S.P. HINDUJA

BANQUE PRIVÉE

Global House View

July 2026

Thoughts of the CEO

" Japan: Reflation, Reform and Robotics"

Japan has moved from being a market investors owned tactically to one that increasingly deserves strategic consideration. For decades, the country was associated with low growth, deflation, weak capital efficiency and limited shareholder orientation. That narrative is no longer sufficient. Japan is now undergoing a meaningful transition: inflation has become more durable, wages are rising, corporate governance standards are improving, and companies are being pushed to use capital more efficiently. At the same time, Japan remains one of the world's most important industrial and technological economies, with leadership in automation, precision manufacturing and industrial robotics.

This month's Global House View examines Japan through two connected lenses. The first is the broader investment case for global portfolios. Japan offers a combination that is increasingly rare: developed-market institutions, deep capital markets, global industrial exposure, improving corporate behavior and a monetary cycle that is not fully synchronized with the United States or Europe. Japanese equities have benefited from corporate reform and renewed foreign investor interest, but the case is not simply momentum-driven. It is based on a structural improvement in return on equity, dividend discipline, share buybacks and a more explicit focus on cost of capital.

The second lens is industrial robotics. This is not a niche theme. Robotics sits at the intersection of several powerful global forces: aging populations, labor shortages, reshoring, supply-chain resilience, semiconductor investment, electric vehicles and artificial intelligence. Japan is exceptionally well positioned in this ecosystem. Companies such as Fanuc, Keyence, Yaskawa Electric, SMC, Mitsubishi Electric and Omron occupy critical parts of the automation value chain, from robot arms and servo motors to sensors, machine vision, factory control systems and precision components.

For investors, the conclusion is balanced but constructive. Japan should not be viewed as a risk-free opportunity. A global slowdown would hurt exporters. Yen volatility can materially affect foreign-currency returns. Bank of Japan policy normalization must be managed carefully. Fiscal pressures and demographic decline remain long-term constraints. Valuations are no longer as depressed as they once were, and selectivity is essential.

However, we believe Japan's role in global portfolios has improved. For multi-asset investors, Japanese equities can provide exposure to quality cyclicals, industrial automation, shareholder reform and a differentiated macro regime. We would favor an active, quality-biased approach, with emphasis on companies that combine pricing power, global competitiveness, rising capital returns and exposure to durable automation demand. Currency decisions should be deliberate: unhedged exposure may benefit from yen recovery over time, while hedging can reduce short-term volatility.

In portfolio terms, Japan merits a constructive allocation within developed-market equities, especially for investors seeking diversification beyond the highly concentrated US market and the more sluggish European growth profile. Robotics strengthens this thesis because it connects Japan's domestic reform story with a global secular growth theme.

Japan is no longer merely a value market waiting for mean reversion. It is becoming a reform market with strategic relevance.

Yours sincerely,

Fabrice d'Erm

Investment Positioning

We maintain a cautiously constructive investment stance, keeping a modest underweight allocation to equities despite improving market sentiment. While corporate earnings have remained broadly resilient, valuations appear increasingly demanding and leave limited room for disappointment amid slowing global growth, persistent inflation and ongoing geopolitical uncertainty. Within equities, we have adopted a more balanced regional allocation. We continue to favour Japan, supported by structural reforms, improving corporate governance and attractive long-term earnings prospects. Our previous overweight in Europe has been reduced following its strong relative performance, while we have also trimmed exposure to India after an extended period of outperformance. Overall, we remain selective, favouring high-quality companies with strong balance sheets, sustainable pricing power and consistent cash-flow generation. We maintain neutral allocations to both fixed income and cash. Within bonds, we continue to prefer investment-grade corporate credit to core fixed income. We stay cautious with duration: intermediate-duration maturities and selective inflation-linked securities, which offer an attractive balance between income generation and interest-rate risk. Alternatives remain our preferred overweight allocation. We continue to favour gold, infrastructure and absolute-return strategies, which we believe provide valuable portfolio diversification and greater resilience in an environment characterised by elevated geopolitical risks, fiscal expansion and uncertain monetary policy. Overall, our positioning seeks to balance participation in long-term growth opportunities with prudent risk management and broad diversification.

Recent Investment Committee Decisions

The protective measures implemented in portfolios produced mixed results during June. Our allocations to Floating Rate Notes (FRNs) and Treasury Inflation-Protected Securities (TIPS) delivered a broadly neutral contribution, providing resilience in an environment of elevated interest-rate uncertainty. Conversely, our broader commodity exposure detracted from performance following the sharp decline in both oil and gold prices during the month

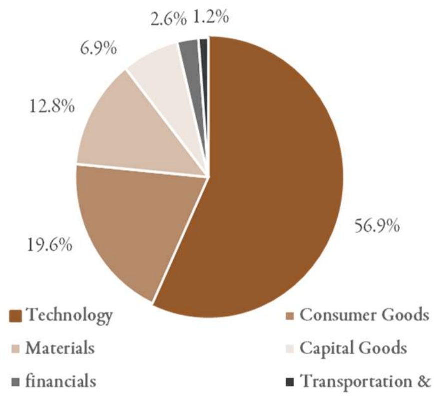
1.- Japan as an Investment Opportunity for Global Portfolios

Japan deserves renewed attention from global investors because several long-standing weaknesses are changing at the same time. The country's macroeconomic regime is shifting away from entrenched deflation, companies are becoming more disciplined in capital allocation, and the equity market is benefiting from a deeper recognition that shareholder returns matter. These changes do not eliminate Japan's structural challenges, but they make the country **more investable** than it has been for much of the past three decades.

The strategic case begins with diversification. Global equity portfolios remain heavily exposed to the United States, where market leadership has become concentrated in a narrow group of technology and artificial intelligence-related companies. Europe offers valuation support but faces weaker trend growth and high energy sensitivity. China and broader emerging markets offer long-term potential but come with higher policy, geopolitical and governance risks. Japan occupies a different position. It is a large, liquid, developed market with world-class industrial companies, strong household savings, improving corporate behavior and a monetary policy cycle that differs today from other major economies.

Unlike the US Nasdaq, which leans heavily toward software, cloud, and digital ecosystems, the Nikkei's tech sector is heavily oriented toward physical industrial production and equipment. This makes the index highly sensitive to global manufacturing cycles and international demand

Fig. 1: Nikkei 225 Index, Sector Distribution (April 2026)

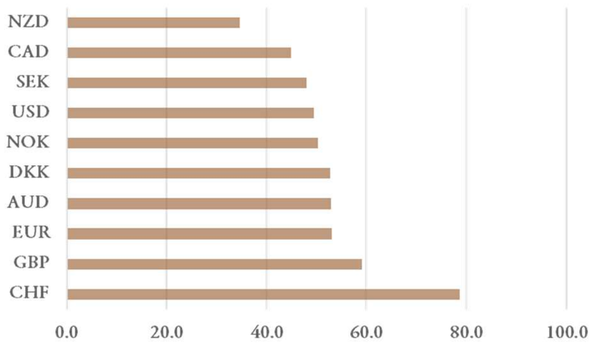


Source: Nikkei 225 Index Factsheet

For equity investors, Japan provides exposure to global manufacturing, automation, financials, consumer brands, trading companies and technology hardware. The market is not simply a domestic GDP story. Many listed companies are global leaders in specialized industries, from factory automation and precision machinery to electronic components and advanced materials. This gives Japan an important role in portfolios seeking exposure to real economy technology rather than only software or platform businesses.

Currency exposure is central. The yen has been weak in recent years, partly due to interest-rate differentials. A gradual narrowing of those differentials could support the currency, especially if the Bank of Japan continues **normalization** while other central banks eventually turn more cautious. For foreign investors, yen exposure can either enhance returns or increase volatility. The decision to hedge should depend on investment horizon, base currency and risk appetite.

Fig. 2: 20-year JPY depreciation vs. DM basket



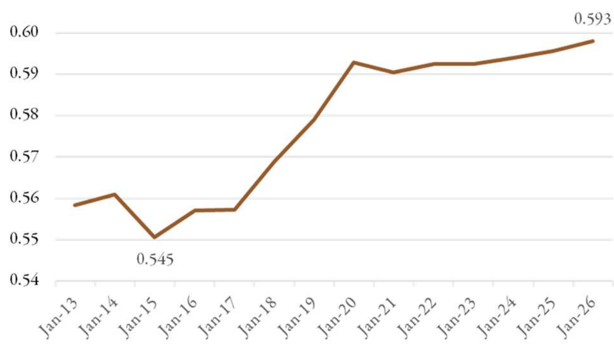
Source: Bloomberg

Japan's macroeconomic backdrop is improving but still modest. Growth is expected to remain moderate, supported by domestic demand, corporate investment and wage gains, while external risks and energy prices remain important headwinds. **The key change is inflation**. After decades of low or negative price growth, Japan is now operating closer to a world of positive inflation and rising wages. This matters because mild inflation can improve corporate pricing power, encourage investment and reduce the real burden of nominal debt over time.

Japan's core consumer price index (CPI), excluding fresh food, has stabilized at a healthy 2.5% to 2.7% range. This is completely distinct from the supply-shock inflation observed in Western economies post-pandemic. Japan's inflation represents a structural transition where corporations have successfully restored pricing power.

According to data compiled from Teikoku Databank, the corporate cost pass-through efficiency rate for raw materials and logistics has reached stable terrain. This confirms that corporate margins are insulated against rising global input costs.

Fig. 3: Labor Compensation: Share of GDP



Source: FRED

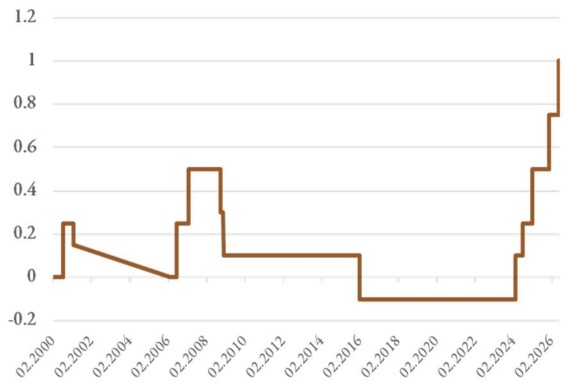
Wage growth is particularly important. The **Shunto wage victory** has secured the domestic virtuous loop. In March 2026, the Japanese Trade Union Confederation (Rengo) announced a first-round tally showing an average wage increase of 5.26%. If higher wages translate into stronger consumption, Japan's economy could become less dependent on exports and fiscal support. The virtuous cycle policymakers have long sought (wages, consumption, prices and investment reinforcing each other) is not yet fully secure, but it is definitely more credible than in previous cycles.

Demographics remain the **largest structural constraint**. Japan's population is aging and shrinking, limiting labor supply and potential growth. However, this challenge also creates incentives for automation, digitalization and productivity-enhancing investment. In that sense, demographics are both a macro headwind and an industrial catalyst.

Bank of Japan Policy Normalization

Japan is entering a critical phase of economic normalization as the Bank of Japan (BOJ), under Governor Kazuo Ueda, gradually unwinds decades of ultra-accommodative monetary policy. The exit from non-traditional measures has progressed steadily, with the abandonment of the Negative Interest Rate Policy (NIRP) and the dismantling of Yield Curve Control (YCC), allowing Japan Government Bond (JGB) yields to respond more freely to market forces. Policy rates have returned to positive territory, and consensus expectations point to further gradual increases as the BOJ seeks to maintain price stability and contain demand-driven inflation pressures.

Fig. 4: Normalization of Policy Rates (Benchmark Rate %)



Source: Bloomberg

From an investment perspective, monetary normalization should be viewed as a reflection of improving economic fundamentals rather than a source of concern. Higher interest rates may encourage a gradual reallocation of Japan's substantial household financial assets, (estimated at approximately ¥2,100 trillion, with more than half currently held in cash and bank deposits), towards higher-yielding investments, including equities and investment funds.

Nevertheless, the normalization process remains delicate. The BOJ faces the challenge of balancing inflation control against economic growth and financial market stability. An overly aggressive tightening cycle could weigh on economic activity, corporate earnings, and equity valuations, while a slower-than-expected pace of normalization risks further yen weakness and sustained import-driven inflation. As a result, monetary policy is likely to remain an important source of market volatility in the coming years.

The Corporate Governance Revolution

The most powerful part of the Japan thesis is corporate reform. The Tokyo Stock Exchange has encouraged listed companies to focus more explicitly on cost of capital and stock price performance, particularly those trading below book value. This has reinforced a broader governance trend: more independent directors, greater attention to return on equity, higher dividends, more share buybacks and better investor communication.

For years, Japan's equity market traded at a discount because companies held excess cash, tolerated low returns and were slow to restructure. That discount is narrowing as management teams become more responsive to shareholders. Importantly, reform is not limited to a few large companies. It is gradually spreading across sectors and market capitalizations, although progress remains uneven.

A key feature of corporate governance reform is the dissolution of cross-shareholdings. Historically used to protect management teams from activist investors, these positions are being wound down:

- Japan's mega-banks and insurance conglomerates have announced plans to eliminate their strategic corporate equity portfolios.
- Toyota Motor Corporation and its group affiliates are executing phased divestments of non-core equity holdings.

This unwinding frees up billions in capital on corporate balance sheets, which is being channeled directly into productive investments or returned to shareholders.

Valuation

Japanese equities remain attractively valued relative to the US, supported by improving corporate governance, stronger earnings quality and rising capital efficiency. However, following the recent market rally, investors should be selective, focusing on companies with sustainable competitive advantages, pricing power and disciplined capital allocation rather than those relying primarily on yen weakness or cyclical tailwinds. Earnings prospects are underpinned by moderate domestic reflation, stronger nominal growth, improving margins, higher shareholder returns and global demand for automation and advanced manufacturing. Over the next 12–24 months, **key catalysts** include sustained wage growth, continued governance reforms, increased share buybacks, greater clarity on Bank of Japan policy and a stabilization of the yen. Risks remain significant, including a global economic slowdown, trade tensions, currency volatility, policy missteps by the BOJ and long-term demographic challenges. Some positive reform expectations may already be reflected in valuations.

The Awakening of Japanese Savings

Japan is showing early **signs of a profound shift in household financial behavior** . After decades of deflation, near-zero interest rates, and a strong preference for bank deposits, rising inflation and monetary policy normalization are encouraging households to reconsider how they allocate their savings. While cash still accounts for roughly half of the country's household financial assets, an increasing number of investors are moving into government bonds, mutual funds, and equities in search of returns that can preserve purchasing power.

The transition remains cautious rather than speculative. Demand for retail Japanese government bonds has surged as higher yields offer households a low-risk alternative to traditional savings accounts. At the same time, the expansion of the tax-advantaged NISA program has accelerated participation in mutual funds, particularly among younger investors seeking long-term wealth accumulation through diversified global equity exposure.

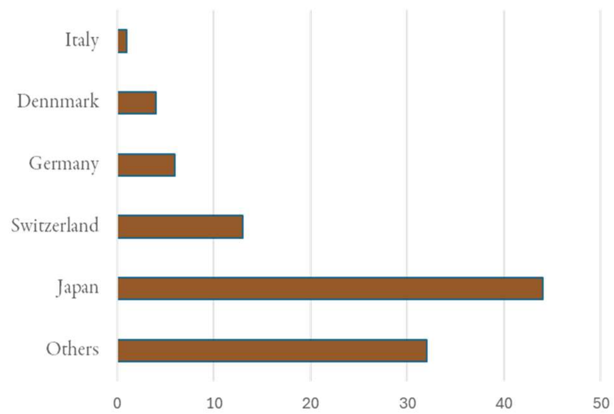
This evolution matters because of the sheer scale of Japanese household savings. Even a gradual reallocation of a portion of the country's JPY 2.3 quadrillion in financial assets could become an important source of support for both domestic and global capital markets. Although Japanese households remain significantly underinvested in risk assets compared with their peers in other developed markets, the combination of persistent inflation, higher interest rates, and growing awareness of retirement funding needs suggests that the shift from a savings culture toward an investment culture is likely to be a durable, multi-year trend.

From a strategic asset allocation perspective, **Japan should be viewed as a differentiated developed-market equity allocation** rather than a simple regional trade. It offers exposure to reform, reflation, automation and global industrial leadership. For balanced portfolios, Japanese equities can complement US technology exposure and European value exposure. The preferred stance is constructive but selective: overweight quality Japanese equities within developed markets, maintain careful currency management, and focus on companies with rising returns on capital, strong balance sheets and exposure to secular industrial themes.

2.- Robotics and Reflation: Japan's Next Investment Chapter

Japan occupies a unique position in the global robotics industry, combining technological leadership with a powerful domestic need for automation. As investors search for structural growth opportunities linked to artificial intelligence, productivity enhancement, and industrial modernization, Japan's robotics sector stands out as one of the most compelling long-term themes. The country's demographic challenges, deep manufacturing expertise, and globally competitive companies create a favorable environment for sustained growth in automation-related industries.

Fig. 5: Japan holds the largest share of the robotics market



Source: Visualcapitalist.com

Structural Drivers

The most important driver behind Japan's robotics adoption is demographic. Japan has one of the world's oldest populations and a steadily shrinking workforce. Labor shortages have become a persistent constraint across manufacturing, logistics, healthcare, agriculture, and construction. Unlike many countries where automation is primarily a tool for improving efficiency, in Japan it is increasingly a necessity for maintaining economic activity. As the labor pool continues to contract, businesses and public institutions are likely to accelerate investment in technologies that can substitute for scarce human labor. This structural demand provides a strong and durable foundation for robotics adoption over the coming decades.

At the same time, global demand for automation continues to rise. Manufacturers around the world face growing pressure to increase productivity, improve quality control, and reduce dependence on labor-intensive processes. Supply chain disruptions experienced during recent years have further highlighted the value of automated production systems. As companies seek to make operations more resilient and competitive, industrial robotics has become an increasingly attractive investment. Japanese firms are exceptionally well positioned to benefit from this trend, given their long-standing leadership in factory automation and precision engineering.

Japan's competitive advantage lies not only in its robotics manufacturers but also in its broader industrial ecosystem. Companies such as Fanuc, Yaskawa Electric, Keyence, Mitsubishi Electric, and Denso occupy leading positions across various segments of automation. Their strengths extend beyond robot production into areas such as motion control, sensors, machine vision, and factory software. These technologies form the backbone of modern automated manufacturing and are protected by decades of accumulated engineering expertise. The complexity and reliability required in industrial environments create significant barriers to entry, reinforcing the market positions of established Japanese players.

The emergence of artificial intelligence may further strengthen the investment case. Historically, industrial robots were designed to perform repetitive tasks in highly controlled environments. Advances in machine learning, computer vision, and AI-enabled decision making are expanding the range of tasks robots can perform and increasing their flexibility. As robots become smarter and more adaptable, adoption is likely to broaden beyond traditional manufacturing into logistics, healthcare, and service applications. Japan's established robotics companies are well placed to integrate these technologies into existing product platforms, creating new growth opportunities and potentially extending their competitive advantages.

Risks and Conclusion

While investors should remain mindful of cyclical risks, competition from Chinese manufacturers, and fluctuations in global capital spending, the long-term outlook remains attractive. Furthermore, many Japanese robotics firms generate substantial overseas revenue. Exchange-rate fluctuations can affect earnings and valuations. Finally, technology disruption is another factor to consider. The convergence of AI, software, and robotics may alter industry economics. Companies that fail to adapt could lose competitive advantage despite strong historical positions.

Japan's robotics industry is supported by powerful demographic and economic forces that are unlikely to reverse. In a world increasingly defined by labor scarcity, automation, and artificial intelligence, Japan offers investors exposure to one of the most important productivity themes of the coming decade.

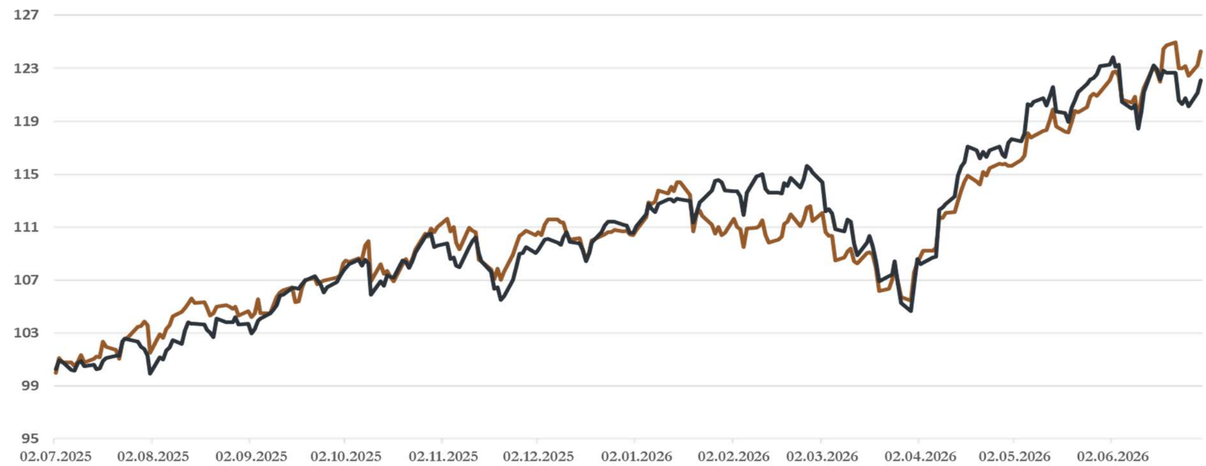
Macroeconomic estimates (per cent)

	GDP Growth			Inflation			Interest Rates	Fiscal Balance
	2025A	2026E	2027E	2025A	2026E	2027E	Current	Current
USA	2.2	2.1	2.1	2.7	3.4	2.5	3.75	-5.2
Eurozone	1.5	0.6	1.2	2.1	2.9	2.2	2.40	-2.9
UK	1.4	1.0	1.1	3.4	3.2	2.6	3.75	-4.2
Switzerland	1.2	1.1	1.4	0.2	0.6	0.7	0.00	0.0
Japan	1.2	0.6	0.8	3.2	2.0	2.1	1.00	-1.7
China	5.0	4.6	4.4	0	1.2	1.1	3.00	-5.1
Brazil	2.3	1.9	1.8	5	4.6	4.0	14.25	-9.4
India	6.4	7.5	6.6	4.6	2.0	5.0	5.25	-4.4
Russia	0.9	0.8	1.3	8.8	5.5	4.5	14.25	-3.8
World	3.2	2.9	3.1	3.4	4.3	3.7	-	-

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					July 2026
Asset Class	**Opinion**	**Constituents**	**Most Preferred**	**Least Preferred**	**Commentary**
Cash	=				We maintain neutral cash levels. 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, inflation-linked bonds	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. We maintain a preference for high-quality credit agaisnt high-yield, where spreads do not coppmensate for rising consumer credit stress. Investmennt grade credit would be more resilient in the event of a growth slowdown and would be a relative beneficiary of a duration tailwind. Tactical adjustments through ZIPs and floating-rate notes would make sense.
		Duration	Intermediate		In terms od duration, we prefer the intermediate part of the US-curve over the long end, given high fiscal risk and yet sticky inflation.
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 and remain modestly Underweight. This stance is warranted as markets are pricing a highly optimistic scenario despite growing signs of softer underlying growth, stretched valuations in the US, elevated concentration risk, and uncertainty around consumer demand, geopolitics, and inflation. We believe that markets are pricing out risks to growth too soon. 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. US consumer are increasingly spending on credit rather than on rising real incomes and the personal savings rate fell significantly in April.Even in the case of a peace agreement between the US and iran, the underlying logistics problem will take longer to fix.
		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. Cyclicals.	We remain highly diversified, having reduced our underweight in US equities and significantly scaled back our previous overweight in European equities. 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, commodities ...), hedge funds, and in particular, gold, whose long-term drivers remian valid. Infrastructure benefits from attractive valuations and inflation-linked cash flows, while commodities provide diversification supported by structural demand dynamics (AI, defence, energy transition) 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 term 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

15,000

Japan's robotics leadership is rooted not only in manufacturing scale but also in intellectual property. With roughly 15,000 robotics patents granted since 2005, Japan has built one of the world's deepest innovation ecosystems in automation, motion control, machine vision, sensors, industrial software and precision engineering. This patent base helps explain why Japanese companies remain embedded across nearly every layer of the global robotics supply chain, from robot arms and servo motors to high-precision components and factory automation systems.

Source: Georgetown University's Center for Security and Emerging Technology (CSET)

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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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