#13 MONTHLY COMMENTARY
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Degussa GROUP

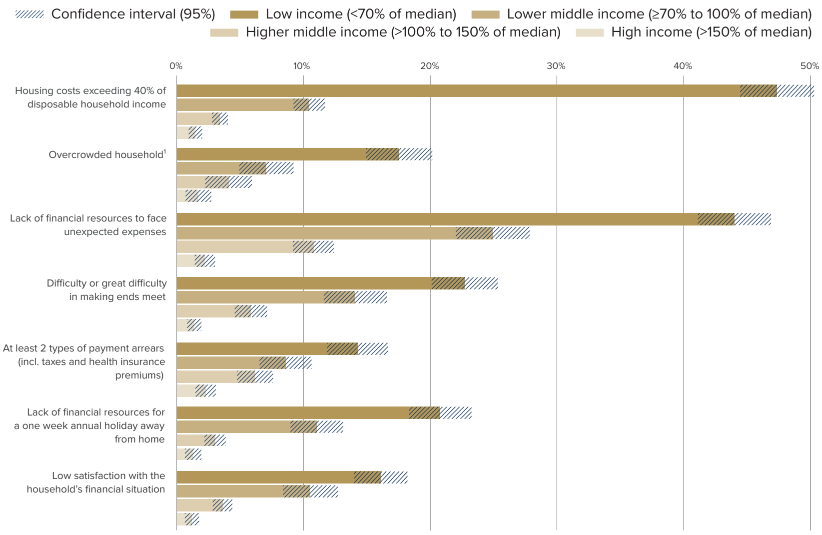
UNITED KINGDOM

Market Report

Developments in Financial and Commodity Markets

Persistent US budget deficits and rising interest costs remain a major policy challenge. Fiscal tools such as financial repression, which involves using inflation and low real rates to reduce the value of debt, may delay a more disruptive adjustment but is unlikely to resolve the underlying imbalance. In Japan, yen weakness may prompt further tightening, while efforts to encourage domestic investment could lead institutions to repatriate overseas capital. Together, these shifts could raise global bond yields and market volatility, strengthening the argument for diversification and active portfolio management. China's focus on high-tech and advanced manufacturing is creating new economic momentum as it seeks to offset property-sector weakness. Overcapacity, price competition, and geopolitical restrictions remain risks; nevertheless, these sectors retain long-term growth potential. Research from UCL's Institute for Innovation and Public Purpose demonstrates that Europe's competitiveness decline reflects two decades of over-financialisation, sharpening the distinction between companies extracting value and those reinvesting to build it.

Indicators of financial and material situation by income group, 2024



[1] According to the Eurostat definition: http://bit.ly/47kfhUO

Switzerland's middle-income population remained broadly stable between 1998 and 2023, accounting for 55.2% of permanent residents last year, according to the Federal Statistical Office. The middle-income bracket includes single individuals earning between CHF 4,228 and CHF 9,061 per month, or families with two children earning between CHF 8,880 and CHF 19,028 monthly. However, the data reveal growing financial disparities, even within this cohort.

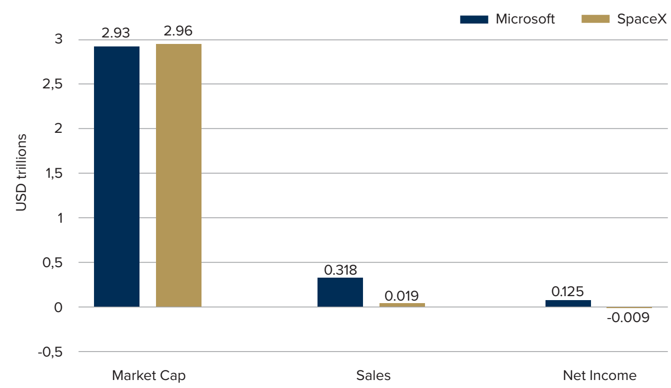
Highlights

- **US Debt Risks Remain Unresolved**
  Persistent deficits and rising interest costs deepen the debt burden and constrain policy flexibility.
- **Yen Weakness Raises Global Market Risks**
  Further monetary policy tightening and Japanese capital repatriation could lift global yields and amplify cross-asset volatility.
- **Europe's Competitiveness Decline Reflects Over-Financialisation**
  Research on Europe's largest firms links weak competitiveness to capital shifting from productive investment toward financial assets and shareholder payouts.
- **Monetary Expansion Erodes Real Wealth**
  As monetary expansion redistributes wealth toward financial assets, real assets can provide exposure to tangible value outside the fiat system.
- **Market Risk Signal Supports Balanced Positioning**
  Portfolio allocation has shifted towards income and stabilisation as investors selectively increase growth exposure while reducing protection.

In 2024, 10.5% of lower-middle-income households spent more than 40% of their disposable income on housing costs, compared with just 3.5% among the upper-middle class.

Additionally, 25% said they could not cover an unexpected CHF 2,500 expense, 14.1% said making ends meet by month-end was difficult or very difficult, and more than 11% were unable to afford a holiday for financial reasons. Although outright arrears on bills remained relatively limited, the findings suggest that financial strain is increasingly extending into parts of Switzerland's traditionally stable middle class. Against this backdrop, gold may retain its appeal among households with available savings as a long-term store of value and a means of preserving purchasing power amid greater financial uncertainty.

SpaceX vs Microsoft



SpaceX's reported surge above a USD 3 trillion valuation intensified concerns that prices were detaching from fundamentals. With only 4.3% of shares publicly floated, buying pressure initially drove a single-session gain of roughly USD 650 billion despite ongoing losses. However, this momentum reversed as the valuation plummeted by USD 1 trillion over 5 weeks, with shares dipping below their USD 135 IPO price. The decline followed an aborted Starship launch and growing concern over lock-up expiries covering 911.5 million shares. The reversal reinforced warnings that a limited float, elevated valuation, and options-driven feedback loops could generate extreme volatility and increasingly concentrate systemic market risk.

Precious Metals and Commodities

In the short term, precious metals, copper, and oil are expected to trade broadly within established ranges, while agricultural prices face stronger upward pressure. Over the medium to long term, momentum is expected to strengthen across all commodity markets.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	→	→	→	→	↗
Outlook	↗	↗	↗	↗	↗
Trend	↗	↗	↗	↗	↗

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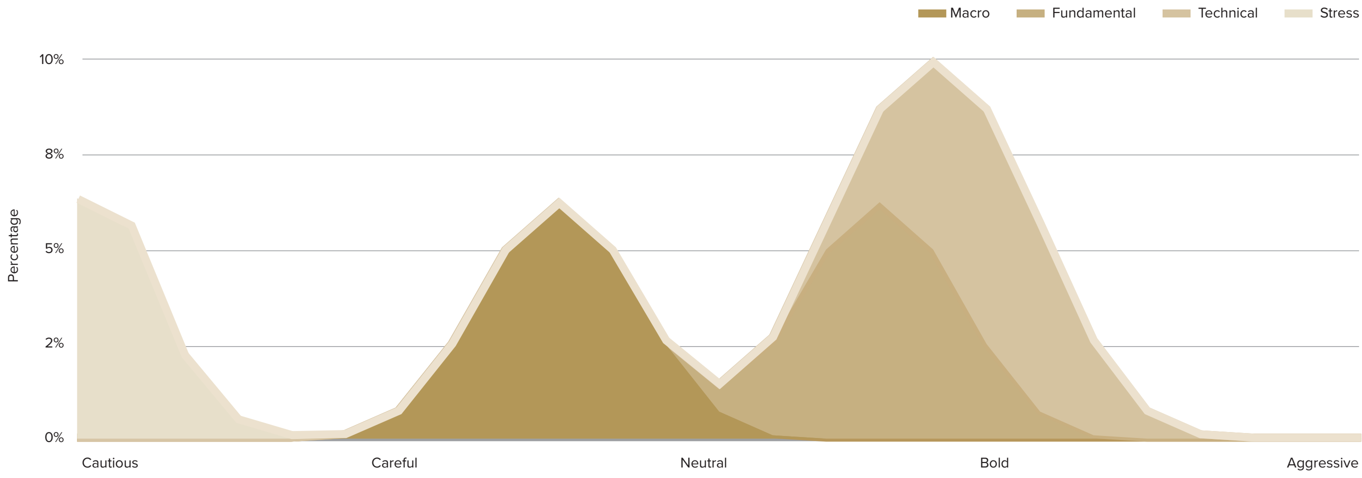
Market Risk Signal

Market risk signal

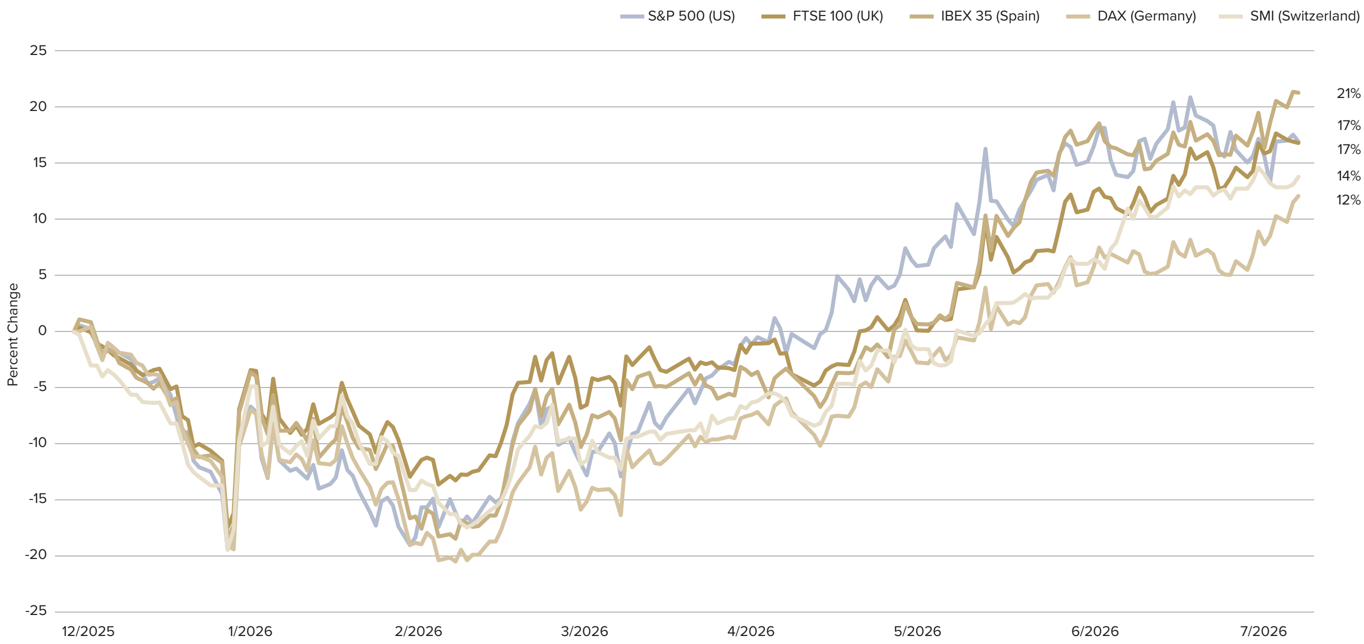


Index Performance in Gold Terms

Measuring equities in gold terms strips out currency debasement and monetary distortion, revealing whether gains truly increased purchasing power or merely reflected inflation and FX effects. Performance is calculated using gold priced in each index's native currency.

Year-to-date performance of equity benchmarks in gold terms:
US: S&P 500: +16.82%
UK: FTSE 100: +16.68%
Spain: IBEX 35: +21.14%
Germany: DAX: +12.03%
Switzerland: SMI: +13.72%

Equities performance priced in gold (Jan–Aug 2026)



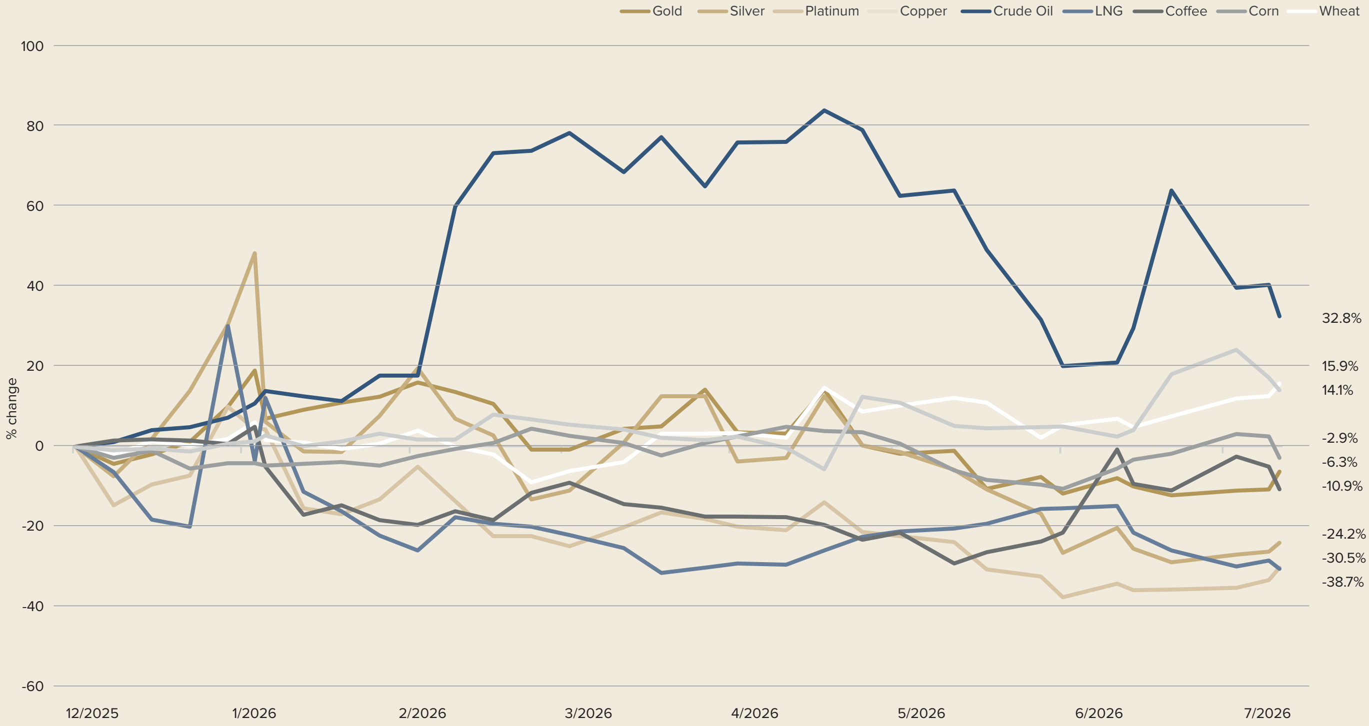
Gold Feature

Most investors think in fiat terms. They measure returns in dollars or euros, compare EBITDA multiples, and assess investments by the nominal capital they can generate. Yet this approach assumes that the currency being used as the measuring tool remains a reliable store of value. For most of monetary history, money was either a physical commodity or a claim on one. Gold and silver coins circulated directly, while warehouse receipts and early banknotes represented stored assets. Much like today, however, rulers found ways to expand the money supply. Back then, they did this by reducing the precious metal content of coins while maintaining their face value. The result was more money in circulation, but less intrinsic value in each coin.

Modern monetary expansion produces a similar effect, and, in like fashion, does not create real wealth. Historically, it diluted the intrinsic value of circulating money. Today, it redistributes fiat away from savers and wage earners towards financial assets. When implemented too aggressively, particularly amid excessive market optimism, this process can inflate asset bubbles. When those bubbles burst, losses spread throughout the system, leaving holders of real assets among the few genuinely protected. In this sense, commodities may be viewed as pre-fiat-style monetary instruments in that their value is derived from scarcity and ownership rather than a central bank liability. Their role, however, differs. Gold and silver retain a monetary role due to their durability and ability to store value. Oil and LNG represent energy, copper reflects industrial activity and electrification, while agricultural commodities are tied to food security. Investors can gain exposure through financial markets, trading houses, warehouse receipts, or direct ownership.

Their relative performance in 2026 could highlight where value may be found. LNG shows the deepest discount relative to the other commodities, being down 38.7% year to date, followed by platinum at 30.5%, and silver at 24.2%. Coffee is down 10.9%, gold 6.3%, and corn 2.9%. Meanwhile, wheat is up 14.1%, copper has risen 15.9%, and crude oil, while well below its May peak, is up 32.8%. While weak relative performance does not necessarily signal undervaluation, the relative discount in precious metals may prove particularly interesting, given the safest wealth is the wealth one owns directly. While holding commodities such as wheat, oil, or LNG is generally impractical, physical gold and silver ownership remains achievable and is not reliant on another institution's promise.

Precious metals and commodities: 2026 relative performance



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Current investment situation

The investment landscape is being shaped by the interaction of fiscal strain, currency instability, and uneven capital allocation across major economies. In the US, persistent primary deficits and rising debt-servicing costs are narrowing fiscal flexibility, while the interaction between inflation, Treasury yields, and government financing is likely to remain a major influence on asset prices. Financial repression may allow inflation and low real rates to contain the debt burden temporarily, but it would transfer part of the adjustment to savers and bondholders rather than remove the need for future fiscal reform.

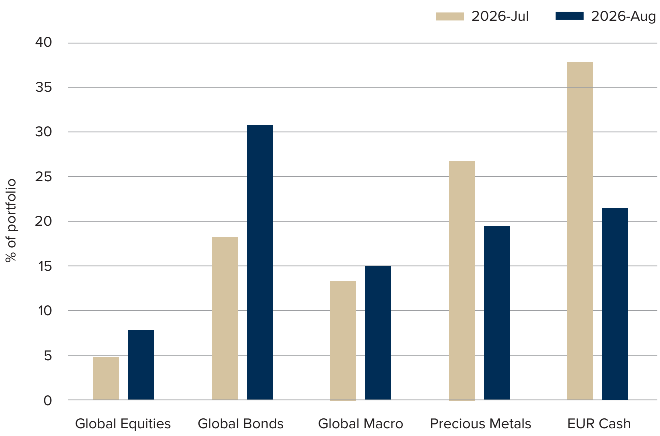
Japan introduces a second, more immediate transmission risk. Yen weakness and inflation pressures have pushed the Bank of Japan further into monetary tightening, while the government is encouraging large pension funds to increase domestic investment. Any meaningful repatriation from foreign bonds and equities could reduce overseas liquidity, place upward pressure on global yields, and disrupt currency and carry-trade positions. Meanwhile, Europe's competitiveness challenge may be less about insufficient capital than about how corporate capital has been allocated. Research from UCL's Institute for Innovation and Public Purpose argues that two decades of financialisation diverted profits towards financial assets, reserves, buybacks, and dividends while productive investment weakened. This widens the divide between companies pursuing financial engineering and those reinvesting in productive capacity, innovation, and future earnings, making capital-allocation discipline an increasingly important consideration for investors.

Geopolitical risk remains elevated despite tentative signs of diplomatic progress. US-Iran negotiations have raised hopes of restoring shipping through the Strait of Hormuz, but attacks on commercial vessels continue to expose energy markets to sudden disruption. Russia-Ukraine strikes on vessels in the Black Sea have affected grain markets, while military exercises around Taiwan demonstrate that tensions in East Asia also remain active. The investment implication is that fiscal, currency, liquidity, capital-allocation, and geopolitical risks must be considered together. Investors may benefit from maintaining portfolio flexibility, managing duration carefully, and diversifying across jurisdictions and selected real assets.

Allocation adjustments

Portfolio positioning has become more diversified as investors redeploy defensive holdings into a broader range of return opportunities. Persistent fiscal risks, the prospect of higher global bond yields, and uneven regional growth continue to favour selectivity over broad risk-taking. As a result, the allocation reduces EUR cash and precious metals while increasing global bonds, global macro strategies, and global equities, reflecting greater confidence in diversification and assets offering income or long-term growth.

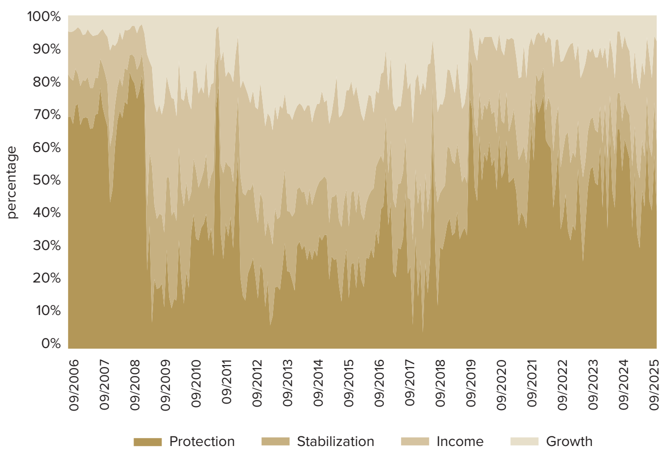
Allocation compared to the previous month



Allocation changes over time

The market risk signal remains broadly neutral, with current positioning shifting towards a more balanced and income-oriented stance. The portfolio has reduced protection while increasing income and stabilisation, alongside a modest rise in growth. This indicates greater emphasis on yield generation and selective upside participation, while retaining liquidity buffers as markets navigate fiscal uncertainty, higher bond yields, geopolitical risks, and uneven growth across regions and sectors.

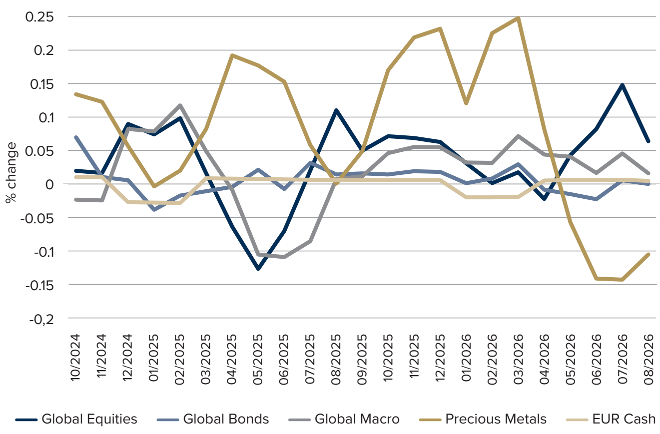
Allocation by portfolio role



Rolling three-month performance of various asset classes

Dynamic asset allocation (active rotation between equities, bonds, and gold) has consistently enhanced portfolio returns, as can be seen by tracking the rolling three-month performance. Global equities are currently still delivering the strongest results, although momentum has moderated notably from last month's high. Global macro remains positive but has also softened, while global bonds and EUR cash remain broadly flat. Precious metals have recovered somewhat from Q2's sharp decline, but remain in negative territory, indicating that recent price weakness has only partially reversed over the month of July.

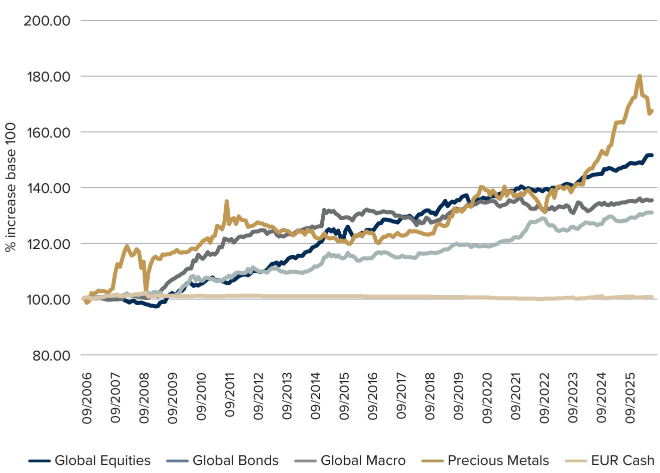
Rolling 3-month performance



Performance contribution of various asset classes

The performance contribution illustrates how much each asset class has contributed to overall portfolio performance during a given period, with relative allocation playing a key role. Precious metals remain the largest long-term contributor to portfolio performance. Although their lead has narrowed following a sharp pullback over the second quarter of 2026, the most recent data point shows a modest recovery. Global equities have continued to strengthen and remain the second-largest contributor. Global bonds and global macro provide smaller but steadily positive contributions, while EUR cash remains broadly unchanged.

Performance Contribution



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