VIG HOUSE VIEW

VIG ASSET MANAGEMENT

What happened in the last month?

What can we expect in the coming period?

- Investment Clock
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- Focus funds
- ESG theme of the month

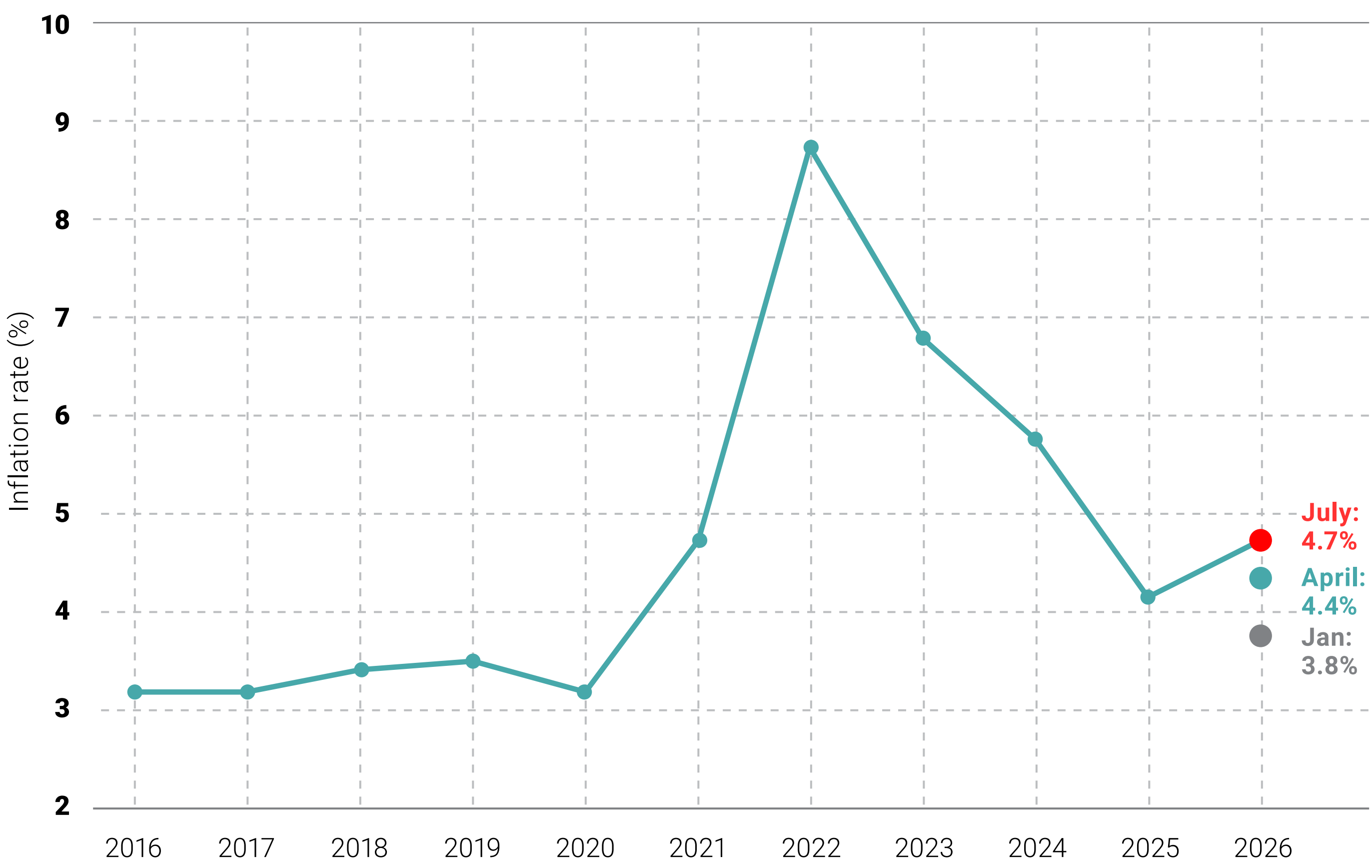
August 2026

What happened in the last month?

In focus: high interest rates, strong economy

While global economic growth remained around 3% according to the International Monetary Fund (IMF), disinflation stalled, and the organization raised its forecast for 2026 to 4.7% from the previous 4.4%. The cause is still the energy price shock triggered by the war in the Middle East (U.S. President Donald Trump attacks Iran almost weekly, only to back down). Although AI investments continue to support growth, at the same time, due to rising energy prices, Brent crude has temporarily climbed back near $100 per barrel, and due to persistent inflation, it has become increasingly likely that the world's major central banks (the U.S. Federal Reserve and the European Central Bank) will maintain tight monetary policy for longer than previously expected. The focus has once again shifted to curbing inflation, even if this may dampen economic growth in the short term (real GDP in the United States grew by 1.5% in the second quarter of 2026, which, while slower than the 2.1% recorded in the first quarter, still gives cause for optimism given the continued strength of domestic consumption). As investor expectations shifted, bond yields rose, while volatility increased in the stock markets. This was particularly true for high-valuation technology stocks, which are sensitive to higher discount rates.

Trends in Global Inflation*



*2026: projections

Source: IMF • https://www.reuters.com/world/china/imf-edges-2026-global-growth-forecast-lower-3-sees-rebound-2027-2026-07-08/

Equity market news

The narrative on the stock market in July was shaped by the "summer lull" (lower trading volume, smaller price movements, after all, investors are on vacation too) and also by the investor fatigue surrounding artificial intelligence (AI). The S&P 500 index, which reflects the average price changes of large companies listed on the New York Stock Exchange, traded sideways around the 7,500-point level. During the July earnings season, investors were no longer satisfied with the future promises associated with AI but began to demand concrete proof of profit-generating capabilities, which led to drastic price corrections. A prime example of this was Alphabet, the parent company of Google, and Elon Musk's electric car company, Tesla, whose shares plummeted by 6.9% and 14.5%, respectively, at the end of July, as the companies' cash flow turned negative for the first time due to massive investments in AI infrastructure. Similar trends were also observed on the South Korean and Taiwanese stock exchanges, where AI-related companies account for a significant portion of the market indices. In contrast, the industrial sector (the S&P 500 Industrials index) has outperformed with an 18% return since the start of the year, as investors responded to "AI fatigue" within the tech sector by rebalancing their portfolios.

Bond market news

The most significant turning point for bond markets in July was the return of uncertainty surrounding the U.S. Federal Reserve's monetary policy and the "Bond Vigilantes" (or "bond market enforcers," investors who protest monetary or fiscal policies they view as inflationary by selling bonds, thereby driving up yields). At the FOMC meeting in late July, policymakers kept the target range for the federal funds rate at 3.50–3.75%, while investors had been expecting rate cuts. New Fed Chair Kevin Warsh's press conference struck a decidedly "hawkish" (tight) tone, emphasizing the primacy of inflation risks over labor market concerns. The bond market did not react well to the Fed's lack of guidance: the yield on the 10-year U.S. Treasury note rose by about 25 basis points in July, while the yield on the 30-year Treasury note jumped to a nearly 19-year high, above 5.2%. The trend is similar in Europe: due to the deteriorating inflation outlook, the yield on the German 10-year Bund rose above 3% again in July, while the yield on forint bonds with similar maturities climbed above 5.5%.

Alternative investments news

In July, the "game changer" was the renewed escalation of tensions in the Middle East, which exerted inflationary pressure on the entire global economy through the energy markets. Oil prices fluctuated dramatically throughout the month: the price of Brent crude oil, the benchmark in Europe, rose to over $100 per barrel (159 liters) toward the end of July, after attacks on Saudi oil tankers in the Red Sea sparked market concerns about potential disruptions to the entire supply chain. Subsequently, as soon as the first reports of a de-escalation in Iran emerged, the price quickly corrected to $86, clearly illustrating that market movements are driven not by supply and demand but by geopolitical risk premiums. In this environment, gold remained stable as a hedge against uncertainty, while demand for industrial metals (such as copper) remained strong due to the expansion of AI data centers. Investors have once again made commodities, particularly energy and precious metals, a significant part of their portfolios to offset the risk associated with stocks.

What can we expect in the coming period?

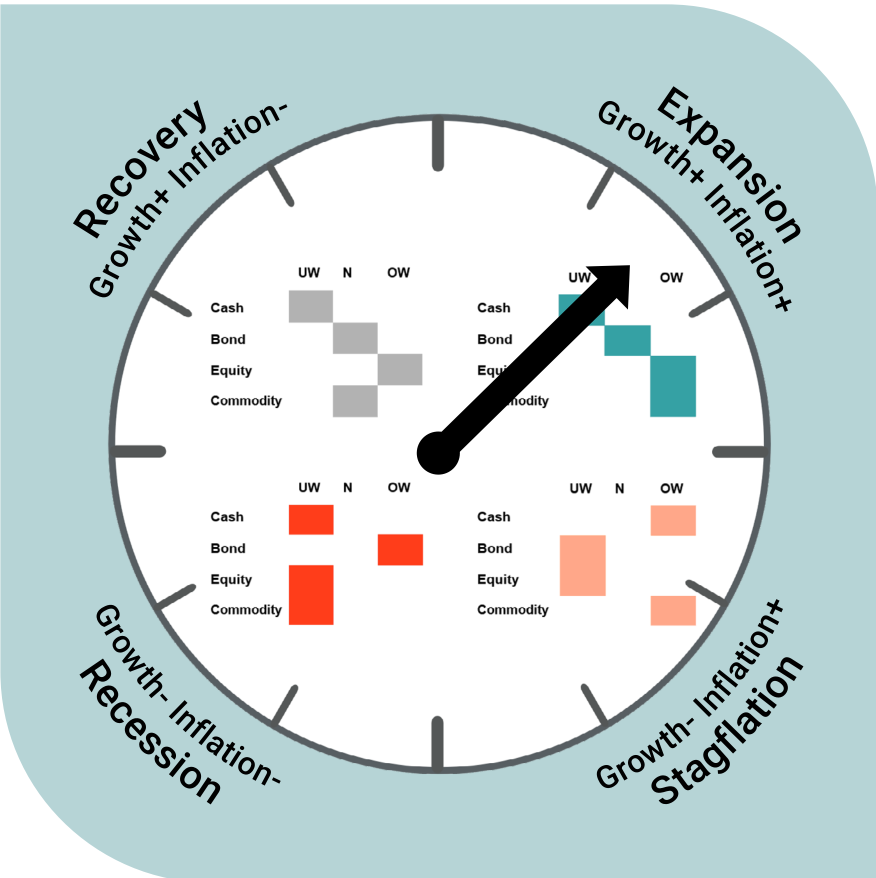
Investment clock

The VIG Global Investment Clock, a scientifically based tool that uses indicators to forecast economic cycles, predicts expansion (growth) for the coming months, while also warning of mounting inflationary pressures in the background. Global economic growth has gained new momentum, but economic data from the countries and regions under review show inflation figures higher than previously expected. This inflationary pressure is expected to prompt central banks to raise interest rates in the future. Central banks are focusing on potential inflation risks; the ECB already raised interest rates by 25 basis points in June.

The U.S. continues to show stable growth, with business confidence indices indicating optimism among corporate executives. Economic activity in the United States remains stable, and the labor market shows no significant changes. Among macroeconomic data, corporate surveys in particular have been exceptionally strong, indicating that managers overseas are extremely optimistic.

Europe is also showing growth, even as natural gas prices rise. The benchmark Dutch TTF exchange price on the continent has risen to around 60 euros, which could pose a risk for Europe, as we are in the middle of the refueling season. This could put the European region at a competitive disadvantage, but this negative impact is not yet reflected in the current data.

China's economy, however, has lost some of its momentum due to weakening demand. Based on the latest data, a picture of a slowing but stable economy is emerging for the world's second-largest economy. The July manufacturing Purchasing Managers' Index fell below 50 for the first time in five months, indicating a slight contraction.



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

N: Assets expected to perfom 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 once again adopted a slightly riskier asset allocation for the coming period; we increased the weighting of certain stock markets primarily due to the positive outlook for the stock market.

Fewer U.S. stocks are enough

Reducing holdings of U.S. stocks primarily serves as a source of funding: by selling some of them, we can raise capital that can be invested in the much cheaper and more attractive Asian stock market, with the potential for higher returns. Since the U.S. and Asian emerging markets are similar due to their high exposure to the technology and chip manufacturing sectors, and are thus driven by similar forces, rebalancing the portfolio away from the U.S. market is the most logical step. Following the intense tech market frenzy of recent months, Wall Street has already experienced a slight pause, a peak, and a correction, all of which call for caution. VIG Asset Management's quantitative model, which analyzes global macroeconomic trends, also predicted a gradual reduction in equity weightings due to rising inflation data. Rising bond yields and expected central bank interest rate hikes do not bode well for extremely highly valued U.S. stocks, so reding their weighting lowers the portfolio's risk.

Emerging market equities poised for a surge

Asia could boost the performance of emerging market funds, particularly the South Korean and Taiwanese stock markets, which account for nearly half of the total market capitalization. In July, Asia was rocked by an extreme wave of stock sell-offs, and several leading stocks saw their prices fall by 40%. Far Eastern stock valuations have sunk to record lows, creating an extremely rare and favorable entry point. South Korean and Taiwanese tech giants, as well as chip manufacturers, continue to perform steadily: favorable valuations, positive earnings revisions, and the tech sector's high profitability are expected to persist through 2027. The Central European region is also a promising investment destination: the Budapest and Warsaw stock exchanges are favorably valued by international standards, and the financial sector in particular is expected to perform well.

Monthly asset allocation (August 2026)

Asset class	H UW	UW	S UW	N	S OW	OW	H OW	Since July
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

VIG Emerging Markets ESG Equity Investment Fund

The Fund currently offers a particularly good investment opportunity. The valuations of emerging market stocks and, along with them, Asian stocks, primarily those from South Korea and Taiwan, have fallen to lows not seen in a long time following recent extreme sell-offs and declines from their peaks. Despite these extremely low valuations, the fundamentals of the largest companies are exceptionally strong, as major technology firms and leading chip manufacturers (such as South Korea's Samsung, the global market leader in the latter sector) have revised their profit forecasts upward and reported improved earnings over the past month. The Fund's exposure to the technology and chip manufacturing sectors is very similar to that of the U.S. market; however, in emerging markets, these positions are currently available at significantly lower prices, at least when comparing stock prices to corporate earnings. Incidentally, companies listed on the Seoul Stock Exchange account for approximately 60% of the total market capitalization of Asian stock markets, so the emerging markets equity fund has significant exposure to this exceptionally fast-growing segment. Furthermore, Asian stock markets are being supported by the fact that the U.S. dollar's appreciation has stalled for many months, which partly points to capital inflows into this region. In the event of a potential market rally and uptrend, emerging markets offer much greater growth and performance potential than developed regions due to their low base and favorable valuations.

We expect the fund of the month (based on tactical asset allocation) to outperform in the near future.

ESG theme of the month

From oil wealth to one of the world's largest sovereign wealth funds – the success story behind Norway's sovereign wealth fund

What should a country do when it suddenly discovers a massive offshore oil field within its territory? At first, the answer seems obvious: celebrate. But the next question quickly follows: what should be done with the revenue? In 1990, the Norwegian Parliament made a bold decision. It resolved that every krone generated from the country's oil and gas activities would be invested rather than spent, making Norway the first country in Europe to establish such a framework.

The question that changed everything: What happens when the oil runs out?

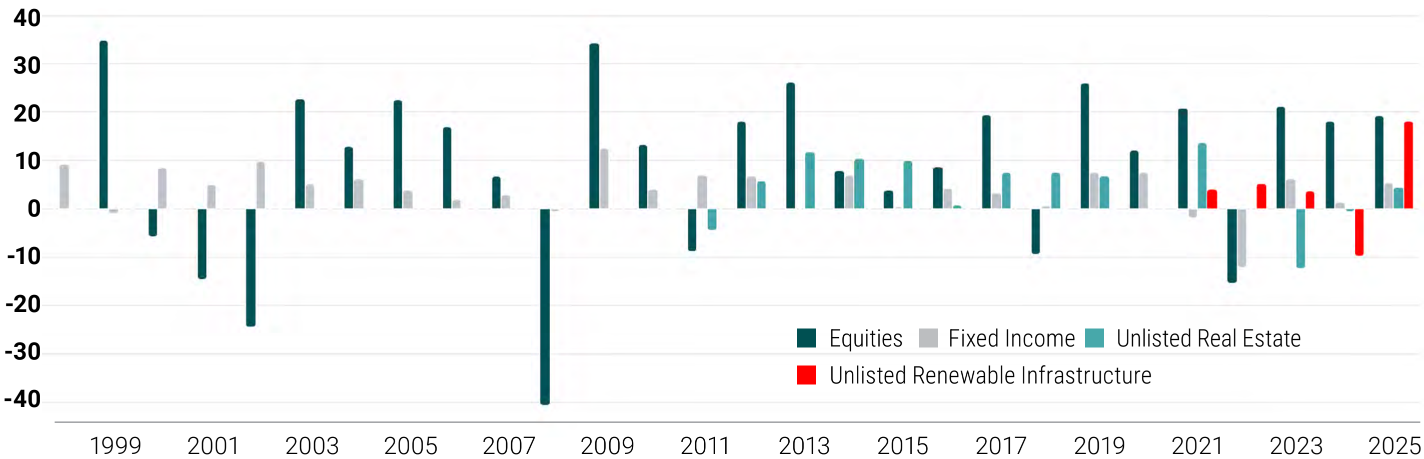
According to Norges Bank Investment Management (NBIM)[1], one of the world's largest offshore oil fields was discovered in Norway in 1969. The production and sale of these vast petroleum resources provided a significant boost to the Norwegian economy. At the same time, the Norwegian government took a remarkably long-term view and asked a crucial question: what would happen when the oil reserves were eventually depleted? To ensure that the wealth generated from petroleum resources would benefit both current and future generations, the Norwegian Parliament established the Government Pension Fund Global (GPFG) in 1990, making it the first sovereign wealth fund of its kind in Europe. All net cash flow from Norway's petroleum activities has since been transferred to the Fund for investment. According to NBIM's responsible investment framework[2], the Fund's mission is to support the financing of Norway's welfare state for future generations while promoting long-term government savings to help meet rising public pension expenditures.

Where does one of the world's largest investors allocate its capital?

The Fund's investment strategy has evolved over time through expert assessments, practical experience, and extensive analysis according to NBIM's official strategy[3]. However, any major strategic changes continue to require approval by the Norwegian Parliament. The overarching objective is to maximize long-term returns after costs while maintaining an acceptable level of risk.

To achieve this, NBIM has built a highly diversified global portfolio spanning equities, fixed income, real estate, and unlisted renewable energy infrastructure. The investments are spread across a broad range of markets, countries, sectors, and currencies, providing direct exposure to global economic growth and long-term value creation. The GPFG follows a long-term investment horizon and is managed by Norges Bank Investment Management (NBIM), the investment management division of the Central Bank of Norway.

Yearly annual return by asset class (1998-2025, NOK)



Source: Norges Bank Investment Management • https://www.nbim.no/en/investments/returns/

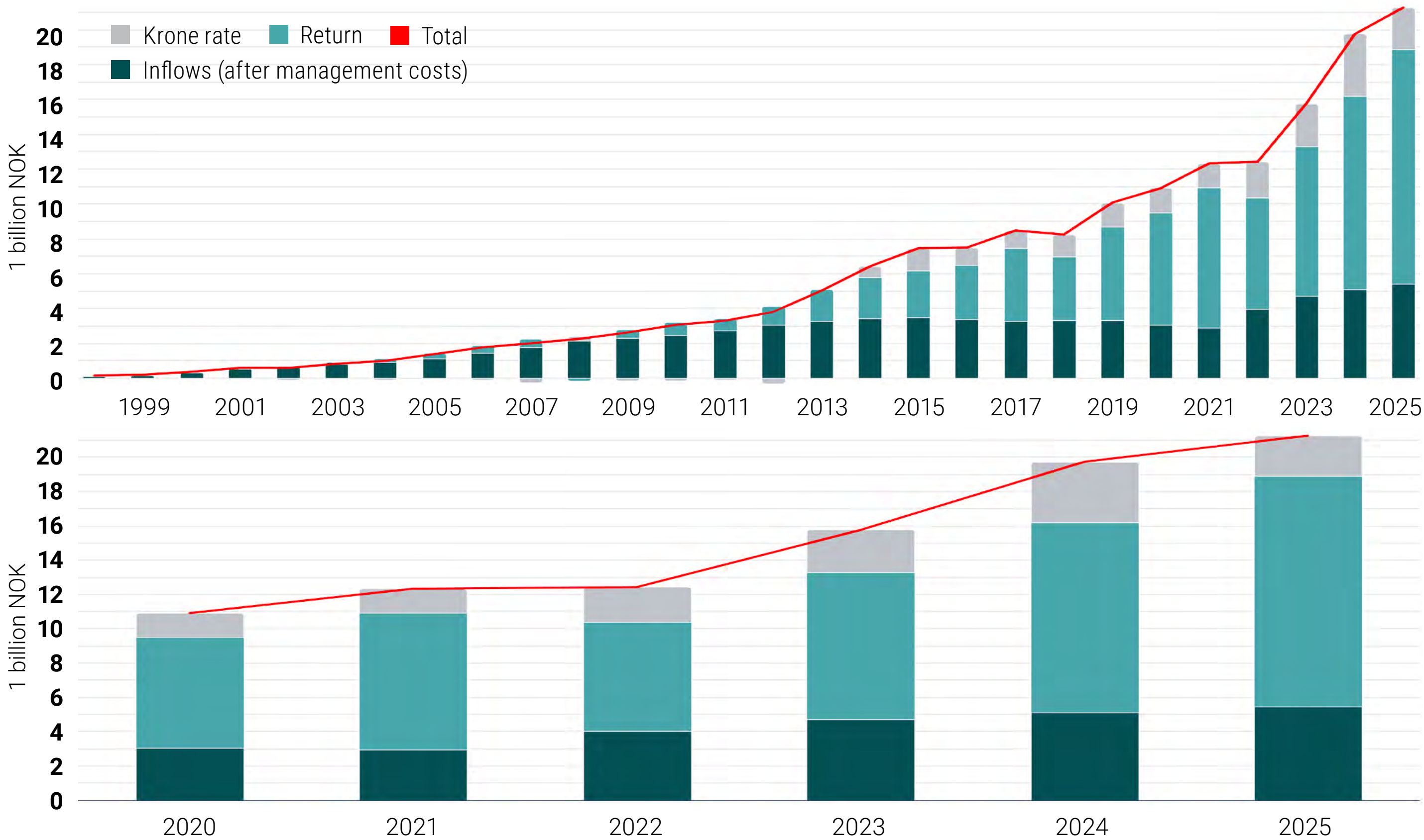
[1] https://www.nbim.no/en/about-us/about-the-fund/
[2] https://www.nbim.no/en/responsible-investment/
[3] https://www.nbim.no/en/investments/investment-strategy/

According to NBIM's latest holdings data[4], the Fund currently owns stakes in more than 7,200 companies worldwide, including Apple, Nvidia, Microsoft, Alphabet, Amazon, TSMC, Meta, and Tesla, among many others. As highlighted in NBIM's portfolio overview[5], the Norwegian sovereign wealth fund has become one of the world's largest investors, owning approximately 1.5% of all listed companies globally. In addition to its equity portfolio, the Fund invests in fixed income securities, providing financing to governments and corporations through bond investments. It also owns 1,389 real estate assets across major global cities and has investments in unlisted renewable energy infrastructure, further diversifying its long-term portfolio.

The point when investment returns surpassed oil revenues

According to NBIM's live fund value tracker[6], as of 5 August 2026, the Government Pension Fund Global was valued at NOK 22,209 billion (approximately HUF 737,908 billion), and its value continues to fluctuate from minute to minute as global financial markets move. The chart below illustrates the Fund's remarkable growth since the first capital transfer. During the early years, from 1998 to 2010, the increase in the Fund's value was driven almost entirely by net transfers from Norway's petroleum activities. The turning point came

Government Pension Fund Global – Value development (1998-2025 / 2020–2025)



Source: Norges Bank Investment Management • https://www.nbim.no/en/investments/returns/

after 2014, when investment returns began to accelerate rapidly and became the dominant driver of the Fund's growth. 2017 marked the first year in which more than half of the Fund's total value was attributable to accumulated investment returns rather than the capital transferred from petroleum revenues. In other words, the Fund had reached the point where its assets were increasingly generating wealth on their own through long-term investment performance.

Attention should be paid to the past five years, as the Norwegian sovereign wealth fund delivered remarkable growth between 2020 and 2025. According to the Fund's value development data[7], during the height of the COVID-19 pandemic in 2020 – when economies around the world were facing significant challenges – the Fund's total value stood at approximately NOK 11 billion. Just five years later, by the end of 2025, its value had nearly doubled to NOK 21,268 billion. More than half of the Fund's value is now attributable to accumulated investment returns, amounting to NOK 13,457 billion. Net transfers from the government accounted for NOK 5,427 billion, while currency movements contributed NOK 2,391 billion to the Fund's overall value.

[4] *https://www.nbim.no/en/*
[5] *https://www.nbim.no/en/about-us/about-the-fund/*
[6] *https://www.nbim.no/en/*
[7] *https://www.nbim.no/en/investments/the-funds-value/*

Sustainable investment strategy

According to NBIM's responsible investment principles[8], the Fund's long-term returns depend on sustainable economic, environmental, and social development. As a shareholder in many of the world's largest companies, NBIM seeks to promote long-term value creation while reducing the negative impacts that companies may have on people, society, and the environment.
One of the Fund's key sustainability ambitions is to support the transition to a net zero emissions economy. Through active ownership and responsible investment, NBIM aims for the companies in its portfolio to achieve net zero emissions by 2050 and to align their business activities with the goals of the Paris Agreement.

Financial discipline and responsibility go hand in hand

The success of Norway's sovereign wealth fund is not the result of luck, but of disciplined financial management and a long-term investment approach. It demonstrates how revenues generated from petroleum activities can be invested responsibly while integrating environmental, social, and governance (ESG) considerations into the investment process.

Source: Norges Bank Investment Management

[8] *https://www.nbim.no/en/responsible-investment/*

Disclaimer

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The Asset Management's license number for managing alternative investment funds (AIFM) is: H-EN-III-6/2015. The Fund Manager's license number for UCITS fund management (collective portfolio management) is: H-EN-III-101/2016.

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