



APRICUS FINANCE

WEALTH MANAGEMENT

May 2026

Market rebound? Not for everybody!

Since the announcement of the ceasefire in early April, the rebound in US equities has been driven by the smallest number of stocks on record. According to UBS' calculations, the number of 'effective constituents,' or those materially contributing to the rise of the index, was at an historic low of just 42. Further, an even smaller group of megacap technology stocks: Alphabet, Nvidia, Amazon, Broadcom and Apple, accounted for over half of the 14% index rise. The Philly Fed Semiconductor index is up 47% over the period, led by names such as Intel, up 170%, and memory company Sandisk, up 120%. Looking at it another way, over 40% of the index components had a negative return over the same period!

By comparison, the index of the few European tech stock 'heavyweights' moved up at the same speed as the Magnificent 7: both were up 22% over the period, far outpacing the MSCI World index, up a little over 11%.

In terms of earnings, as the first quarter report wraps up, the S&P technology sector clocked more than 40% earnings growth, (source Factset). Within technology, the Magnificent 7 delivered earnings growth of close to 60% in the first quarter, more than three times the 18% estimate at the start of earnings season, (source Bloomberg Intelligence).

That compares to just 1% growth for financials and a contraction for healthcare. That is obviously because of the war and its energy shock. The wider US economy was supposed to benefit from the growth and financial conditions with which we started 2026.

The repercussions on the economy and on the political arena are being felt, and could soon worsen.

The list of companies that are reporting that the low-income consumer is struggling keeps increasing. President Trump cannot ignore the lower leg of the K-economy for too much longer, and the associated affordability crisis calling it a democratic hoax! Hiding behind the lower price of eggs and announcing that the price of gasoline will soon drop like a rock, will do little to assuage those consumers that voted for him. Now that the barbeque and summer driving season are about to start, the retail price of ground beef, for your favorite burger, is 20% higher than at the beginning of Trump's second mandate, and gasoline 40% higher.



The Fixed Income space is sending worrying signs

While the equity market, at least on the surface, is showing remarkable resilience and behaving relatively calmly, the bond market is telling a story which is radically different.

Bond investors around the world have signaled their discontent with faster, likely stubborn inflation, and potentially higher interest rates.

Global bond yields have surged in recent weeks as a jump in energy prices caused by the Iran war adds to inflationary pressures and compels central banks such as the Fed to consider raising interest rates. Add in worries over US budget deficits and signs that the world's largest economy remains resilient, and the result is that investors have been seeking greater compensation to own longer-maturity debt.

The 30-year US Treasury bond, at close to 5.2%, hit its highest level since 2007, before the Global Financial Crisis. Fixed 30-year mortgage rates now stand at 6.5%.

The recent market move, in the US, Europe and some Emerging Markets, is a real-rate driven shock. Nominal yields have risen, but breakevens* have remained broadly stable, at about 2.4% in the US. That means that we have shifted to a real-rate tightening regime, with well anchored inflation expectations, at a rather high level of 3.2% one year out, (inflation swap curve), and much higher than the Fed target of 2%. (sorry we are a bit technical this month!)

Should this situation persist, the market will interpret this rather anomalous move as a tightening shock, with implications for lower growth.

* In bond markets, a breakeven (or breakeven inflation rate) is the exact rate of inflation where an investor would earn the exact same return on a standard nominal bond as they would on an inflation-linked bond (like U.S. TIPS or UK Gilts) of the same maturity.

The UK stands out as the most extreme example. The combination of Britain's messy political landscape, with unpopular Prime Minister Keir Starmer likely to face a leadership challenge, a feeble economy, rising unemployment and strained government finances, have made it a target for traders looking for a weak link. The UK 10-year yield has jumped 70 basis points since the start of the Middle East war, the 30-year yield hit close to 5.7%, a level last seen in 1998.

UK Gilts and the currency have been coming under increasing pressure, amid fears a new left-leaning prime minister will challenge the country's fiscal discipline and take up a confrontational stance towards bond markets.

Hurdles were cleared for a challenge to Starmer's premiership from Labour Party rival Burnham.

Burnham, who is currently the Mayor of Greater Manchester, is not a sitting lawmaker in the UK parliament.

MP Simons agreed to step aside and allow Burnham, dubbed Labour's 'King in the North', to run for election.

An earlier bid by Burnham to contest a by-election back in January was blocked by Starmer loyalists in an attempt to head off a challenge.

Now, with Starmer under intense pressure to resign after the ruling Labour Party's disastrous showing in the local council elections, a victory for Burnham in the forthcoming poll over the ascendant right-wing Reform UK party could strengthen his push for the premiership.

Investors fear a more left-wing policy program, that would break with the current government's commitment to fiscal restraint. It notably would include GBP 40 billion in additional borrowing for housing and infrastructure spending, and higher taxes on expensive homes in London and the south-east of England.

At the same time, current UK nominal GDP growth is below 10-year Gilt yields: debt will increase, and its growth could accelerate.



AI: is it a bubble?

Likely not for the mega caps, but in certain corners of the market it definitely feels that way. As highlighted above, the world's biggest technology companies posted strong earnings for the first quarter, showing that the artificial intelligence boom is alive and well. But in the stock market, investors are getting more granular as they try to divvy up the winners and losers in the AI trade.

On one end is Alphabet. Strong growth at Google Cloud, and in its other AI products, sent the shares higher, pushing their gain for the year to 23%, by far the best performance among the Magnificent 7 tech giants. The stock is now the biggest point contributor to the S&P 500 Index's rise in 2026.

On the other end is Meta. Facebook's parent tumbled, despite strong results, as investors balked at CEO Mark Zuckerberg's assurances about the eventual payoffs from its rapidly rising capital expenses, which are increasingly being funded with debt. The shares are now down 10% in 2026.

The outcome was a \$566 billion divergence in a single day, as Alphabet's market capitalization took off and Meta's sank.

Of course, investors should be careful about counting out Meta, Microsoft or any of the other major stocks that are struggling as investors try to sort out the AI landscape. Sentiment can turn quickly. Remember that less than a year ago Alphabet was considered to be on the losing end of the AI trade, while Meta was being touted as the big winner.

AI versus .com: the magic words are back, does it feel like 1999-2000 again? In some cases it does.

Allbirds announced that it is pivoting to artificial intelligence. The San Francisco brand, whose merino wool and eucalyptus running shoes were, during the pandemic, the fashionable sneakers among tech geeks, announced in April that it was expanding into AI computing infrastructure.

The strategic shift was immediately greeted with a 1999-like excitement on the stock exchange: the shares soared 582% in a single day before dropping the next one.

The struggling shoemaker, which has closed most of its retail locations, has seen its market cap drop 99% from its peak in recent years. But meme stocks are not what the AI industry needs at a moment when eye-watering startup valuations and corporate spending are causing fears that another tech bubble may be ongoing.

Allbirds also announced it would rebrand as NewBird. AI. Details of the company's plans were limited and unsurprisingly filled with tech jargon and buzzwords about how it aimed to become a 'fully integrated GPU-as-a-Service' and "AI-native cloud solutions provider'.

Of course, the absurdity of Allbirds' situation reminds the more recent boom-and-bust cycles of arbitrarily valued crypto coins with no use.

The situation also immediately reminded me of the marketing ploys of the dot-com crash. After all, some of the more iconic fails ended up being retailers such as Pets.com, Webvan, etc., riding the web wave with little to show for it beyond terrible margins and losses. Stamps.com was another 'pearl' from that period, with a brilliant business plan: sell physical stamps via the internet and then ship them to the buyer.

There is, however, one comparison from that period that particularly stands out to Allbirds: Zap.com. The holding company behind it, Zapata Corp., had a long and convoluted history, but was essentially selling fish-oil products by the time it decided to reinvent itself as an internet portal. It purchased a variety of web properties: in media, e-commerce, gaming and so on, (the so-called internet incubators were very popular back then, and the majority ended up bankrupt), and even tried to acquire the search engine Excite. Unsurprisingly, Zap flopped.

Maybe Allbirds' pivot will be more successful than Zapata's, but it will surely take more than a fashionable rebrand to compete with rivals in the AI infrastructure industry like CoreWeave and Oracle. Until it can prove its shoe-to-compute model transition, Allbirds might have a better business plan for selling fish oil.



Strategy

We continue to be cautiously optimistic on equities, as despite the geo-political environment and high energy prices, the global economy is holding up, and the AI CAPEX narrative continues to impress. We are currently running a close to neutral position in equities.

In view of the uncertainty tied to the future evolution of inflation and the economy, and thus central bank rates and bond yields, we continue to hold between 9 to 12% of cash and cash equivalents (depending on the currency and the profile), ready to deploy in the fixed income space.

With the rise in long-term government bond yields there is one, long forgotten, asset that has come back on the radar: Japanese bonds. The 20-year JGB has reached a yield of 3.7%, higher than the corresponding German Bund. On a one-year basis, the currency hedge would add 1.5% for a Euro-based portfolio, although, with an unofficial roof of 160 USD per Yen after the recent currency interventions by the Japanese authorities, the temptation is to purchase it unhedged, particularly if Japanese institutions start to repatriate capital. We will closely monitor the situation.

In equities, 80% of the rise in S&P500 index can be attributed to AI-related stocks. From a portfolio management perspective, with the recent parabolic price action of names such as AMD, it means they are now amongst the largest market cap in the world: AMD is now worth 730 billion USD and Micron 860. They now rank respectively 13th and 10th in the MSCI World, ahead of names such as Berkshire or Walmart. The exposure to these names, compared to their weight in the benchmark, thus becomes an active risk in our portfolios. This we will manage, like we did in the past with other companies that suddenly popped as top weights, sometimes temporarily, of their benchmarks: a good example is Novo Nordisk in Europe.

Equity

We are neutral. We keep an overweight in Eurozone and Asian ex Japan equities versus the US ex. Mega Caps.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt.

Foreign Exchange

The US Dollar and the Japanese YEN exposure is entirely hedged.

Gold

We keep our allocation to Gold at approximately 3%.



Positioning

Overall Exposure

We are now Neutral Equities, and Underweight Fixed Income, with a Gold position, Overweight Cash, JPY and US Dollars hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Overweight S&P 500 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, European Champions.

Fixed Income: Underweight

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD. Long US inflation linker.

Thematic Fixed Income

Long Hybrids, Long Subordinated Financial Credit, Long subordinated European insurance bonds.

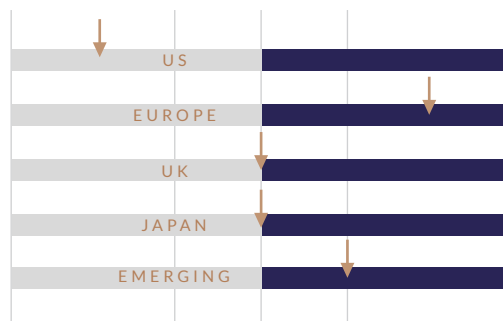
Currencies: Non USD-referenced portfolios are fully hedged against USD and YEN. USD-referenced portfolios are long EUR.

Commodities: Overweight

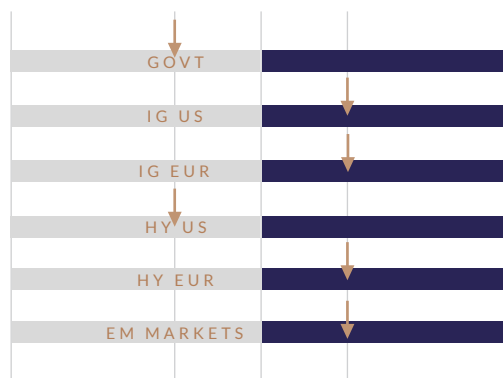
Long Gold.

Conviction thermometer

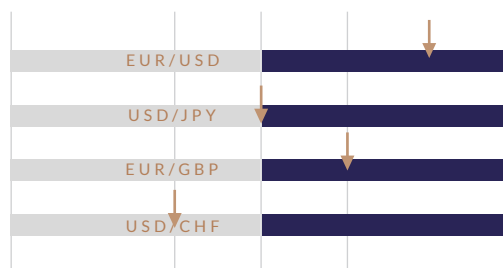
Equities



Bonds



Currencies



Commodities



■ Negative view ■ Positive view



Market Overview As Of May 21, 2026

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED EUR	522,26	-0,37%	2,94%	7,84%
US S&P500	7 445,72	-0,69%	3,38%	9,25%
MAGNIFICENT 7 (CAP WEIGT.)	225,40	-1,95%	5,89%	8,74%
NASDAQ 100	29 357,27	-0,72%	7,01%	16,57%
EUROPE EURO STOXX 50	5 960,32	0,63%	2,28%	5,01%
GERMANY DAX	24 606,77	0,62%	1,29%	0,48%
FRANCE CAC40	8 086,00	0,39%	0,86%	1,16%
BELGIUM BEL20	5 550,82	0,92%	5,33%	11,27%
SWISS MARKET INDEX	13 446,43	1,83%	2,57%	4,25%
UK FTSE100	10 443,47	0,77%	0,94%	6,79%
RUSSELL 2000	2 843,45	-0,65%	1,63%	15,16%
JAPAN TOPIX	3 853,81	-0,66%	3,40%	14,28%
MSCI EMERGING	1 676	-2,33%	4,86%	20,17%
MEXICO MEXBOL	68 384,41	-1,13%	1,11%	7,27%
HONG KONG HANG SENG	25 386,52	-3,66%	-1,17%	-0,23%
CHINA CSI 300	4 783,10	-2,64%	-0,41%	3,72%
INDIA SENSEX	75 183,36	-0,20%	-2,17%	-11,52%
KOREA KOSPI	7 815,59	-2,08%	18,46%	86,53%
HANG SENG TECH	4 768,90	-5,98%	-2,02%	-13,25%
AUSTRALIA ALL-SHARE	5 607,09	0,75%	1,11%	6,41%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	496,63	-2,16%	0,22%	10,07%
CONSUMER DISCRETIONARY	1 969,32	-0,13%	0,87%	2,35%
CONSUMER STAPLES	953,16	-1,17%	0,15%	11,18%
ENERGY	900,02	1,90%	0,58%	32,68%
FINANCIALS	859,88	0,95%	0,70%	-5,11%
HEALTH CARE	1 724,16	1,04%	1,50%	-3,89%
INDUSTRIALS	1 442,18	-2,27%	2,32%	10,29%
INFORMATION TECHNOLOGY	6 680,62	-1,14%	10,35%	17,79%
MATERIALS	629,13	-3,00%	2,30%	10,10%
REAL ESTATE	282,63	1,38%	0,18%	11,97%
UTILITIES	455,68	0,19%	3,94%	6,17%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	3 517,08	-2,22%	3,32%	21,65%
CONSUMER GOODS	3 887,76	2,11%	2,81%	2,42%
CONSUMER SERVICES	1 335,87	0,73%	3,26%	11,36%
FINANCIALS	1 580,88	1,50%	2,39%	4,58%
HEALTH CARE	3 755,81	2,07%	2,37%	0,16%
INDUSTRIALS	5 220,93	-1,00%	-0,25%	4,45%
OIL & GAS	2 237,72	2,42%	-0,99%	36,32%
TECHNOLOGY	2 394,61	0,69%	8,03%	16,88%
TELECOMS	839,26	1,40%	5,71%	28,07%
UTILITIES	2 983,84	0,32%	-2,45%	15,89%



Market Overview As Of May 21, 2026

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	219,07	-0,02%	0,11%	-0,09%
Euro Aggregate	246,19	-0,21%	-0,06%	-0,25%
Pan-Euro HY Hedged Eur	480,28	-0,16%	0,39%	0,62%
Global Inflation hedged EUR	240,26	-0,25%	-0,18%	0,61%
US Corp High Yield	2 945,33	-0,17%	-0,13%	1,06%
EM USD Aggregate TR	1 390,34	-0,64%	-0,48%	0,25%
EM Aggregate TR Local Ccy	164,10	-0,57%	-0,22%	0,92%
EUR Banks CoCo Tier 1	176,40	-0,29%	0,03%	0,91%
EU GOVT HEDGED EUR	214,20	-0,16%	0,02%	-0,82%
Global Aggregate Hedged EUR	217,94	-0,27%	-0,34%	-0,81%
Commodities	Level	5D	MTD	YTD
GOLD	4 543,05	-2,34%	-1,62%	5,18%
COPPER	625,70	-4,73%	5,59%	10,12%
OIL WTI	96,35	-4,76%	-8,30%	67,80%
OIL BRENT	102,58	-2,97%	-10,03%	68,58%
Currencies	Rate	5D	MTD	YTD
EURUSD	1,1619	-0,43%	-0,95%	-1,08%
GBPUSD	1,3431	0,21%	-1,27%	-0,33%
USDJPY	158,9800	0,39%	1,53%	1,45%
USDCHF	0,7867	0,38%	0,68%	-0,74%
AUDUSD	0,7150	-0,98%	-0,71%	7,15%
EURCHF	0,9138	-0,07%	-0,29%	-1,84%
USDCNY	6,8014	0,21%	-0,39%	-2,67%
USDKRW	1 471,95	1,06%	2,14%	
USDBRL	6,1774	0,46%	0,99%	
USDTRY	45,5884	0,34%	0,89%	6,13%
BITCOIN	77 635,71	-4,62%	1,53%	-11,42%



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