means certain how sustainable these are, as evidenced by recent news about reduced corporate AI budgets and the latest trends toward using Chinese open-source models.

This reinforces our conviction that the major rotation (from asset-light / long-duration investments to HALO / value and commodity investments) is still off to a sputtering start, as is typically the case with all significant regime shifts in the market. On the equity side, we are therefore sticking to our current focus on hard assets and international themes, and we are confident that we will be able to recoup at least part of the second-quarter IASF NAV decline over the coming months.

Just as a reminder: *"The last brutal bear market in shares ended 17 years ago last month—a lifetime for many young investors. Between 9 October 2007 and 9 March 2009, the S&P 500 fell by 55.3 per cent, including reinvested dividends. That meant every dollar was worth less than 45 cents. The S&P 500 did not recover and remain above its 2007 high until the end of 2012.*

Since then, thanks largely to aggressive monetary and fiscal policy, every fall in share prices has been the sort of event you'd miss if you blinked. The Covid crash of 2020 lasted only five weeks, before morphing into a raging bull market. In 2022, US shares fell by 18 per cent; by late 2023, they had risen to record highs.

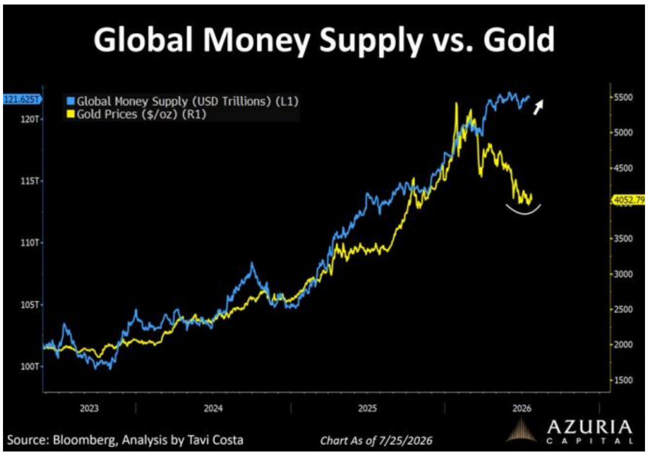
The younger you are, the greater the influence those recent returns will have on you—because you haven't been investing long enough to have experienced markets that fall and don't bounce straight back up." (Jason Zweig, WSJ, 17APR2026)

Given the speculative and valuation excesses in stock markets, it is time to refresh this understanding among younger investor groups as well.

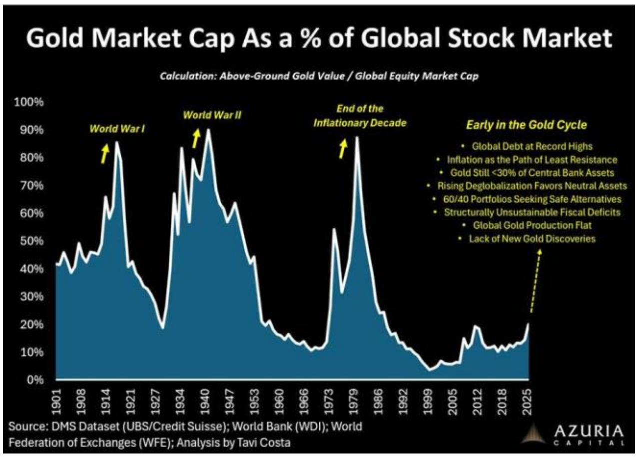
And finally, a few remarks on our currently significant allocation to commodity stocks – and especially gold and precious metals. These remain a key focus for IASF, as they represent a sound investment alternative in a world where global debt is climbing from one record high to the next and, in response, fiat money is being constantly (and increasingly rapidly) devalued. If collective debt is too high to be paid off by a growing economy, then it can only be eliminated through inflation. As Luke Gromen, founder of FFTT LLC and macro expert par excellence, so aptly put it in a Macro Voices Podcast on April 16, 2026:

„There is nothing more inflationary in the long run than a government that needs to print money to pay its bills."

And this situation, characterized by the late stage of the debt cycle, calls for a neutral reserve asset for the world's central banks – as well as for the private sector – that proves to be a more reliable and superior alternative (since it is free of counterparty risk and preserves purchasing power) to the traditionally trusted (U.S.) government bonds.



Tavi Costa, Substack, 26JUL2026

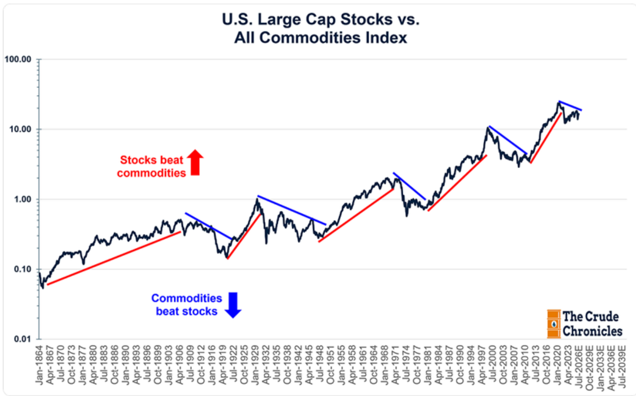


Tavi Costa, [Substack](), 26JUL2026

The chart on the right also suggests that a new phase of dominance by commodities (and thus real assets) has already begun. It underscores once again that both the economy and the financial markets are subject to long-term cycles, which offer patient investors the opportunity to benefit from corresponding long-term trends. Over the past 15 years, financial assets clearly dominated—but this trend has recently reversed.

That is gold, and we are convinced that it will preserve purchasing power better than the world's interest-bearing debt securities in the coming years.

Gold's relative (under)valuation is also evident in the ratio of global gold market capitalization to that of the stock market, as shown in the chart on the left. This highlights the potential that the current gold bull market still has — although the ratio could also rise due to a stock market correction…

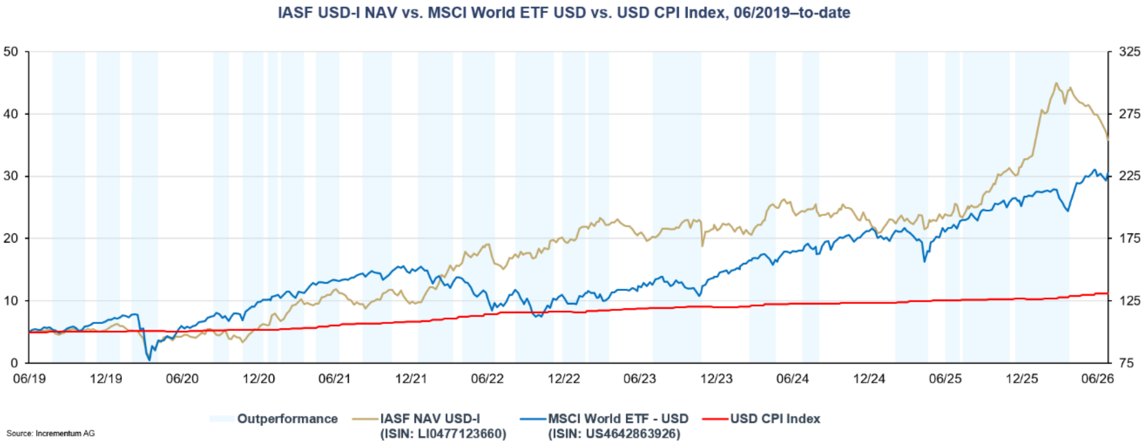


The Crude Chronicles, [Substack](), 3JUL2026

And so, as always at Incrementum, we remain patient, persistent, and disciplined in our investment approach—even in the face of the inevitable setbacks—knowing full well that "Trees that are slow to grow bear the best fruit". ([Molière]()).

Let me close with a final quote: *"… true investing requires making some sort of analysis as to the value proposition offered by different asset classes and securities and choosing those that offer the most attractive forward returns at any given time. "Passive investing" is, in fact, an oxymoron. That this even needs to be said is a remarkable testament to the blind dedication that markets have inspired through their stellar performance."* ([The Felder Report](), 3JUL2026)

True active investing means consciously taking the risk of deviating significantly from the blind average of financial market indices at times — a phenomenon that became once again particularly evident to IASF investors just last year.



We have always risen to this challenge out of conviction, and this is precisely where we see the added value we can offer you as an investor. There is one thing we can continue to promise you: We will always treat and invest your capital as if it were our own.

With that, I would like to conclude this issue of *Seasonal Reflections*. Due to time and resource constraints, I plan to publish these reports only twice a year going forward—that is, one summer & fall issue and one winter & spring issue. Should any significant changes in our strategic and portfolio positioning occur in the interim, we will report on them on an ad hoc basis and in a shorter format.

As always, we welcome your feedback by email and would like to thank all our readers for their interest and our investors for the trust they have placed in us.

Warm regards from Schaan,

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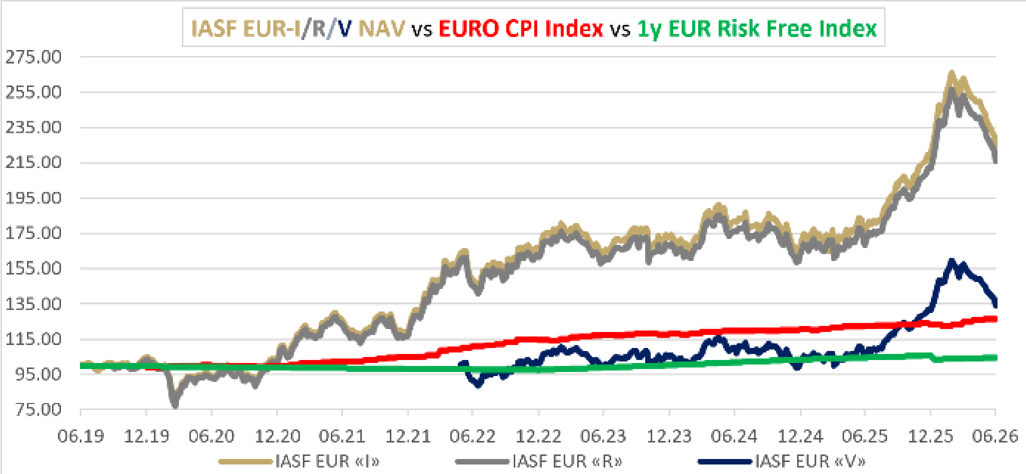
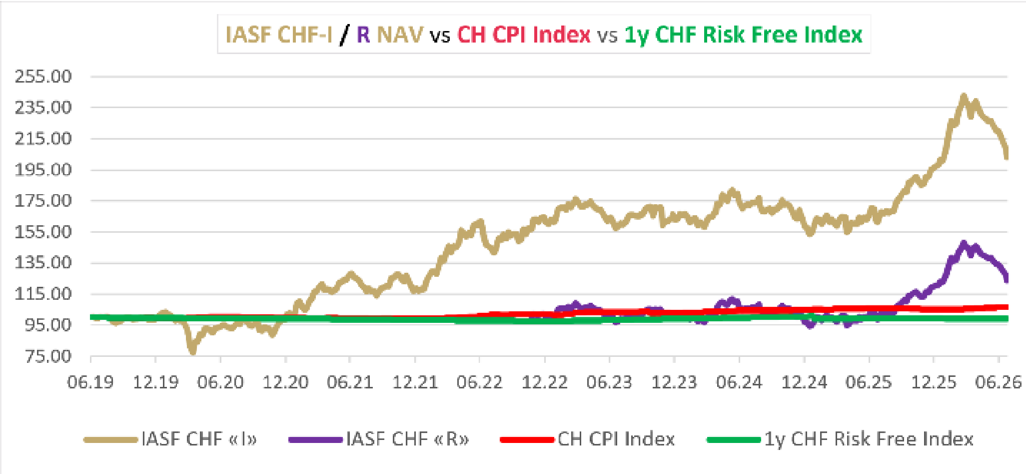
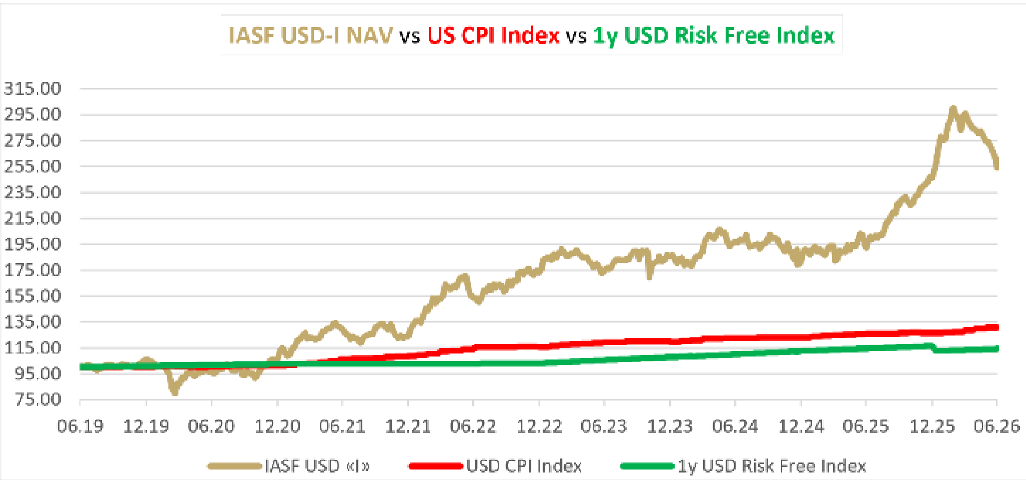
Appendix







* The charts show the IASF's NAV up to the last valuation date (**30 JUN 2026**), compared with the risk-free 1-year government bond yield, as well as the relevant consumer price index (CPI) in the respective currency as a measure of the loss of purchasing power since the fund's launch date (6 June 2019 for 'I' shares; 26 September 2019 for EUR-R shares, 20 May 2022 for EUR-V shares, 2 November 2022 for CHF-R shares) on an index-linked basis.

IASF — Portfolio Management Guidelines

1. **Capital markets — like the broader economy — are inherently cyclical.**
   That's why you should always know where you are in the cycle — and have the courage to follow Warren Buffett's guiding principle: "Be fearful when others are greedy, and greedy when others are fearful."
2. **The price you pay for a security determines its future return.**
   In other words: the higher the price paid, the lower — ceteris paribus — the expected future return (and vice versa). This is the essence of fundamentals-based investing.
3. **Capital preservation is the foundation of long-term investment success.**
   That is why a long-term, fundamentals-based investment strategy is preferrable to chasing momentum and trends.
4. **One should always be aware whether one is speculating or investing.**
5. **The most fundamental and effective risk-management tools**
   are appropriate diversification as well as the ability to hold liquidity.
6. **Real assets are preferrable to intangible assets and distributions to accumulation.**
7. **Incentive structures are often underestimated in their relevance.**
   True alignment of interest benefits investors over the long term.
8. **There is no magic formula for investment success.**
   Thus, we consider both macro- and microeconomic factors, work diligently, stay flexible and patient, keep an open mind, and remember that investing is more an art than a science.

Disclaimer