



S.P. HINDUJA

BANQUE PRIVÉE

Global House View

May 2026



Thoughts of the CEO

“Time in the market beats timing the market”

The enduring maxim that “time in the market beats timing the market” remains one of the most empirically supported, yet behaviorally challenging, principles in investing. In today’s environment of persistent macro uncertainty, including shifting monetary policy, geopolitical tensions, and uneven global growth, its relevance is heightened, even if often overlooked. Investors are once again tempted to reposition portfolios in response to short-term market movements. However, history consistently shows that such attempts tend to erode, rather than enhance, long-term returns.

Over the recent months, markets have oscillated in response to evolving expectations around inflation, central bank policy normalization, and corporate earnings resilience. While volatility can create the illusion of opportunity for tactical entry and exit, it also increases the probability of missing critical inflection points. Empirical studies show that a disproportionate share of long-term equity returns is generated during a small number of trading days, which are nearly impossible to predict with consistency. Missing even a handful of these periods can materially impair portfolio outcomes.

This does not imply that investors should disregard valuation, risk management, or macroeconomic signals. Rather, it underscores the importance of strategic positioning over tactical speculation. A disciplined approach, anchored in diversification, periodic rebalancing, and alignment with long-term objectives, remains the most robust framework for navigating uncertainty.

From a portfolio construction perspective, we continue to advocate for broad exposure to global equities, complemented by selective allocations to fixed income and alternative assets. Within equities, maintaining exposure to structurally advantaged sectors, such as technology, healthcare, and energy transition, offers participation in long-term growth drivers. At the same time, diversification across geographies helps mitigate region-specific risks.

In fixed income, the evolving interest rate landscape presents both challenges and opportunities. While higher yields enhance income potential, they also introduce duration risk. Investors should consider a balanced approach, combining short-duration instruments for capital preservation with selectively longer-duration assets to capture yield and potential price appreciation as policy rates stabilize.

Importantly, the principle of “time in the market” is not synonymous with passivity but rather patience. It requires active discipline in maintaining exposure through periods of drawdown, resisting the urge to exit during market stress, and systematically deploying capital over time. Dollar-cost averaging, for instance, can be an effective tool for mitigating timing risk, particularly in volatile environments.

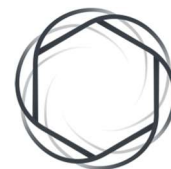
Looking ahead, we expect markets to remain sensitive to macroeconomic data and policy signals. However, the long-term drivers of value creation, innovation, productivity growth, and capital allocation efficiency, remain intact. Investors who maintain consistent exposure to these drivers are better positioned to benefit from compounding returns.

In conclusion, while the allure of market timing persists, the evidence overwhelmingly favors a long-term, time-based approach. We encourage investors to remain focused on strategic allocation, maintain diversification, and view volatility not as a signal to exit, but as an inherent feature of markets that can be navigated through discipline and patience.

Yours sincerely,

Fabrice d'Erm





Investment Positioning

We have maintained our modest underweight stance in **Equities**, reflecting a less supportive macro backdrop and rising downside risks, while recognizing that patience remains essential at this stage of the cycle. Geopolitical uncertainty has increased materially, with the ongoing energy supply shock adding upward pressure on inflation while simultaneously weighing on growth prospects. This combination is already feeding into weakening consumer and business confidence, suggesting a more fragile demand environment ahead. At the same time, central banks remain constrained by persistent inflation and appear reluctant to ease policy in the near term, limiting the traditional policy support for risk assets. In this context, equity markets, still relatively concentrated and not fully pricing these risks, appear vulnerable to further volatility and to earnings downside revisions, reinforcing the case for a **measured and patient approach**. We therefore see merit in maintaining reduced exposure at this stage. Proceeds would continue to be allocated toward neutral **Cash** levels, while retaining sufficient flexibility and optionality, and into **Alternative** strategies with absolute return profiles, aiming to deliver more stable performance across a wider range of market conditions. This positioning is intended to improve overall portfolio resilience while preserving the ability to redeploy risk opportunistically when greater clarity emerges.

Recent Investment Committee Decisions

The latest Investment Committee decision was to move to a modest underweight position in equities in response to ongoing geopolitical and economic uncertainty. This positioning has resulted in limited participation in April’s market rebound. We require further evidence of stabilization in both energy supply and the geopolitical environment before returning to a neutral stance on risk assets.

“Time in the Market Beats Timing the Market”

The debate between market timing and long-term investing is one of the most persistent in finance. At its core, it reflects a tension between two fundamentally different approaches: attempting to anticipate short-term price movements versus remaining invested to capture long-term compounding. While both approaches are theoretically viable, the weight of empirical evidence, behavioral insights, and practical constraints **overwhelmingly supports the superiority of time in the market over timing the market**.

The Statistical Reality of Market Returns

Financial markets exhibit a well-documented characteristic: **returns are highly concentrated in relatively short periods**. Numerous studies have shown that missing just a small number of the best-performing days in equity markets can significantly reduce long-term returns. For example, in major indices such as the S&P 500, the majority of long-term gains

are often generated during a handful of trading sessions, frequently occurring in close proximity to periods of heightened volatility.

This clustering effect creates a fundamental challenge for market timing strategies. To succeed, an investor must not only exit the market before downturns but also re-enter before these critical rebound periods. The probability of consistently achieving both is exceedingly low, even for professional investors with access to sophisticated tools and data.

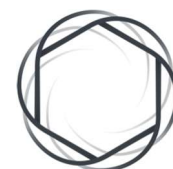
Table 1: The Power of a Few Trading Days

1987 Crash	Performance	Comment
October 19	-20.50%	Some of the largest gains ever occurred days after the worst losses.
October 21	9.10%	
October 28	9.10%	
2008 (Down year: ca. -37%)	Performance	Comment
October 13	11.60%	These rallies happened inside the bear market, not after it
October 28	10.80%	
November 13	6.90%	
2009 (Rebound year after GFC: +26%)	Performance	Comment
March 10	6.40%	Much of the year’s gains were front-loaded into a few weeks around the bottom
March 23	7.10%	
April 2	2.90%	
2020 (Covid shock & rebound)	Performance	Comment
March 13	9.30%	Just these 4 days alone contributed ca. +32% cumulatively in a year that finished +16%. A large oart of the annual recovery came from < 1% of trading days
March 24	9.40%	
March 26	6.30%	
April 6	7.00%	

Source: SP Hinduja Banque Privée

Moreover, market rebounds are often abrupt and counterintuitive. Historically, some of the strongest positive days have occurred during bear markets or immediately following sharp declines. This further complicates timing

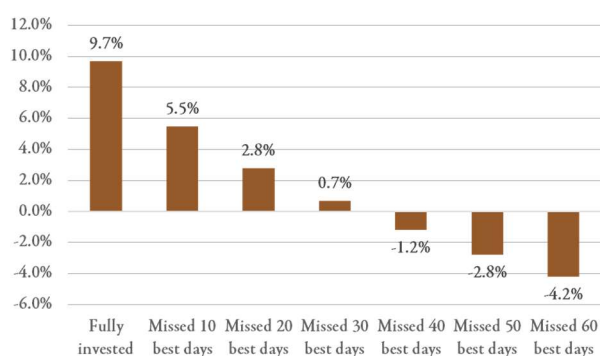




strategies, as the psychological inclination during such periods is typically risk aversion rather than re-entry.

Table 1 on the previous page shows the example of March 2020, when just 4 trading sessions accounted for a substantial portion of the entire year's equity market recovery. Similarly, during the 2008 crisis, the market recorded gains of +11.6% and +10.8% in single days, while still in a deep bear market. This proves that returns are not linear but rather episodic and clustered and missing a few specific dates materially alters outcomes.

Figure 1: A Small Share of Days Drives a Large Share of Gains (Total Return for S&P500 in 2004-23)



Source: J.P. Morgan Asset Management

Behavioral Biases and Their Impact

Human behavior plays a central role in the underperformance of market timing strategies. Investors are subject to a range of **cognitive biases** that systematically impair decision-making under uncertainty.

Loss aversion, for instance, leads investors to disproportionately fear losses relative to gains, often prompting premature exits during market downturns. Conversely, **herd behavior and recency bias** can drive investors to enter markets after periods of strong performance, effectively buying high and selling low.

Overconfidence is another critical factor. Many investors overestimate their ability to predict market movements, leading to excessive trading and suboptimal outcomes. Empirical evidence consistently shows that higher trading frequency is associated with lower net returns, primarily due to transaction costs, taxes, and timing errors.

Time in the market mitigates these behavioral pitfalls by reducing the need for frequent decision-making. By committing to a long-term strategy, investors can avoid the

psychological traps associated with short-term market fluctuations.

When Timing May Appear to Work

It is important to acknowledge that market timing can occasionally produce successful outcomes, particularly in hindsight. However, such success is often attributable to luck rather than skill. The challenge lies in distinguishing between the two, as short-term performance does not necessarily indicate a repeatable strategy.

Institutional investors, including hedge funds and active managers, have dedicated significant resources to market timing strategies, yet their aggregate performance often fails to consistently outperform passive benchmarks after fees. This underscores the difficulty of generating alpha through timing alone.

Compounding as the Central Mechanism and the Role of Volatility

The primary driver of long-term wealth creation in financial markets is compounding. When returns are reinvested, they generate additional returns over time, leading to exponential growth. **The effectiveness of compounding is highly sensitive to the duration of investment**.

Interruptions to market exposure, whether due to attempted timing or external factors, can significantly disrupt this process. Even short periods out of the market can have a disproportionate impact on long-term outcomes, particularly if they coincide with strong market performance.

For example, an investor who remains fully invested over several decades' benefits not only from average market returns but also from the cumulative effect of reinvested dividends and capital gains. In contrast, an investor who intermittently exits the market sacrifices this compounding effect, often resulting in materially lower terminal wealth.

Volatility is often perceived as a risk to be avoided, but it is also an essential component of return generation. Short-term price fluctuations create opportunities for long-term investors to acquire assets at more attractive valuations.

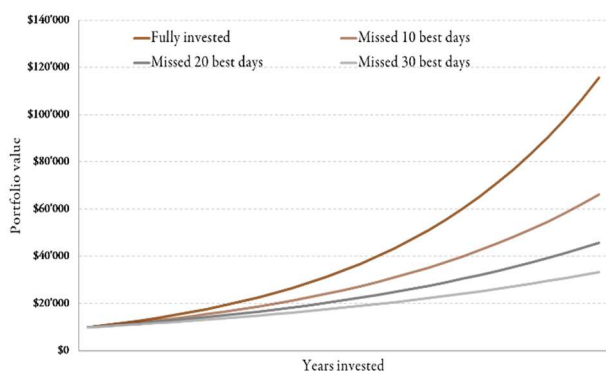
Market timing strategies typically attempt to avoid volatility by moving to cash or defensive assets during periods of uncertainty. However, this approach assumes that volatility can be accurately predicted and that the costs of exiting and re-entering the market are negligible. In practice, both assumptions are flawed.





Long-term investors, by contrast, accept volatility as an inherent feature of markets. By maintaining exposure, they benefit from eventual recoveries and the upward trajectory of asset prices over time. This perspective reframes volatility from a threat into a source of opportunity.

Figure 2: Growth of USD 10,000 over 30-year Period



Source: J.P. Morgan Asset Management (Guide to the Markets)

The **principle of time in the market extends beyond equities**. In fixed income, remaining invested allows investors to capture yield over time, particularly in environments with rising interest rates. Similarly, in real assets such as real estate or infrastructure, long-term ownership enables participation in income generation and capital appreciation.

Across asset classes, the common thread is that consistent exposure to underlying economic growth and income streams tends to outperform intermittent participation. While tactical adjustments can add value in specific contexts, they are typically secondary to the benefits of sustained investment.

Portfolio Construction Implications

Adopting a time-in-the-market approach has several implications for portfolio construction. First, **diversification** becomes a critical tool for managing risk. By spreading investments across asset classes, sectors, and geographies, investors can reduce the impact of localized downturns while maintaining overall market exposure.

Second, **systematic investment strategies**, such as dollar-cost averaging, can enhance outcomes by reducing the risk associated with entry timing. This approach involves investing a fixed amount at regular intervals, thereby smoothing the impact of market volatility.

Third, **rebalancing** plays an essential role in maintaining the desired risk profile. Periodically adjusting portfolio weights ensures that no single asset class becomes disproportionately dominant, while also enabling investors to systematically buy low and sell high.

Macro Context and Current Relevance

In the current macroeconomic environment, characterized by elevated uncertainty and rapid information flow, the temptation to time the market is particularly strong. Central bank policy shifts, inflation dynamics, and geopolitical developments are driving significant short-term volatility.

However, these same factors also increase the unpredictability of market movements. Attempting to time entries and exits based on macro signals requires not only accurate forecasts but also precise execution, both of which are inherently challenging.

A time-in-the-market approach provides a more resilient framework. By maintaining exposure, investors can participate in the eventual normalization of economic conditions and the associated recovery in asset prices.

One of the **common criticisms** of long-term investing is that it may expose investors to prolonged drawdowns. While this is a valid concern, it can be addressed through strategic risk management rather than market timing.

Maintaining liquidity buffers and incorporating defensive assets can provide resilience during periods of market stress, reducing the need for reactive selling.

Conclusion

The principle that time in the market is better than timing the market is grounded in statistical evidence, behavioral insights, and the mechanics of compounding. While market timing remains an appealing concept, its practical implementation is fraught with challenges that undermine its effectiveness.

For investors, the implications are clear: prioritize long-term exposure, maintain discipline through market cycles, and focus on strategic asset allocation. By doing so, they can harness the full power of compounding and position themselves for sustainable wealth creation over time.

Ultimately, successful investing is less about predicting the future and more about consistently participating in it.





Macroeconomic estimates (per cent)

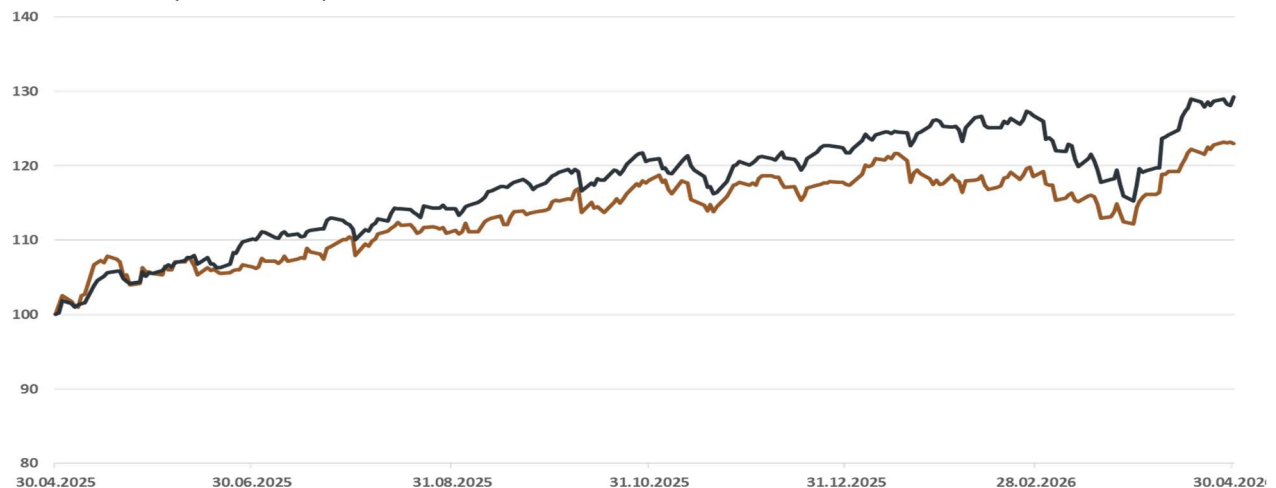
	GDP Growth			Inflation			Interest Rates	Fiscal Balance
	2024A	2025A	2026E	2024A	2025A	2026E	Current	Current
USA	2.8	2.2	2.2	2.95	2.7	3.3	3.75	-5.2
Eurozone	0.7	1.5	0.9	2.4	2.1	2.8	2.15	-2.9
UK	0.8	1.4	0.8	2.5	3.4	3.1	3.75	-5.0
Switzerland	1.3	1.2	1.1	1.1	0.2	0.6	0.00	0.0
Japan	0.1	1.2	0.7	2.7	3.2	2.0	0.75	-2.3
China	5.0	5.0	4.6	0.2	0.0	1.0	3.00	-5.1
Brazil	3.4	2.3	1.8	4.4	5.0	4.3	14.50	-8.3
India	7.8	6.4	7.5	4.8	4.6	2.0	5.25	-4.5
Russia	3.7	0.9	0.9	8.4	8.8	5.8	14.50	-2.6
World	3.0	3.2	3.0	4.2	3.4	4.0	-	-

SOURCE: Bloomberg

MSCI All Country World Index

Indexed Performance (01.01.2024 = 100):

■ in USD ■ in CHF



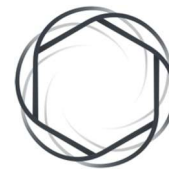
Government 10-year Yield

■ US ■ EU



SOURCE: Bloomberg





Global Asset Allocation Preferences

Global Asset Allocation Preferences						May 2026
Asset Class	Opinion	Constituents	Most Preferred	Least Preferred	Commentary	
Cash	=				We maintain neutral cash levels. Elevated geopolitical risks, persistent inflation pressures, and limited central bank support warrant maintaining sufficient liquidity levels, allowing us to respond dynamically to market dislocations and redeploy capital opportunistically.	
Fixed Income	=	Segments	IG credit	Convertibles	Our positioning in fixed income remains neutral with a clear emphasis on income generation, quality, and flexibility, reflecting an environment characterized by persistent inflation, elevated geopolitical uncertainty, and limited scope for monetary easing. We see fixed income less as a directional duration play and more as a source of carry and diversification, with returns likely to be driven primarily by income rather than capital appreciation.	
		Duration	Short-term		We maintain a preference for high-quality credit, supported by resilient corporate balance sheets and attractive all-in yields. Investment grade credit would be more resilient in the event of a growth slowdown and would be a relative beneficiary of a duration tailwind. Duration exposure is kept moderately short, allowing portfolios to remain agile in the face of ongoing rate volatility and uncertain central bank trajectories.	
Equities	-	Markets	Modest underweight in EZ and Emerging markets. Neutral in the US. Reduce India	Latin America	We resist the temptation to upgrade equities after the recent price recovery. We believe that markets are pricing out risks to growth too soon, as we see scope for re-escalation of hostilities in the Middle east. Our view is supported by PMIs suggesting that price pressures are building up rapidly driven by energy and other commodities, and consumer confidence is weak in major developed markets. In addition, the longer the conflict in the Middle east persists, the more likely it is we start to see earnings downgrades.	
		Styles/Sectors	High quality and Value. Dividend growers. Selective Industrials. Cash-flow resilient sectors based on pricing power. Construction	High energy-dependent capital goods, Chemicals, Auto and Auto parts. Cyclical.	We remain highly diversified, having reduced our underweight in US equities and significantly scaled back our previous overweight in European equities. Eurozone and UK equities are experiencing the most earnings downgrades and have limited exposure to the AI-driven capex theme. Within Europe, we prefer peripheral markets over core countries, given their stronger earnings outlook, more attractive valuations, and higher economic growth. Japan continues to exhibit the strongest earnings momentum and visibility, and we maintain an overweight position. We favour quality stocks, prioritizing pricing power capabilities in the current context. Value stocks and dividend are also preferred.	
Alternatives	+		Infrastructure, Gold and real assets in general. Absolute return strategies.	Commercial Real Estate.	We remain constructive on alternatives, which play an important role in portfolio construction amid elevated geopolitical and macroeconomic uncertainty. Our allocation favors real assets (infrastructure, industrial metals, ..), hedge funds, and in particular, gold, whose long-term drivers remain valid. Infrastructure benefits from attractive valuations and inflation-linked cash flows, while commodities provide diversification supported by structural demand dynamics and constrained supply. Despite the recent decline in gold prices, structural factors including fiscal expansion, geopolitical fragmentation, and ongoing demand for diversification should continue to support gold over a longer horizon. Real estate exposure remains selective, favoring residential, industrial, and specialized segments over structurally challenged office assets.	

Opinion legend: (--) very unattractive; (-) unattractive; (=) neutral; (+) attractive; (++) very attractive.





Figure of the Month

750

This is the percentage an investor earned who bought the S&P 500 shortly before Black Monday in 1987 and held for the following 20 years, with dividends reinvested. This is a powerful reminder that even very difficult entry points can be overcome by time, compounding, and reinvested returns. While buying ahead of a major market crash is emotionally painful, long-term outcomes are often driven less by perfect timing and more by remaining invested through the full cycle. For investors, the message is clear: volatility can create discomfort, but the opportunity cost of exiting the market too early, or waiting too long to re-enter, can be even greater. Over long horizons, discipline and compounding have historically mattered more than trying to identify the perfect entry point.

Source note: Based on S&P 500 total return data with dividends reinvested, using Robert Shiller's Irrational Exuberance dataset.

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We are a private bank with an entrepreneurial spirit, embracing collective action and building creative solutions that advance the world, economically and socially.

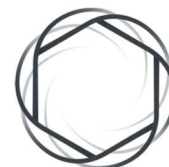
The future of banking is emerging at the intersection of profit and purpose.

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Editorial closing date: May the 1st, 2026

