

VIG HOUSE VIEW

VIG
ASSET MANAGEMENT

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- Investment Clock
- Tactical asset allocation
- Focus funds
- ESG theme of the month

MAY 2026



WHAT HAPPENED IN THE LAST MONTH?

IN FOCUS: SPOTLIGHT ON THE EU HYPE SURROUNDING HUNGARY'S PIVOTAL ELECTION

The Hungarian parliamentary elections in April 2026 led to a dramatic rally in domestic assets. Investors quickly priced in the decline in uncertainty and the anticipated changes in economic policy – and did so in a positive way: after the election, the forint strengthened to near a four-year high (365 HUF against the euro, compared to 400 HUF at the beginning of March), as investors rewarded political stability – due to the two-thirds parliamentary majority – and optimism regarding the repatriation of EU funds increased. Foreign buyers also appeared in the bond market (where high Hungarian real interest rates played a significant role alongside confidence in the new market-friendly government), and the Budapest Stock

Exchange also hit a new high. At the same time, the Hungarian election could have regional implications: investors often treat the markets as a regional basket (Hungary, the Czech Republic, Poland), so a reduction in Hungarian risk could improve the region's overall perception and generate – yet another – influx of capital. But the political shift in Hungary could have an even broader impact: international investors are watching closely to see if it could set a precedent for other, similar countries. Alongside the positive factors (political stability, hopes for EU funding, and a declining risk premium), risks have also emerged: the high budget deficit, weak growth, and the global interest rate environment make the “Hungarian miracle” fragile.

The exchange rate of the forint against the euro



Source: GoogleFinance

EQUITY MARKET NEWS

Paradoxically, global stock markets posted significant gains in April. Despite the wars, the resulting slowdown in economic growth, and high interest rates driven by rising inflation fears, the tech-heavy Nasdaq rose by +15%, the S&P 500 – the benchmark on Wall Street – by ~+10%, the Frankfurt DAX also strengthened, and emerging market stock exchanges hit new highs. Earnings season kicked off with strong corporate results, particularly among big tech companies, where the AI narrative remains the main focus for investors (according to the latest quarterly results from Google’s parent company, Alphabet, Google Cloud revenue grew by 63% to \$20.0 billion, and the stock price rose by a third

in a single month). Corporate earnings are more important for the markets than macroeconomic concerns, and in any case: while the global economy is slowing down, it is not collapsing, and the labor market remains stable. In Hungary, in addition to the positive global investor sentiment, the parliamentary elections also boosted the stock market. Following the change in government, the BUX index – rose to a historic high (+5%) immediately after the election, with the rally led by the highest-volume “blue chip” stocks (OTP, MOL, Richter), while certain politically affiliated companies (e.g., Opus, 4iG) suffered sharp declines. The strong trading volume signaled the return of international investors.

BOND MARKET NEWS

Rising inflation fears driven by soaring energy prices have had an impact on bond markets. The European Central Bank’s end-of-year deposit rate is currently expected to be 2.75% (compared to 2.0% before the start of the Middle East conflict), while in the U.S., the Fed Funds rate is priced at 3.50%–3.75%, compared to 3.0%–3.25% before the war. Renewed inflation concerns are also reflected in the latest comments from the ECB and the Fed’s monetary policy committees. Persistently high energy prices – which are holding back economic growth due to rising corporate costs – may prompt central banks to support growth – for example, through interest rate cuts – rather than pursuing a tighter policy

aimed at curbing inflation. For now, however, investors consider monetary tightening more likely: the benchmark interest rate on 10-year bonds is currently quite high (4.3% in the U.S., and over 3% annually in Germany). At the same time, local news can override global trends: due to the parliamentary elections, there was a significant drop in yields (and a rise in prices) in Hungary. The yield on 10-year forint government bonds fell from over 7% to around 6%, while the Hungarian risk premium also decreased significantly. The market is pricing in lower default risk and more stable economic policy, and on top of this more favorable government debt financing is also expected.

ALTERNATIVE INVESTMENTS NEWS

April 2026 was an exceptionally turbulent, geopolitically driven period on the commodity markets. The energy market had already been shaken in March: the main story was the war in the Middle East and the resulting supply disruptions in the Strait of Hormuz. Global oil supply suddenly collapsed: with a shortfall of more than 10 million barrels per day, 500 million barrels of supply disappeared from the market in a short period of time. In Europe, which relies heavily on imports, the benchmark Brent crude and U.S. WTI crude repeatedly jumped above \$100–\$108 per barrel (159 liters) (the price of Brent crude rose by ~63% from pre-conflict levels,

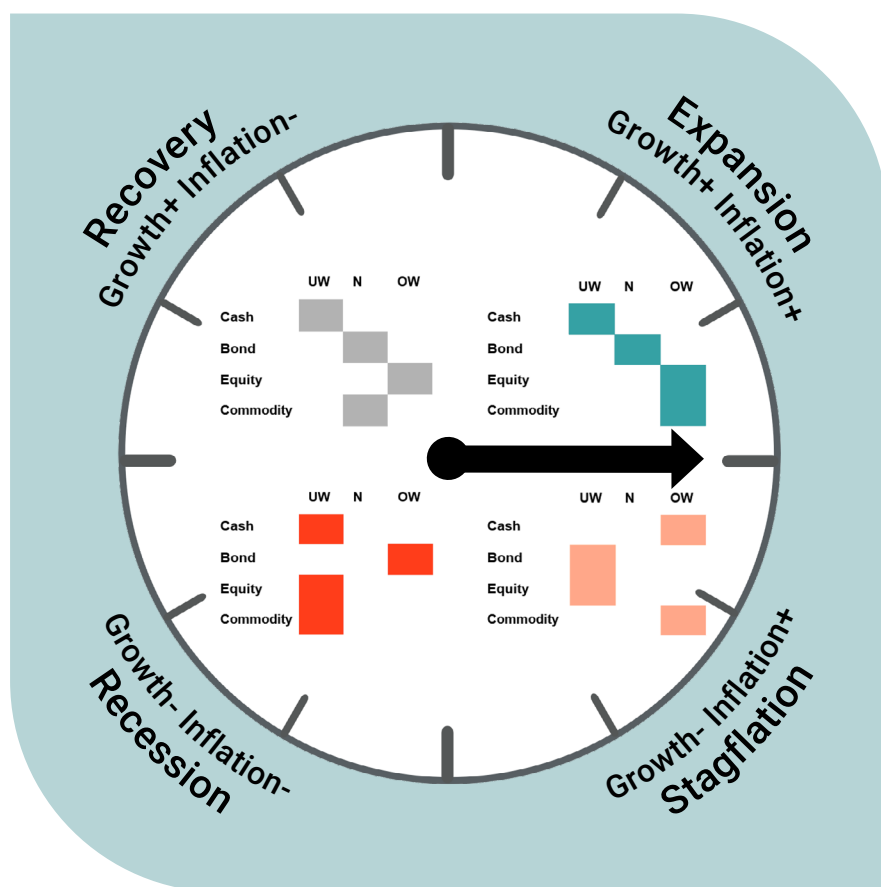
reaching a peak of \$120 on March 9). Prices as high as \$130–150 per barrel have even appeared on the physical market. Despite the ceasefires, the situation remains fragile. Even if the peace agreement holds, it may take time for oil and gas supplies to return to pre-war levels, and this could have a domino effect on inflation and economic growth. Due to disruptions in supply chains, the upward pressure from energy prices, and a lack of investment in strategic raw materials, chemical products have also become more expensive, and a persistent global lithium shortage is also expected.

WHAT CAN WE EXPECT IN THE COMING PERIOD?

INVESTMENT CLOCK

The VIG Global Investment Clock, a scientifically based tool that uses indicators to forecast economic cycles, is shifting toward stagflation (weak growth coupled with high inflation). Geopolitical tensions involving Iran are affecting both growth and inflation outlooks. Uncertainty remains high, and although periodic diplomatic efforts are underway, there are no clear signs of a comprehensive agreement. Global fuel prices have risen significantly, posing an upside risk to inflation. In the United States,

12-month inflation rose by 0.9 percentage points last month, and in the eurozone, it also moved above target. Economic activity has been stronger in the U.S., but GDP growth in the eurozone may be weaker in the first quarter. The U.S. labor market has weakened relative to historical averages, with labor supply exceeding demand. If tensions surrounding Iran persist and prove protracted, secondary effects could further boost inflation, increasing the risks of stagflation.



OW: Assets expected to perform well in the given period.

N: Assets expected to perform less well in the given period.

UW: Assets expected to perform poorly in the given period.

Source: VIG Asset Management

TACTICAL ASSET ALLOCATION

In line with the latest economic and capital market trends, we have made adjustments to our asset allocation. We have adopted a slightly riskier asset allocation for the coming period, primarily due to the favorable outlook for overseas stock markets. Consequently, we have increased the proportion of equities while reducing the weight of emerging market (including Hungarian) bonds to lock in profits.

A potential opportunity: the US stock market

We have increased the weighting of Wall Street stocks from neutral to slightly overweight. The Q1 2026 U.S. earnings season was exceptionally strong overall – many analysts consider it the strongest quarter since 2021. Earnings for S&P 500 companies rose by an average of approximately 27% year-over-year, marking the strongest profit growth since the end of 2021; 84% of companies beat EPS expectations, and 81% exceeded revenue expectations. The market is being driven primarily by technology and AI-related companies: the “Magnificent 7”

(Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) continue to dominate: Alphabet’s revenue jumped 22%, Google Cloud’s by 63%, and AI-based searches generated record traffic. Based on preliminary reports, cloud services, data centers, AI chip sales, and enterprise AI software are showing explosive growth.

Profit realization on regional bonds

We have reduced our exposure to the Central European bond market, including Hungarian bonds. On the one hand, this is because inflation expectations remain high, making it increasingly unlikely that central banks will cut interest rates to defend the value of their national currencies. This is not good for bonds: after all, it is precisely lower rates that drive up their value. Moreover, there has been a significant drop in yields over the past month, primarily in Hungarian government securities: as a result of the April parliamentary elections (a new EU-friendly government with a two-thirds majority), the annual yield on 10-year forint bonds – a favorite among investors – fell from 7.5% to below 6%, putting significant profits in investors’ pockets. However, no further substantial yield decline is expected, so it is definitely worth realizing some of the profits.

Monthly asset allocation (May 2026)

Asset class	H UW	UW	S UW	N	S OW	OW	H OW	Since April
Cash (Money market)								
Fixed income								
Core market fixed income								
EM local currency bonds								
EM hard currency bonds								
CEE government bonds								↓
Commodities								
Gold								
Equities								
DM Equities								
US Equities								↑
EU Equities								↓
EM ex China Equities								↑
CEE Equities								

The table was prepared based on our investment clock and quadrant model.

Source: VIG Asset Management

Weights:

The weights indicate the evaluation of the respective country, region, and asset class, providing a basis for portfolio managers in structuring portfolios and establishing positions, thus helping to capitalize on market opportunities.

- Strongly underweight
- Underweight
- Slightly underweight
- Neutral
- Slightly overweight
- Overweight
- Strongly overweight
- Changes compare to the the previous month

FUND OF THE MONTH AT VIG ASSET MANAGEMENT

VIG INNOVATIONTREND ESG EQUITY FUND

In the coming months, funds investing in the stocks of global companies at the forefront of innovative technology adoption could perform particularly well. The technology sector is doing quite well, with the stock market rally driven primarily by artificial intelligence. The AI wave is far from over: companies are beginning to integrate it into their business processes en masse. According to 2026 trends, AI will move from the experimental phase into everyday corporate operations. Demand for the most essential core products is nearly inexhaustible: while there was previously a shortage of graphics cards (the stock price of leading U.S. manufacturer Nvidia rose

1,300% over five years), followed by a shortage of semi-conductors (Samsung: +400% over the past year), now there is a shortage of processors (Intel: one-year return +450%, but the Taiwanese stock market also performed strongly alongside the South Korean one). The sector's strength is driven by first-quarter earnings reports that exceeded expectations and further optimistic outlooks.

Based on our expectations (based on tactical asset allocation), the fund of the month may outperform in the near future.



ESG THEME OF THE MONTH

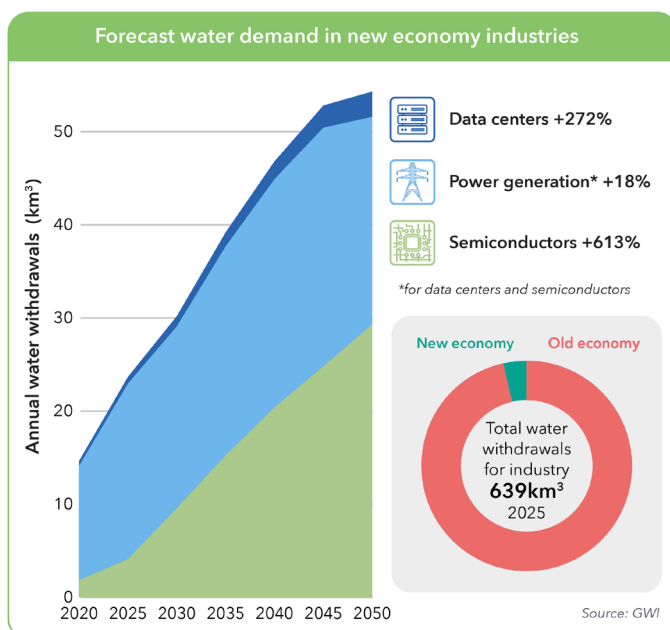
THE BOTTLENECK OF THE AI BOOM: WATER

While we are increasingly read about how the electricity demand of artificial intelligence (AI) has surged dramatically over the past few years, far less attention is being paid to its enormous water consumption. What can we expect if this sector continues to develop at such a rapid pace?

The use of artificial intelligence is spreading explosively, as people enjoy how much it simplifies their everyday lives. Yet amid the AI boom, sustainability discussions remain focused primarily on energy consumption, even though water demand should not be overlooked either. According to the latest Watering The New Economy study, the AI boom could increase water demand by 129% by 2050. In other words, the “New Economy” – including data centers, semiconductors, and energy production – could require an additional 30 trillion litres of water annually.

The water footprint of Artificial Intelligence

Many may assume that most water is used to cool data centers. Surprisingly, however, this is the least water-intensive part of the AI value chain – more like the tip of the iceberg. The semiconductor industry accounts for the largest share of water consumption, as the production of modern chips requires “ultrapure water” (UPW). In this area alone, water demand is expected to rise by 613% by 2050.



What does this mean in everyday life?

Virtually every human activity requires water either directly or indirectly. According to the study, just 30 minutes of AI usage (for example, ChatGPT) “consumes” slightly more than half a litre of water due to data center cooling needs. For comparison, approximately 12,000 litres of water are “embedded” in a smartphone. Spread over its average lifespan and usage time, this translates into roughly 4.4 litres of water “consumed” per hour. It is important to emphasize, however, that AI’s water footprint does not begin when we ask ChatGPT a question. It begins when the processor is manufactured and continues when the electricity required to power it is generated. The real “water guzzler” is therefore the manufacturing infrastructure and the energy system behind it.

What can be done?

The solution may lie in cross-sector collaboration. Through partnerships between water utilities, communities, and the “New Economy” water infrastructure and supply systems could be expanded successfully while keeping costs manageable. These partnerships – centered around efficiency, circular economy principles, and infrastructure renewal – form essential pillars of the water transition needed for sustainable growth. As the study concludes, the economy of the future must be “watered” not only with data, but with water as well – though only to the extent truly necessary.

From an investment perspective, this water transition could help differentiate technology giants based on their water risk management practices, while also increasing the value of niche suppliers within the water industry.

Source: Watering-the-New-Economy-DIGITAL-final.pdf

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Contact information:

**VIG Asset Management
Hungary**

+36 1 477 4814

alapkezero@am.vig

Üllői Street 1.

1091 Budapest, Hungary

vigam.hu