GAA Team

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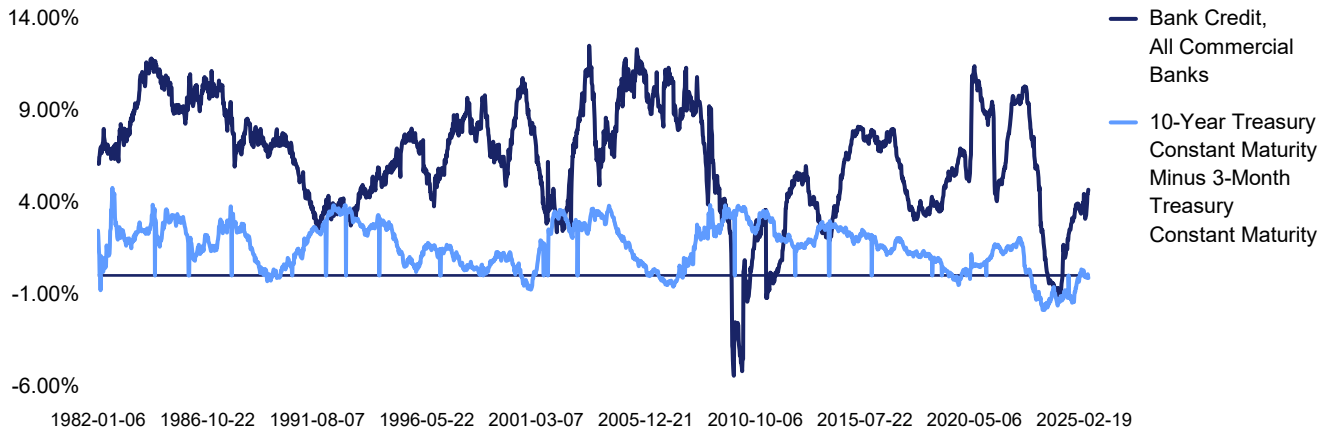
Credit and Liquidity

1.1.1 Credit Creation and Economic Revitalization

1.1.1.1 Yield Curve Inversion and Credit Supply

Exhibit 1. Bank Credit Change (YoY)



Source: FRED, Federal Reserve Bank of St. Louis

The yield curve represents the spread between short and long-term rates. This has been inverted the recent years. Although this inversion has been gradually easing compared to two years ago, historical data shows that nearly every economic recession, including those following the 2000 dot-com bubble and the 2008 financial crisis, was preceded by an inverted yield curve. This raises the question of whether the current cycle will follow a similar trajectory.

An inverted yield curve implies that short-term interest rates are higher than long-term rates. This phenomenon can stem from increased demand for long-term bonds due to heightened economic uncertainty which pushes down long-term yields. Simultaneously, short-term rates may rise due to aggressive interest rate hikes by central banks aimed at curbing inflation.

The correlation between yield curve inversions and banking activity is grounded in the structure of traditional banking models, where banks borrow short-term and lend long-term. When the yield curve inverts, it compresses banks' profit margins and limits their ability to generate earnings through lending. This dynamic was evident before the 2008 financial crisis when the inverse relationship was largely influenced by policy decisions such as the Fed adjusting the yield curve through interest rate policy. During the pandemic, quantitative easing further distorted the yield curve with both short- and long-term rates being actively managed. Massive bond purchases

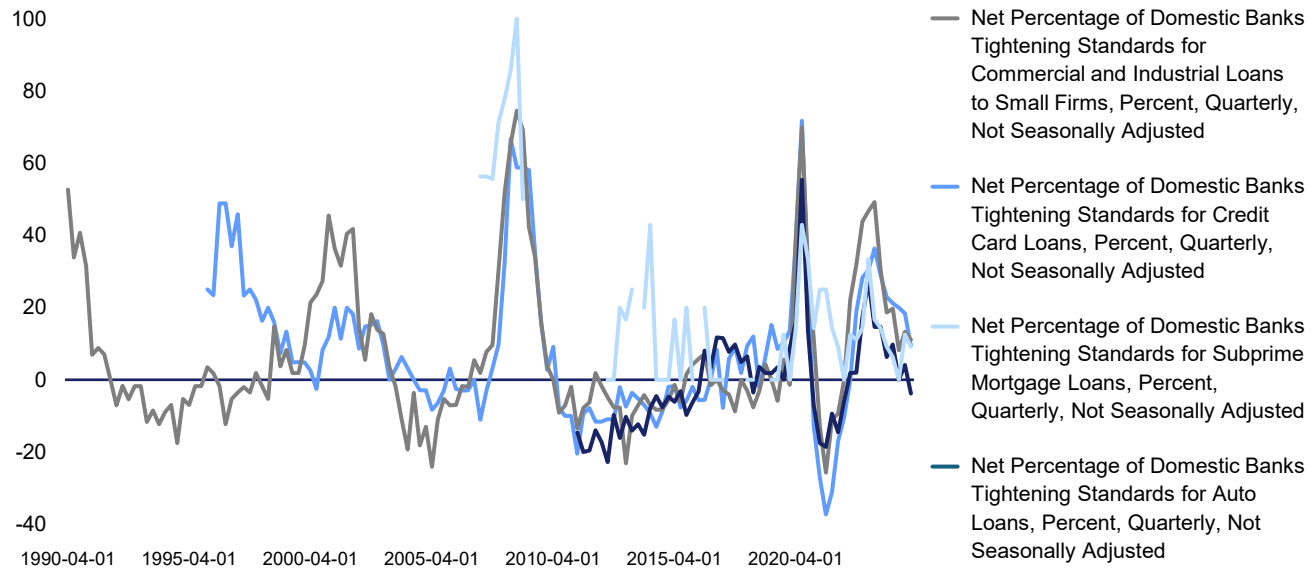
led to a decline in long-term yields, contributing to an "abnormalization" of the yield curve.

historical data shows that periods of yield curve inversion have typically coincided with a slowdown or reversal in bank leveraging activity, resulting in slower credit growth or even contraction. From 2022 onward, the yield curve has experienced one of the most prolonged and significant inversions in history. The first post-pandemic inversion occurred in 2022 and continued at a steep level for nearly two years.

If current trends mirror historical patterns, the probability of a prolonged economic downturn in the coming years cannot be dismissed. Long-term interest rates have exhibited heightened volatility, further reflecting a surge in demand for safer assets. However, this volatility is also being driven by a combination of inflation concerns, fears of a US recession, basis trading and margin calls involving hedge funds, and large-scale selling of US Treasuries by countries such as China. Despite these risks, credit creation remains healthy, and lending conditions still show available capacity. Banks appear to have sufficient room to extend credit, supported by stable delinquency rates and relatively sound balance sheets. This suggests that, for now, financial institutions are still capable of supporting economic activity even in the face of yield curve distortions.

1.1.1.2 Lending Standards

Exhibit 2. US Loan Tightening



Source: FRED, Federal Reserve Bank of St. Louis

Current lending standards may be assessed in comparison with those observed during the early 2000s dot-com bubble and the 2008 global financial crisis. During both periods of economic downturn, credit standards for credit card and corporate loans were notably tightened, with corporate lending experiencing more significant tightening. Especially during the 2008 crisis,

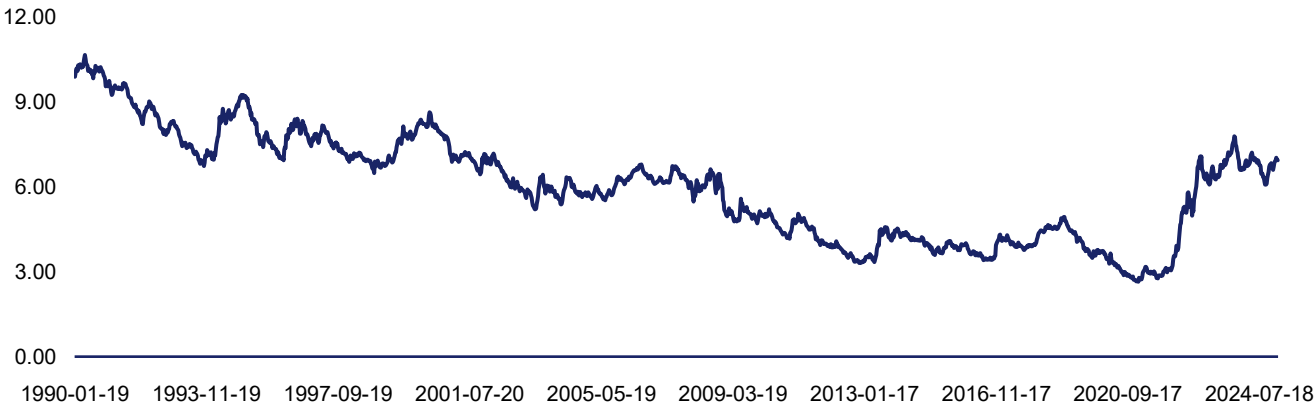
subprime mortgage lending standards were markedly stringent. This metric served as a key indicator of systemic risk in the housing market and broader financial system, and the sharp increase in subprime-related indicators contributed to the severity of the recession.

An increase in lending standard tightening generally signals that banks are becoming more risk-averse, leading to a contraction in loan supply and subsequent economic cooling. Current conditions, however, show a contrasting trend. All major indicators suggest a loosening of credit standards, implying that financial institutions are presently more willing to extend credit, thereby facilitating broader credit creation.

Subprime mortgages represent the largest share among the five major loan categories and are considered the most sensitive indicator of banking sector risk tolerance. Given the current state of relatively relaxed standards for subprime mortgages, it may be inferred that there remains room for additional leveraging activity in the financial sector which could support continued economic growth. The easing of lending standards, especially in subprime mortgages, suggests banks remain open to risk and that credit creation still has room to grow. This could support economic expansion in the near term as increased borrowing fuels consumption and investment. Compared to past downturns like 2008 where credit sharply contracted, today's conditions point to greater financial sector resilience. Prolonged leniency, however, may lead to risk accumulation and underscore the need for careful policy and regulatory oversight.

1.1.1.3 Analysis of 30-Year Mortgage Rates

Exhibit 3. Mortgage 30-year US



Source: FRED, Federal Reserve Bank of St. Louis

Over the past 30 years, the 30-year US mortgage rate has steadily declined, hitting a record low during the COVID-19 pandemic. This long-term drop, driven by falling inflation and accommodative monetary policy, made housing more affordable in terms of monthly payments and helped fuel homebuying, refinancing, and broader consumer spending. The sharp decline during COVID – reaching rates near 2.6% – boosted housing demand and home

prices, but also worsened affordability and increased market imbalances.

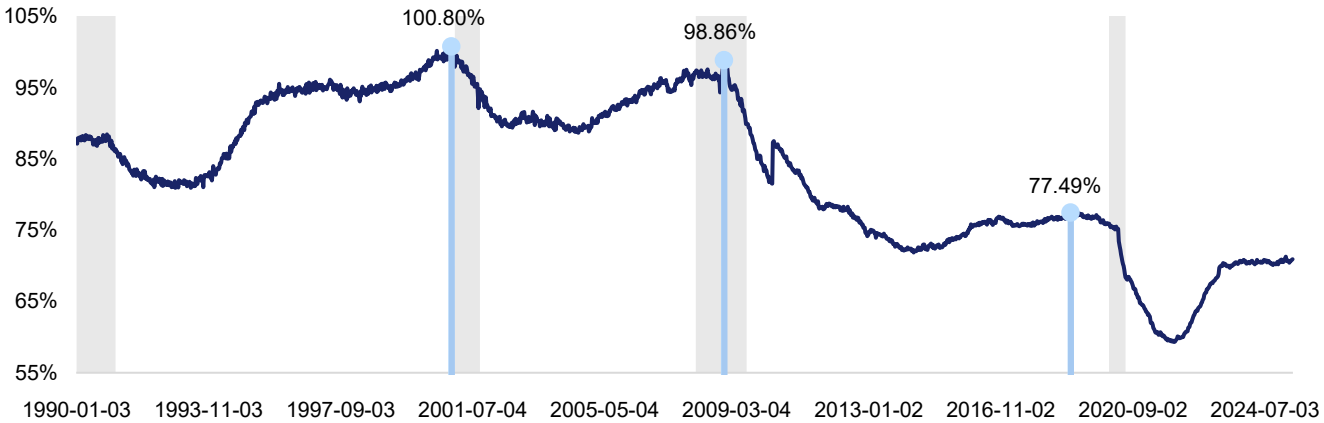
During the dotcom bubble (late 1990s to early 2000s), mortgage rates were higher—around 7–8%—but the housing market remained stable. After the bubble burst, the Fed cut interest rates aggressively, and mortgage rates followed. Though the crisis was centered in tech equities, the resulting low rates helped inflate the housing bubble that led to the 2008 financial crisis. This highlights how mortgage rates, even when not central to a crisis, can heavily influence the post-crisis recovery and redirect risk to other parts of the economy.

In recent years, as inflation returned post-COVID, mortgage rates began to rise again, marking the start of a recovery phase. This rebound reflects tighter monetary policy, easing inflation, and renewed economic activity. However, higher rates also weigh on housing demand and consumer spending. The key takeaway is that mortgage rates are not just a housing metric—they reflect broader economic forces and often shape the direction of growth, risk, and recovery in the US economy.

1.1.2 Financial Stability and Risk Management

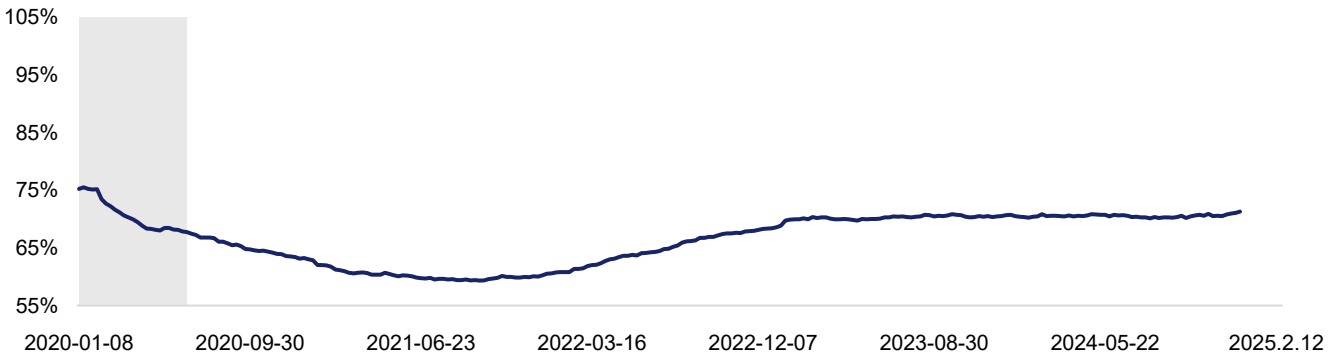
1.1.2.1 Trends in the Loan-to-Deposit Ratio

Exhibit 4. US Loan-to-Deposit Ratio



Source: FRED, Federal Reserve Bank of St. Louis

Exhibit 5. US Loan-to-Deposit Ratio after Pandemic



Source: Federal Reserve

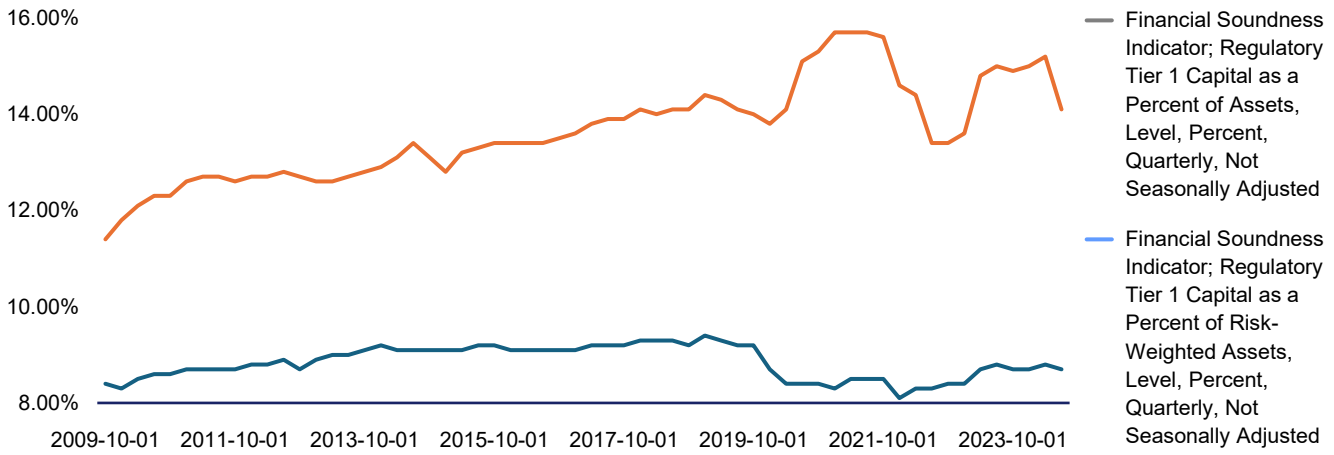
The loan-to-deposit ratio (LDR) is a key indicator that measures the proportion of a bank's loans relative to its deposits. A higher LDR indicates that a greater portion of a bank's deposits is being deployed as loans, which may signal active credit creation within the financial system. While such lending activity can be a positive indicator of economic momentum, an excessively high LDR may pose significant risks to asset quality, particularly during financial crises or economic downturns.

Historical precedents highlight this risk: during the dot-com bubble, the LDR exceeded 100%, and it approached 99% in the lead-up to the 2008 global financial crisis—both instances reflecting overly aggressive credit deployment. By contrast, a ratio in the range of 60% to 80% is generally considered healthy and sustainable.

Since the COVID-19 pandemic, the LDR has remained within the 60% to 75% range, indicating a stable and conservative lending posture. This suggests that banks are likely maintaining ample cash reserves and liquid assets, thereby enhancing their resilience in the face of potential shocks. Furthermore, the current level implies that there is considerable room for additional leveraging, should economic conditions warrant increased credit expansion.

1.1.2.2 Financial Soundness Indicators

Exhibit 6. US Bank Tier 1



Source: FRED, Federal Reserve Bank of St. Louis

The ratio of equity to total assets is a conservative measure used to assess the level of leverage within a financial institution. A higher ratio indicates a larger proportion of equity relative to total assets, signifying a lower degree of leverage and stronger financial stability. Currently, this indicator has shown a modest decline followed by a gradual upward trend. This suggests that there remains sufficient room for prudent leveraging.

In contrast, the capital adequacy ratio based on risk-weighted assets (RWA) has experienced notable movements since the onset of the COVID-19 pandemic. After a sharp increase, it temporarily declined but has since

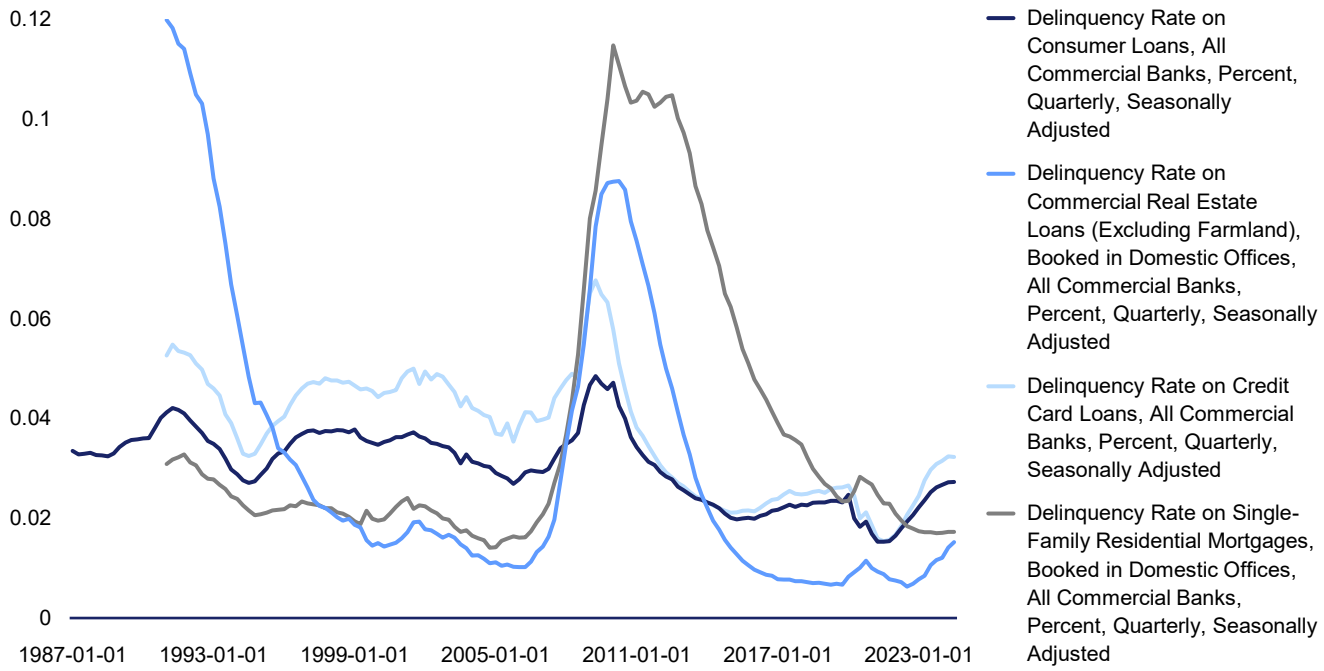
resumed an upward trajectory. As a globally recognized benchmark for banking soundness, the RWA-based capital ratio reflects the extent to which a bank holds sufficient capital against its risk-adjusted assets.

This ratio is currently above 14%, exceeding the standard threshold of 10–12% typically used to classify well-capitalized institutions. Accordingly, the upward trend and elevated level of this indicator suggest that the banking sector is broadly stable, with low exposure to risk and sound capital adequacy.

Additionally, credit spreads have been widening. This often reflects an increased preference for safer assets and indicates a more cautious investment posture. Taken together, the high share of safe assets and the conservative asset management strategies observed suggest that, in the event of a financial shock, potential losses could be minimized, thereby supporting overall financial system resilience.

1.1.2.3 Delinquency Rates

Exhibit 7. US Delinquency



Source: FRED, Federal Reserve Bank of St. Louis

Delinquency rates serve as a key indicator of both household and corporate financial health, as well as broader economic conditions. Lower delinquency rates generally imply that borrowers are maintaining sound financial positions and that banks are operating within stable parameters, indicating minimal systemic risk within the financial sector.

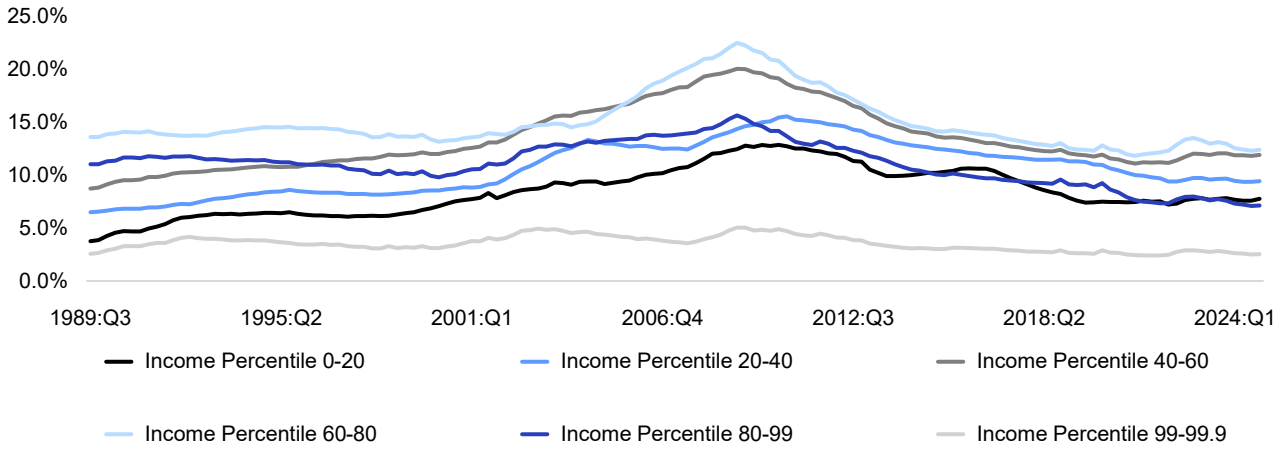
Historically, aside from the dot-com bubble, periods of economic recession have been accompanied by sharp increases in certain delinquency indicators. While the dot-com era cannot be fully assessed through delinquency data alone, the relative stability and recent downward trend in delinquency rates

may be interpreted as a favorable signal for financial and economic health.

That said, it is important to note that a normal range for delinquency rates under typical economic conditions falls between 2% and 3%. A slight upward trend, even if still within this range, may serve as an early warning sign of rising financial stress and warrant closer monitoring.

1.1.2.4 Debt-to-Asset Ratios by Income Quintile

Exhibit 8. Liabilities as Percentage of Assets



Source: FRED, Federal Reserve Bank of St. Louis

From 1989 through the fourth quarter of 2024, the debt-to-asset ratio of US households across all income quintiles indicates a significant state of deleveraging with relatively limited new leveraging occurring. This reflects a notably strong credit quality among individual consumers. Following the excessive borrowing period that culminated in the 2008 subprime mortgage crisis, a sustained deleveraging trend has been observed. This led to a comparatively low debt levels among lower-income groups while those among higher-income groups have continued to decline. These factors collectively demonstrate robust consumer spending fundamentals which serve to reduce the likelihood of a recession in the current market environment.

1.1.3 Conclusion

The sharp increase in cash liquidity observed during the pandemic was primarily driven by historically low interest rates, quantitative easing, and substantial government relief payments. The Fed responded to rising inflation with aggressive rate hikes and the cessation of quantitative easing as the pandemic eased. This triggered a sharp decline in major US equity indices with markets pricing in the risk of a hard landing and casting doubt on the sustainability of deleveraging.

Regulatory and fiscal developments further influenced liquidity and lending. The temporary exemption of US Treasuries and central bank reserves from

the Supplementary Leverage Ratio (SLR) during the pandemic allowed banks to expand balance sheets and support credit markets. Although the exemption expired in 2021, potential revisions to the SLR framework could once again impact liquidity.

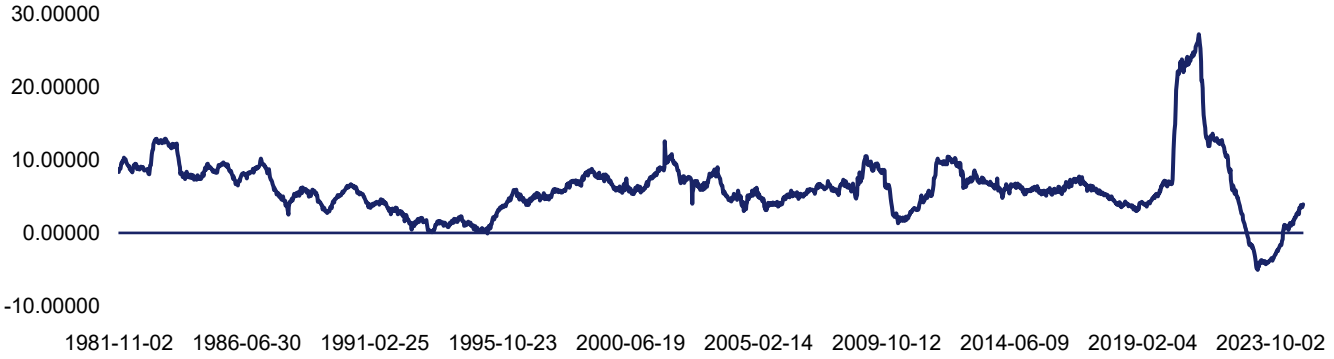
Additionally, proposed tax relief measures that target both households and corporations aim to boost disposable income and capital expenditures. If enacted, these policies would enhance creditworthiness and aggregate demand, supporting a favorable environment for lending and liquidity growth.

Despite tightening policies, strong consumer spending mitigated inflation impacts. This phenomenon is often seen as “American exceptionalism.” This supported a rebound in both the US dollar index and major equity markets. Liquidity conditions improved even as the Fed pursued quantitative tightening by halting reinvestment of principal payments from MBS and Treasuries.

While inflationary pressures from tariffs persist, forward expectations are expected to moderate due to productivity gains, a strong labor market, and potential tariff negotiations. Although the options market anticipates up to four rate cuts, FOMC minutes suggest a more restrained path, with officials projecting around two cuts based on strong economic data.

Assuming rate cuts materialize despite ongoing quantitative tightening, liquidity recovery is likely to continue. This outlook is reinforced by stable inflation expectations and moderate loan-to-deposit ratios, indicating predictable price trends and prudent bank lending. Consumer sentiment may improve as inflation concerns ease, encouraging spending and investment.

Exhibit 9. US M2 Change



Source: FRED, Federal Reserve Bank of St. Louis

Solid consumer credit profiles further support this view. Moderate loan-to-deposit ratios suggest banks can expand credit without excessive risk. Increased lending would in turn drive liquidity and economic activity.

Loan underwriting standards have generally loosened, and subprime mortgages remain accessible, suggesting capacity for further credit extension. However, the mortgage rate spread over 10-year Treasuries remains elevated at about 2.2%, reflecting higher risk premiums that could constrain loan demand.

While a modest rise in delinquency rates across key indicators requires attention, the home construction sector shows the lowest mortgage delinquency rate which indicate sound debt servicing. Since current delinquency levels remain within historical norms, the market retains capacity to support further leveraging.

Market View
- Inflation and Employment

1.2.1 Employment

In April 2025, US non-farm payrolls rose by 177,000, exceeding both the 12-month average of 152,000 and market expectations of 133,000. This marked the first employment report following the Trump administration's implementation of a 10% tariff on April 2. Despite concerns that the new tariffs might dampen hiring, the labor market remained resilient in the short term. Job growth was led by healthcare and social assistance, sectors supported by demographic shifts and structural policy demand. Additionally, cyclical sectors such as transportation and warehousing and financial activities also recorded notable gains. This balanced expansion suggests the labor market is benefiting from both structural stability and ongoing recovery dynamics. The unemployment rate remained unchanged at 4.2% while the labor force participation rate increased slightly to 62.6%. This indicates a re-entering of previously inactive workers back to the labor force. Wage growth, however, was moderate. Average hourly earnings rose by 0.2% month-over-month and 3.8% year-over-year, yet marking slightly below expectations. This points to restrained labor cost pressures and limited immediate inflation risk. In contrast, federal government employment fell by 9,000 in April and has declined by 26,000 since January, reflecting the Trump administration's fiscal tightening and downsizing agenda. As public-sector jobs typically provide stability during downturns, this trend may raise concerns about future labor market vulnerability. Overall, the report highlights a dual-track labor market: stable private-sector contrasted with public-sector contraction. This divergence emphasizes the need to consider the quality and composition of employment not just headline job numbers when assessing the broader economic outlook and shaping policy.

In April 2025, the US unemployment rate remained steady at 4.2%, consistent with market expectations. This stability reflects a resilient labor market on the surface; however, closer inspection reveals ongoing structural challenges. The labor force participation rate increased slightly to 62.6% while the employment-population ratio ticked up to 60.3%, suggesting modest improvements in labor market engagement. The core participation rate for workers aged 25 to 54 are often seen as a benchmark for prime-age labor engagement showed little change, indicating that a full normalization of participation remains incomplete. Meanwhile, the broader U-6 unemployment rate, which includes discouraged and involuntary part-time workers, fell marginally from 7.9% to 7.8%. Despite this decline, the rate remains somewhat elevated relative to pre-pandemic norms, underscoring persistent underemployment and labor market slack. Furthermore, the ratio of job openings per unemployed person has been approaching 1, indicating a decline in the number of available jobs per job seeker. This ratio has been decreasing since January 2025. This trend implies that companies are hesitating to make employment decision. While headline indicators point to a steady labor market, the underlying participation and employment quality metrics remain less robust. These structural imbalances, if unaddressed, could heighten the labor market's vulnerability in the event of future economic shocks.

Exhibit 10. US Nonfarm Payrolls

Date	Actual	Forecast	Previous
2025.05.02	**177K**	138K	185K
2025.04.04	**228K**	137K	117K
2025.03.07	**151K**	159K	125K
2025.02.07	**143K**	169K	307K
2025.01.10	**256K**	164K	212K
2024.12.06	**227K**	202K	36K
2024.11.01	**12K**	106K	223K

Source: investing.com

Exhibit 11. Unemployment Rate

Date	Actual	Forecast	Previous
2025.05.02	**4.20%**	4.20%	4.20%
2025.04.04	**4.20%**	4.10%	4.10%
2025.03.07	**4.10%**	4.00%	4.00%
2025.02.07	**4.00%**	4.10%	4.10%
2025.01.10	**4.10%**	4.20%	4.20%
2024.12.06	**4.20%**	4.20%	4.10%
2024.11.01	**4.10%**	4.10%	4.10%

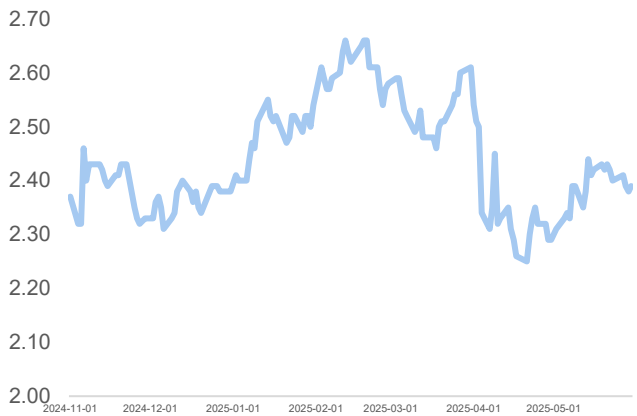
Source: investing.com

1.2.2 Fed and Inflation Expectations

In late May 2025, President Donald Trump held an official meeting with Fed Chair Jerome Powell since his re-election. As Trump had been publicly urging the Fed to lower interest rates, claiming ~~that~~ the current policy stance put the US at a competitive disadvantage against China. However, Fed remained in its position, emphasizing its independence and commitment to a data-driven policy framework. Chair Powell reiterated that future rate decisions would be based solely on economic indicators such as inflation, employment, and economic growth, in accordance with the Fed's long-standing principles. Earlier that month, the FOMC voted to maintain the federal funds rate at 4.25–4.50%. Powell later confirmed that political influence would not affect the Fed's policy decisions. This clear stance reinforced market confidence in the central bank's credibility and its focus on long-term economic stability over short-term political pressures.

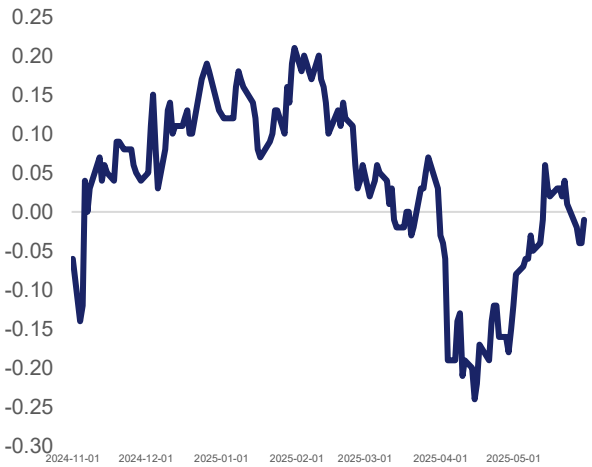
Meanwhile, the April 2025 PCE report showed inflation nearing the Fed's 2% target, with headline PCE at 2.1% and core PCE at 2.5%, easing immediate inflation concerns. However, inflation expectations remained elevated, with 1-year expectations at 6.6% and 5-year expectations at 4.2%. This reflects a persistent uncertainty around trade policy and global supply chain disruptions. Breakeven inflation rate drived by TIPS, however, show relatively low inflation expectation. Under these mixed indicators, Fed is expected to maintain its current policy stance while staying prepared to respond swiftly should economic conditions warrant action.

Exhibit 12. 5-Year Breakeven Inflation Rate



Source: FRED, Federal Reserve Bank of St. Louis

Exhibit 13. 10-Year Breakeven Inflation Rate

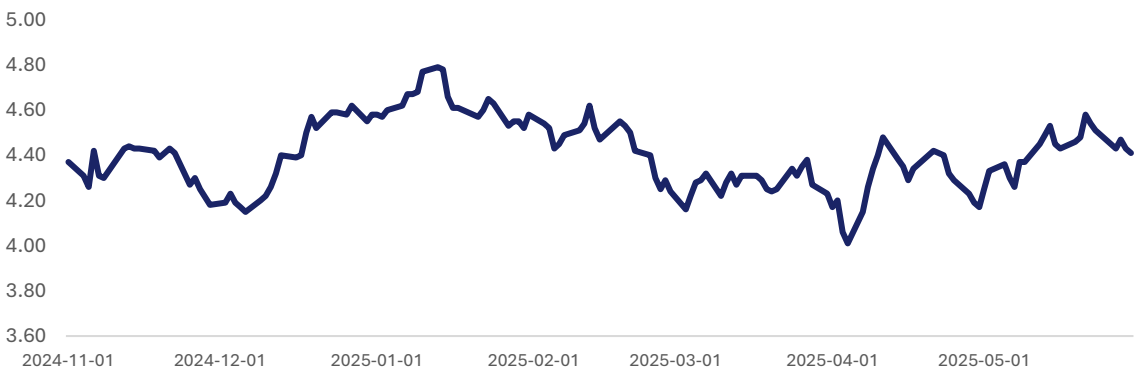


Source: FRED, Federal Reserve Bank of St. Louis

1.2.3 US Treasury Yield Surge

In recent months, US Treasury yields have risen sharply, contributing to heightened financial market volatility and increased investor caution. One of the primary drivers of this trend is the recent passage of a $5.8 trillion budget resolution by the US Senate, which is expected to translate into over $7 trillion in financing needs. This has amplified concerns over long-term fiscal sustainability and placed upward pressure on long-term rates. Additional headwinds include rising trade tensions and the potential implementation of new tariffs, both raise uncertainty regarding trade flows and the broader fiscal outlook. On the demand side, structural shifts are emerging: the Fed's share of Treasury holdings has declined from 25% to 15% while retail investors who tend to be more reactive to market volatility now hold nearly 20% of outstanding Treasuries. This evolving demand composition reduces stability and makes yields more susceptible to sentiment-driven fluctuations. From a portfolio management perspective, it is prudent to reduce exposure to long-term Treasuries, increase allocation toward short-duration instruments, and adopt flexible strategies to respond to shifts in the yield curve. While long bonds may still serve as a buffer during extreme risk-off scenarios, a tactical approach such as scaling into key technical support levels may be warranted. Under this condtions, more defensive fixed-income stance appears necessary to safeguard portfolio resilience over the medium to long term.

Exhibit 14. Market Yield on US Treasury Securities at 10-Years



Source: FRED, Federal Reserve Bank of St. Louis

1.2.4. CPI & PPI

In April 2025, the US CPI rose more than expected, while the PPI posted its largest monthly drop in five years. Headline CPI climbed 0.4% MoM and 3.5% YoY, reflecting persistent inflationary pressures on consumers. In contrast, PPI declined by 0.5% MoM sharply below consensus expectations (+0.2%) driven mainly by a 0.7% plunge in service prices, especially in wholesale and portfolio management sectors. Core PPI also fell 0.1%, marking the first negative print since April 2020. This divergence between CPI and PPI suggests that producers are absorbing cost pressures rather than passing them on to consumers, indicating significant margin compression. Falling distribution margins and weak portfolio-related pricing signal deflationary pressure at the input level, potentially limiting corporate pricing power. Meanwhile, stable or rising medical and core service prices in the CPI underscore stickiness in consumer-level inflation, especially in non-cyclical categories. The data imply that while consumer inflation remains resilient, producer-side weakness may weigh on corporate earnings and capital spending. If this margin squeeze persists, it could lead to softer labor demand and a potential drag on broader economic momentum in the coming quarters.

Exhibit 15. CPI (YoY)

Date	Actual	Forecast	Previous
2025.05.15	**2.40%**	2.50%	3.40%
2025.04.11	**2.70%**	3.30%	3.20%
2025.3.13	**3.20%**	3.30%	3.70%
2025.02.13	**3.50%**	3.20%	3.50%
2025.01.14	**3.30%**	3.50%	3.00%
2024.12.12	**3.00%**	2.60%	2.60%
2024.11.14	**2.40%**	2.30%	1.90%

Source: investing.com

Exhibit 16. PPI (YoY)

Date	Actual	Forecast	Previous
2025.05.13	**2.30%**	2.40%	2.40%
2025.04.10	**2.40%**	2.50%	2.80%
2025.03.12	**2.80%**	2.90%	3.00%
2025.02.12	**3.00%**	2.90%	2.90%
2025.01.15	**2.90%**	2.90%	2.70%
2024.12.11	**2.70%**	2.70%	2.60%
2024.11.13	**2.60%**	2.60%	2.40%

Source: investing.com

1.2.5. Conclusion

As of mid-2025, the US macroeconomic landscape reflects a complex interplay of mixed signals. On one hand, non-farm payroll growth remains resilient, but underlying labor quality metrics such as stagnant unemployment, elevated underemployment, and muted core participation point to a recovery that is quantitative rather than qualitative. At the same time, persistent inflation above the Fed's 2% target and elevated inflation expectations constrain the Fed's room for policy maneuver, even as political pressures mount. The Fed's commitment to a data-dependent framework underscores that future decisions will hinge more on economic fundamentals than on market volatility or partisan rhetoric.

Meanwhile, the bond market is adjusting to an era of structural realignment. A surge in Treasury issuance driven by expanding fiscal deficits, alongside waning demand from traditional institutional holders, is creating upward pressure on yields. This shift has increased rate sensitivity and volatility, especially in longer-duration assets. In contrast, equity markets particularly in the AI and technology sectors are being supported by long-term structural tailwinds, including digital transformation, labor automation, and productivity enhancement.

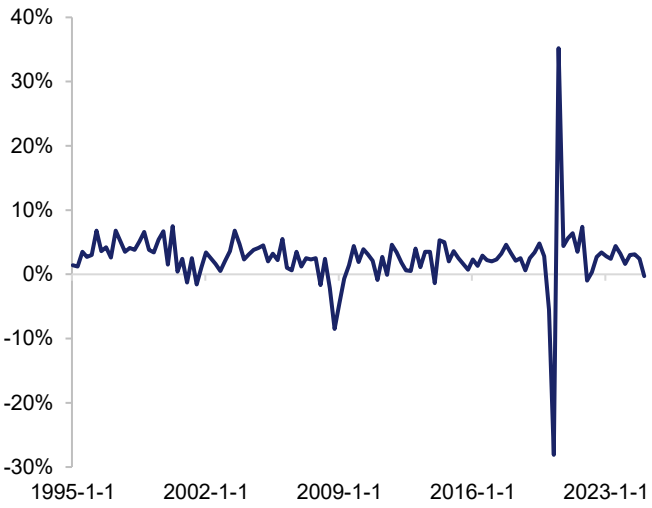
In light of these dynamics, investors should adopt a multidimensional strategy. Labor market statistics must be interpreted with attention to both quantity and quality. Inflation pressures and interest rate expectations must be analyzed together with fiscal policy risks. Asset allocation should reflect both cyclical risks and structural opportunities: reducing long-duration exposure in fixed income, while maintaining selective positions in sectors with long-term secular growth, such as AI and automation.

Ultimately, navigating this fragmented environment requires a shift away from narrow metrics toward holistic, scenario-based decision-making. In a period where stability is increasingly conditional, flexibility, selectivity, and strategic foresight are essential to preserving portfolio resilience and achieving long-term investment objectives.

Productivity and GDP Growth

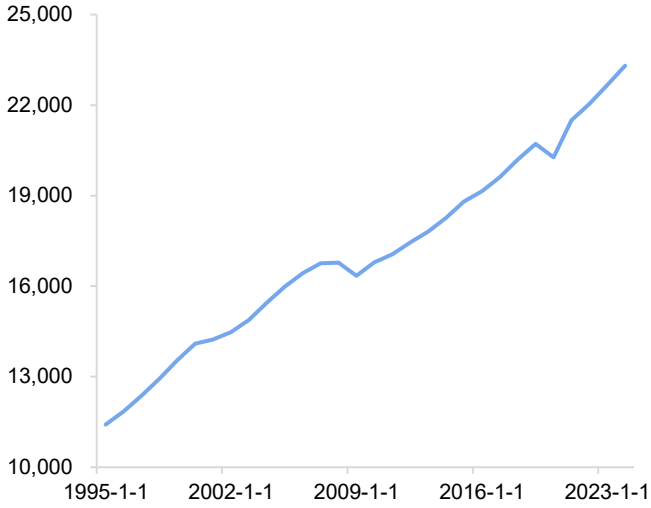
1.3.1 Real GDP Comparison: Dot-Com Bubble vs. AI Cycle

Exhibit 17. Real GDP Growth (QoQ, SAAR)



Source: FRED, Federal Reserve Bank of St. Louis

Exhibit 18. Real GDP Level (Seasonally Adjusted)



Source: FRED, Federal Reserve Bank of St. Louis

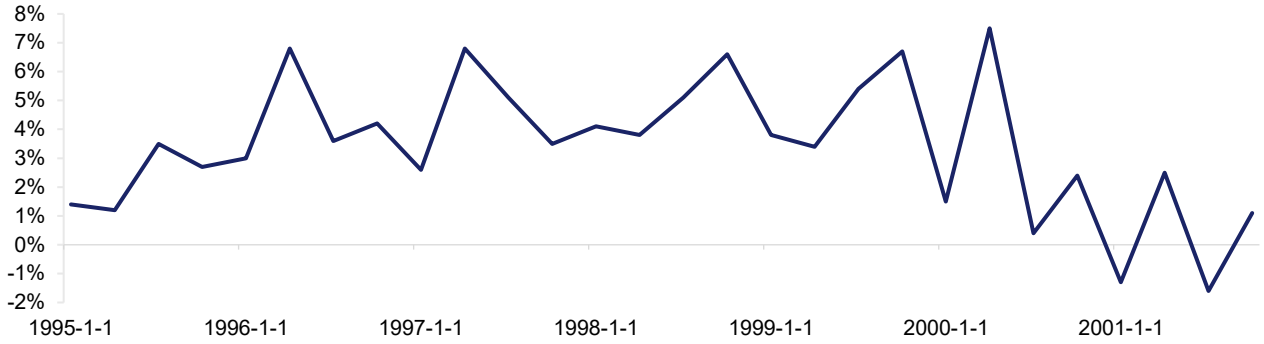
The US real GDP has been on a long-term upward trend and has generally been modest and consistent except for temporary plunges caused by the pandemic. Despite temporary slowdowns in some periods, the US economy overall appears to have maintained solid growth until the end of last year. Annual GDP growth in 2024 was 2.8%, only a slight decrease of 0.1% from 2.9% in 2023, suggesting an overall continuation of growth momentum. Although companies were partially affected by irregular factors such as adjusting inventory due to concerns about introducing tariffs, demand for recovery from temporary shocks such as Hurricane Milton acted positively on consumption spending and offset these downside risks.

Considering that the dot-com bubble period from the late 1990s to the early 2000s and the recent AI cycle in the 2020s are the most notable periods illustrating the long-term growth trend, the report will primarily focus on the above two cycles.

1.3.1.1 Real GDP Changes in the Time of Dotcom Bubble

During the dot-com bubble period, from the late 1990s to the early 2000s, the US showed strong growth in terms of real GDP based on the development of information and communication technology (ICT).

Exhibit 19. Real GDP Growth (QoQ, SAAR) – Dot-Com Bubble Period



Source: FRED, Federal Reserve Bank of St. Louis

The graph above shows a strong quarterly real GDP growth rate between 1995 and 2000, a stable rate between 3% to 7%. 1996, 1999, and 2000 in particular recorded quarterly growth of more than 6%, reflecting a boom centered on technology stocks.

The background of this economic growth was a significant increase in corporate capital expenditures (CapEx) due to data center construction, network expansion, and software development. Companies have made large-scale CapEx expenditures to secure IT infrastructure. The initial cost of introducing a new IT system was high, and the cost of infrastructure expansion and manpower training increased. As technology stabilized, however, companies were able to reduce costs, but it took time for this effect to appear. Eventually, these investments drove GDP growth in the short term, but higher valuation, quantitative indicator-centered valuation, and excessive IPO rush than sales growth of software companies encouraged market overheating.

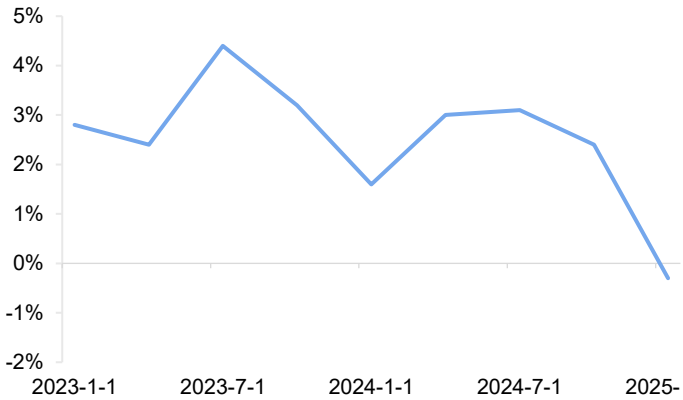
Eventually, the adjustment phase began in earnest from the end of 2000 and the GDP growth rate turned sharply downward. From the fourth quarter of 2000, the growth rate plunged below 2% and entered the official recession (based on NBER), recording a growth of -1.3% in the first quarter of 2001 and -1.6% in the third quarter. This can be interpreted as a result of reflecting the collapse of the dot-com bubble formed by overheating investment and the resulting economic impact.

1.3.1.2 Real GDP Changes in AI Cycle

In the 2020s, the US economy experienced major fluctuations amid a sharp downturn and rapid recovery following the pandemic. Subsequent changes in the policy environment of inflation and monetary tightening. The real economy shrank sharply due to the spread of COVID-19 in early 2020, but it turned to a rapid recovery due to a strong rebound in private consumption along with large-scale fiscal and monetary stimulus measures.

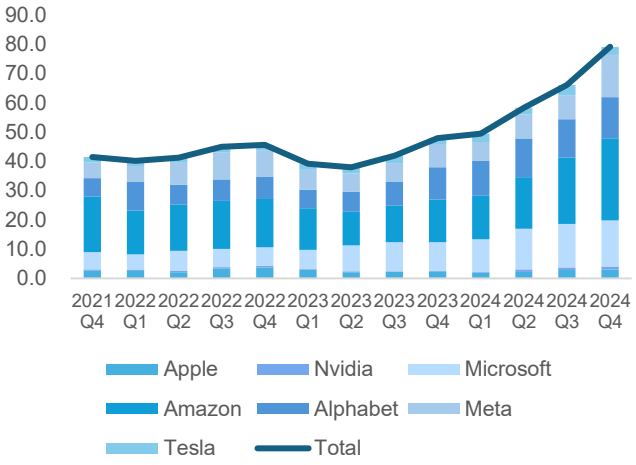
However, from 2022, inflation began in earnest, leading to the Fed's rate hike, which gradually slowed growth. Consumption and investment remained relatively stable thanks to a recovery in the job market and improved corporate profits, but net exports contributed to limited growth due to global supply chain instability and trade imbalances caused by increased imports. Overall, the US economy, which entered the mid-2020s, is gradually returning to a modest trend after a short-term shock, and its domestic-oriented growth base is still a key driver of economic expansion.

Exhibit 20. Real GDP Growth (QoQ, SAAR) – AI Cycle Period



Source: FRED, Federal Reserve Bank of St. Louis

Exhibit 21. Big Tech – M7 CapEx (Cumulative Total)



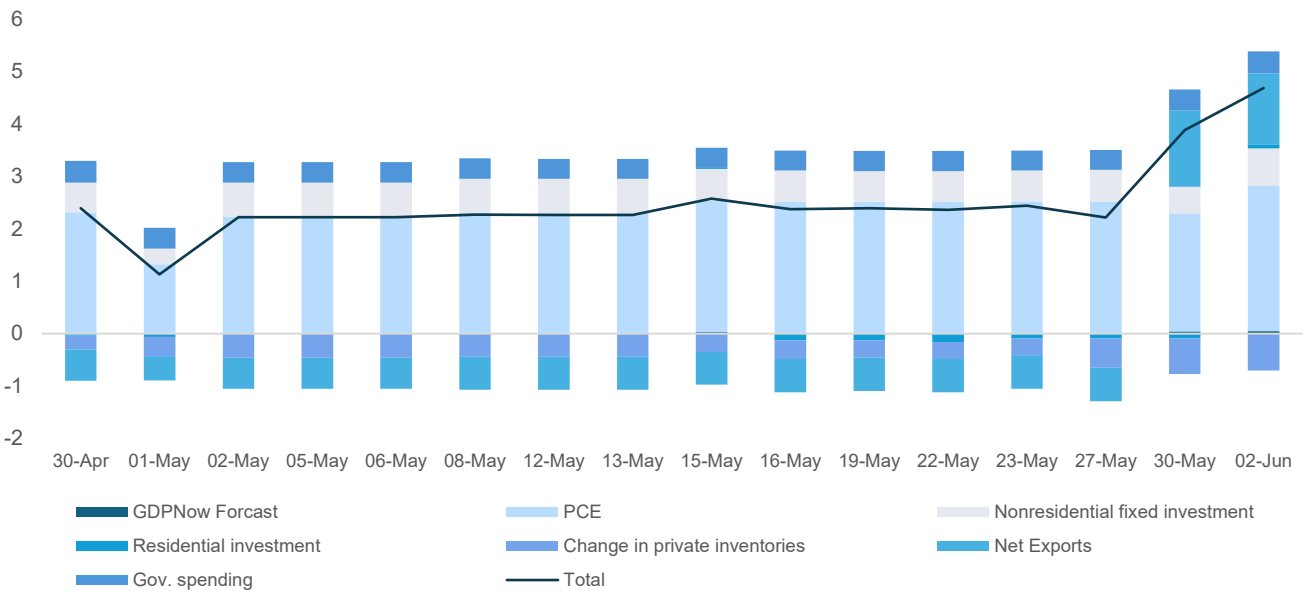
Source: MicroMacro

Looking at the recent GDP trend, real US GDP in the first quarter of 2025 turned negative compared to the previous quarter, temporarily slowing growth. However, this is not a sign of an economic downturn but rather a temporary factor of a sharp deterioration in the net exports sector: companies preemptively increased imports to secure inventory ahead of high tariffs announced in early April. In fact, imports surged nearly 50% in the first quarter compared to the previous quarter, leading to a notable contribution of -4.8% to GDP growth. On the other hand, a relatively solid trend of domestic consumption, a stable growth trend in private consumption, and a significant expansion in corporate facility investment contributed to a positive growth. These trends suggest that, except for the one-time trade shock, the US economy is still growing mainly in domestic demand.

Expectations for a rebound in the second quarter of 2025 are growing amid the assessment that this slowdown in growth is a temporary adjustment phase. According to trade indicators released in April, the trade deficit is rapidly narrowing and net export conditions are improving. The trade deficit, which hit an all-time high of $162.3 billion in March, nearly halved to $87.6

billion in April, and net exports are likely to act positively on the growth rate in the second quarter as imports and exports increase at the same time. Consumption is also maintaining a modest increase and investments such as CapEx are also continuing a solid trend. The flow of this rebound is also confirmed by the Atlanta Fed's GDPNow forecast. As of June 2, GDPNow estimates real GDP growth in the second quarter at an annualized rate of +4.6%, with net exports increasing to +1.45%p and private consumption to +4.0%. This suggests that the US economy is entering an expansion phase again as the one-time effect of income distortion in the first quarter is resolved.

Exhibit 22. Subcomponent contributions to GDPNow real GDP growth forecasts



Source: Fed Bank of Atlanta, GDPNow estimate as of June 2, 2025.

1.3.1.3 CapEx's Relationship With GDP: AI vs. Dotcom Cycle

In analyzing the economic cycle of the era of growing on a technology basis, CapEx (capital expenditure) has been used as an indicator to indirectly track the possibility of monetization of technology and market reaction at the time. Large-scale investments such as CapEx are representative examples of investment patterns similar to the dot-com bubble period in the past and are one of the major investment patterns that appear repeatedly in the early stages of growth in the technology industry. CapEx acts as a driving force for corporate performance but also raises concerns about the formation of asset bubbles or excessive economic overheating.

Because of these characteristics, CapEx provides an important clue for interpretation that connects macro variables such as productivity and the microscopic flow of individual company performance.

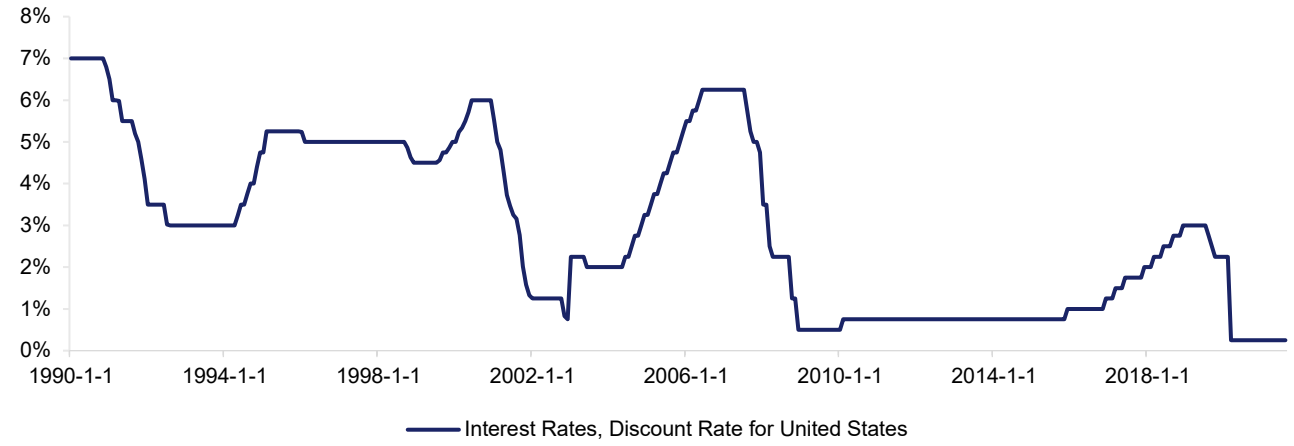
Category	Dotcom Bubble (1995-2001)	AI Cycle (2022-present)
CapEx Increasing Factors	Demand for Network Expansion, Introduction of Initial Systems	Advanced Generative AI, Need for Large Computational Resources
Impact on GDP	Short-term GDP high growth (up to 7% quarterly growth)	Maintaining a modest rise (around 2.8% per year)
Time to realize return on investment	Technology instability delays realization	Incremental feasibility with platform monetization
Risk factor	Excessive Expectations, High Value, Bubble Collapse	Inflationary pressure, technology focus risk, economic stimulus concerns

The dot-com cycle in the late 1990s was a period when large-scale CapEx occurred due to expectations for the establishment of Internet infrastructure and the introduction of IT systems. Driven by this investment trend, real GDP in the United States recorded high quarterly growth of up to 7%. However, due to the delay in technology monetization, companies have not been able to generate profits that meet expectations despite their heavy investment in communication networks, servers, and software. As a result, numerous technology companies were relying on high valuation without performance, which led to an overall market correction, resulting in the 2001 recession. CapEx during this period was consequently evaluated as an “investment that did not lead to profit.”

Even in the AI cycle, the demand for investment in infrastructure such as high-performance data centers and AI semiconductors is rapidly expanding with the advancement of Generative AI technologies. Large technology companies, namely the M7, are making annual investments of around 100 billion dollars in AI infrastructure. Unlike in the past, however, companies using Generative AI are showing remarkable growth in terms of actual sales and performance based on their technology profit model and long-term competitiveness. In particular, major big tech companies that are active in key fields such as AI semiconductors, data centers, and SaaS-based AI services continue to perform stably while maintaining strong profitability and growth despite high CapEx. This is significant in that unlike in the past, "return-to-investment" is occurring. Many say that this AI cycle is showing a closer trend to structural growth in that technology investment is based on profitability and performance.

1.3.1.4 The connection to interest rate policy

Exhibit 23. Interest Rates, Discount Rate for United States



Source: FRED, Federal Reserve Bank of St. Louis

In the AI cycle, major big tech companies, including M7, are continuing to make large-scale investments in high-performance infrastructure. This investment flow is likely to lead to productivity improvement in the future. For now, whether the trend will continue needs to be confirmed by figures. However, if the company's performance and the CapEx level are indirectly connected, it is noteworthy that the AI cycle is accompanied by a certain level of “return to investment,” unlike the past dot-com period. This suggests that the current investment flow is not just overheating but rather trending closer to a structural growth phase.

This situation also has implications for monetary policy. At the time of the dot-com bubble, poor performance and bubble collapse followed the CapEx surge, leading to a sharp interest rate adjustment. On the other hand, the current AI cycle is unfolding in a more complex macro environment. The Fed is more likely to seek a balance between the gradual adjustment of financial conditions and economic stability through a rate freeze rather than a sharp increase or cut, even if AI-related investments temporarily cause inflationary pressure.

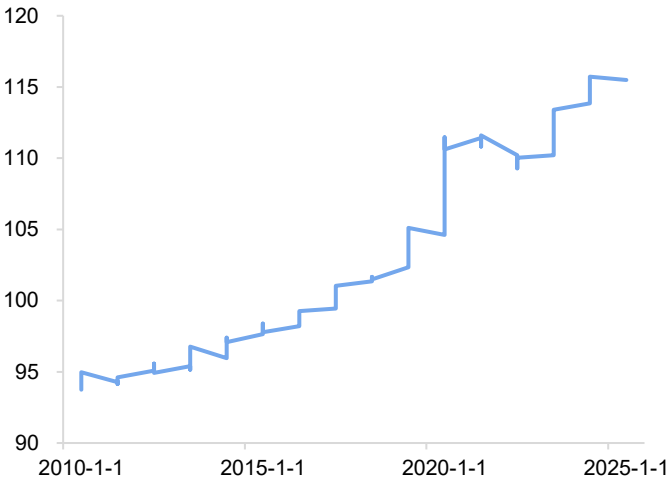
The direction of monetary policy in the future may be how the Fed interprets a series of indirect paths in which AI-related investments lead to productivity improvements. This productivity improvement in turn drives real GDP growth. The intensity and timing of future interest rate policies is expected to be adjusted, keeping an eye on the possibility that investment flows from technological innovation will lead to overheating of the economy. The Fed is expected to carefully analyze the ripple effects of technology-based growth on the overall economy while simultaneously considering the dual challenges of stabilizing prices and securing a long-term growth base.

3.2 Productivity: Dotcom Bubble and AI Cycle

Technological innovation is a key driver of economic growth and one of the most important factors to boost productivity. Both the dot-com bubble period and the AI cycle are examples of how technological advances ripple through the real economy. The purpose of this study is to analyze productivity patterns focusing on key indicators such as productivity per person, working hours per week, labor cost per unit of production, and hourly wages.

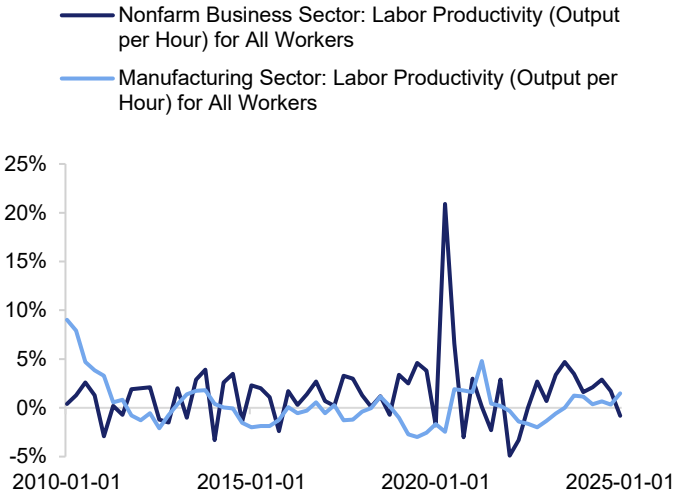
3.2.1 Productivity per Person

Exhibit 24. Nonfarm Labor Productivity (Output per Hour, YoY)



Source: FRED, Federal Reserve Bank of St. Louis

Exhibit 25. Productivity Comparison – Nonfarm vs. Manufacturing Sector)



Source: FRED, Federal Reserve Bank of St. Louis

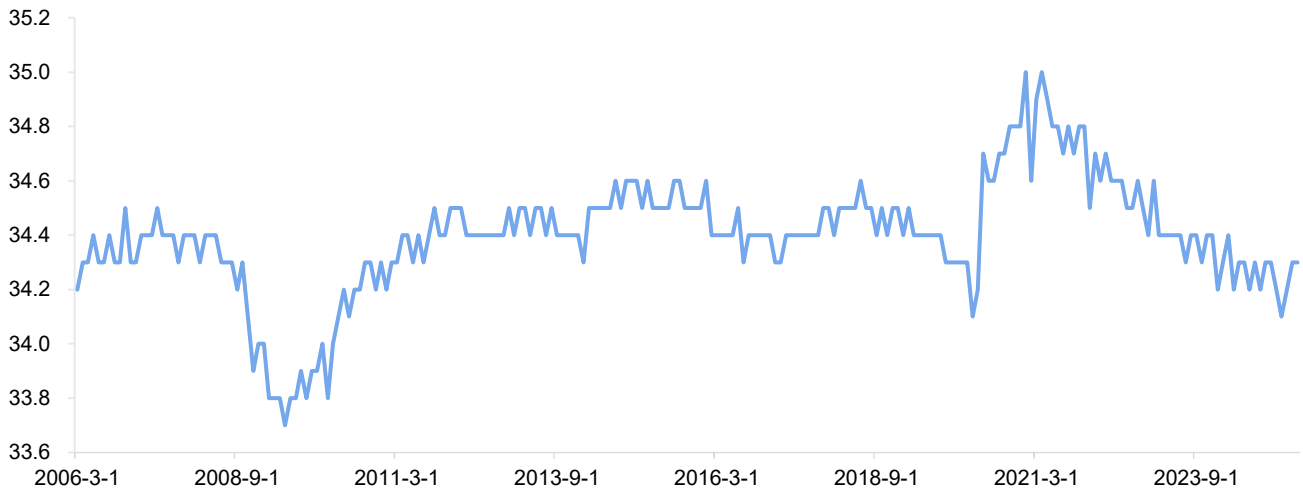
Recently, labor productivity per capita in the United States has been on a gradual but steady rise. This trend has been closely related to technological innovation from the past. In fact, when technology introduction is in full swing, the rate of productivity growth tends to increase remarkably.

The dot-com bubble period in the late 1990s is a prime example, and with the introduction of information technology (IT), the hourly output of non-agricultural workers increased significantly, and the productivity improvement was particularly noticeable, mainly in the manufacturing industry. During this period, however, IT industry faced a heavy concentration in domestic capital and labor input and productivity gains. The ripple effect to other industries was relatively limited. In addition, performance was not supported compared to expectations and many companies were listed in an overvalued state without actual profits, eventually leading to the bubble collapse. Companies lost market confidence by withdrawing their earnings guidance.

On the other hand, the recent AI cycle shows a fundamental difference from the past. Technology investment and actual profit generation are carried out in parallel. Large technology companies have already completed investments in data centers and AI hardware and are rapidly expanding their profits, focusing on high-end software and platform businesses. Software is especially profitable because it incurs little additional production cost once developed. This acts as a key factor in raising the hourly value-added of workers. Above all, this AI cycle is not limited to specific industries and is rapidly spreading to various industries such as finance, medical care, and service. This is causing a structural transformation in which productivity improvement spreads throughout the industry. If the dot-com era was a growth phase focused on few industries in the past, it is now leading to multi-faceted growth based on performance, an important change that supports the possibility of continuous increase in productivity in the future.

1.3.2.2 Working hours per week

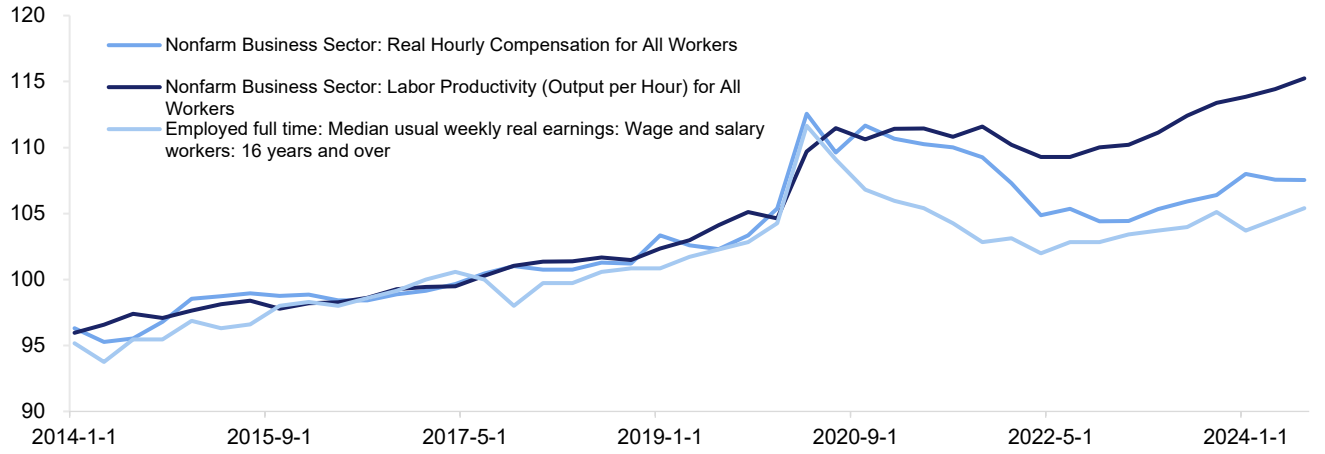
Exhibit 26. Average Weekly Hours of All Employees, Total Private



Source: FRED, Federal Reserve Bank of St. Louis

Working hours per week is an indirect indicator of changes in the labor market structure after the pandemic, suggesting that the work environment is gradually shifting to efficiency in conjunction with technological advances. According to Exhibit 10, working hours per week, which plunged immediately after the pandemic, temporarily rebounded to about 35 hours in 2021. This abnormal phenomenon, however, can be interpreted as a temporary adjustment phase due to supply chain recovery and excess demand. Since then, it has shifted to a modest decline from 2022 and has recently stabilized to about 34.2 hours to below the pre-pandemic average. The trend may reflect the reality that working hours are being shortened as work efficiency is improved due to the spread of AI and automation technologies.

Exhibit 27. Productivity-Wage Dynamics: Output per Hour, Compensation, and Earnings

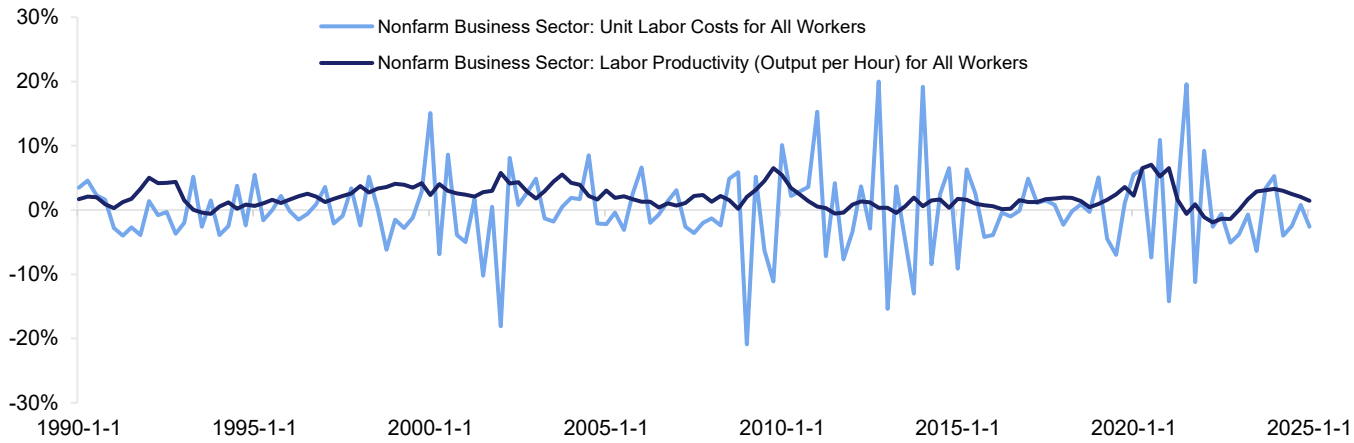


Source: FRED, Federal Reserve Bank of St. Louis

At the same time, labor productivity is steadily rising. This is interpreted as a signal that AI technology is increasing workers' ability to create added value. The rate of increase in productivity has begun to exceed the level of real compensation in the recent years and is observed that the improvement of technology-based efficiency absorbs some of the pressure to increase wages. The indicators, when considered altogether, increases the likelihood of improving corporate performance by generating higher output with the same working hours. Further, this can act as a downward pressure on inflation as wage growth is suppressed. The shift in the employment structure centered on high efficiency is also accelerating, which is seen as an important change that supports sustainable growth based on productivity in the long run.

1.3.2.3 Labor cost and productivity per unit of production

Exhibit 28. Labor Productivity vs. Unit Labor Costs – Nonfarm Business Sector



Source: FRED, Federal Reserve Bank of St. Louis

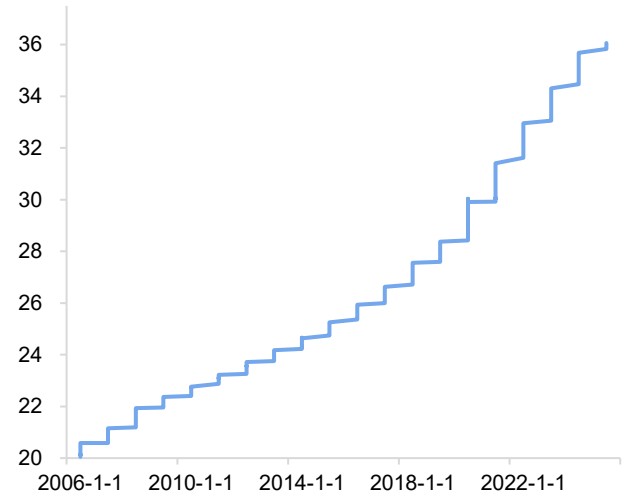
The relationship between unit labor cost and productivity is an indicator of a company's cost structure and labor efficiency at the same time. Unit labor costs tend to fall because improved productivity reduces labor costs required for the same output. However, actual statistics do not show this relationship consistently. Looking at the latest data, unit labor costs in the fourth quarter of 2024 rose 2.2% from the previous quarter and the increase slowed slightly to 1.4% in the first quarter of 2025. During the same period, productivity recorded a higher rate of increase and the most recent figures showed that the rate of increase in productivity again exceeded the rate of increase in unit labor costs. This means that the pace of productivity growth has begun to outpace the rate of wage growth again, suggesting that the labor costs required to produce the same unit are shifting toward decreasing.

The correlation between wages and productivity may be somewhat fluid, but the recent trend is significant in that productivity growth is changing to a structure that absorbs wage increase pressure. This can contribute to lowering the unit cost of a company and act as a positive factor in improving corporate performance and stabilizing inflation.

In conclusion, the current trend is interpreted as a phase in which productivity per unit is recovering after the transition period in the early stages of technology introduction such as AI, while the upward pressure on labor costs is relatively easing. If this structural transition continues, it will be important whether the increase in productivity in the future can lead to a stable decline in unit labor costs.

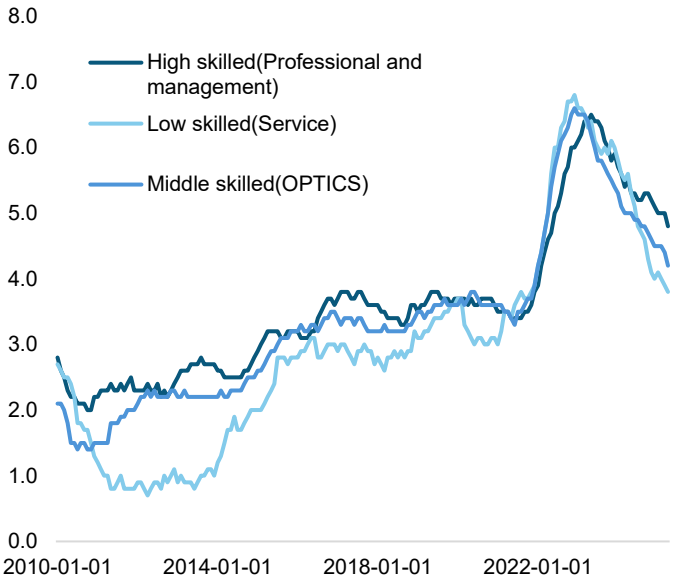
1.3.2.4 Hourly wages

Exhibit 29. Average Hourly Earnings of All Employees, Total Private



Source: FRED, Federal Reserve Bank of St. Louis

Exhibit 30. Wage Growth by Skill Level (YoY)



Source: Federal Reserve Bank of Atlanta, Wage Growth Tracker

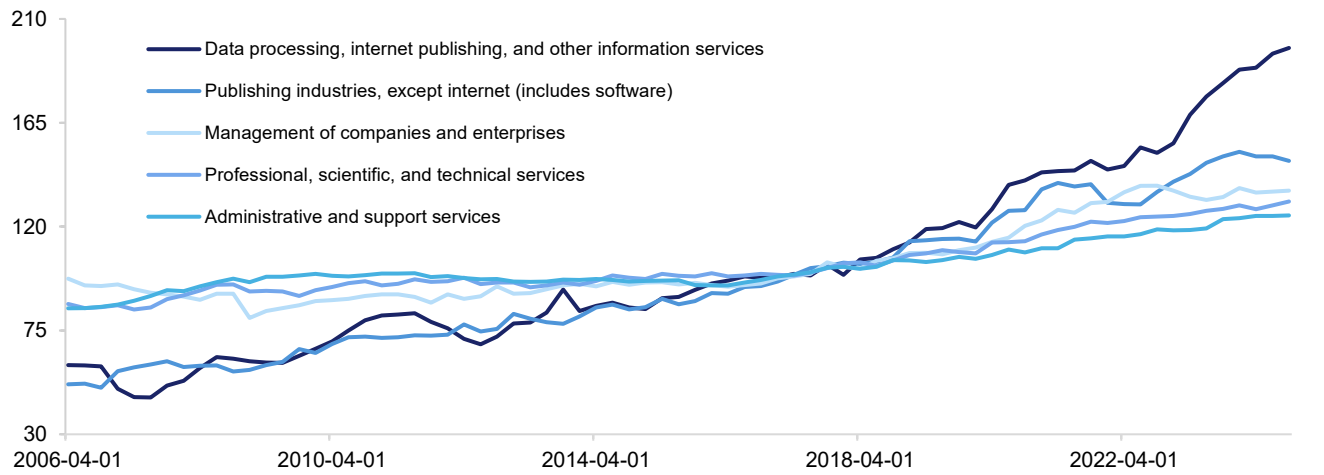
During the dot-com bubble period, there was an increase in wages for certain technology jobs due to the growth of the IT industry, but the hourly wage of the entire labor market is on a gradual rise. As can be seen from the graph, the average hourly wage in the early 2000s had a relatively gentle slope. This was due to the technological innovation mainly concentrated on a small number of technical and IT personnel. This, therefore, led to a limit to spreading to the entire industry. As a result, total factor productivity (TFP) improved only in some technology-intensive industries and did not lead to a structural increase in average wages for all industries.

In the recent AI cycle that began in earnest in 2023, however, different patterns appear in both the breadth and speed of technology spread. AI technology is rapidly spreading to various industries and the increasing demand for workers with AI technology is creating structural wage growth pressure in a wide range of labor markets. According to the data above, average hourly wages for both high-skilled, middle- and low-skilled workers began to rise sharply after the pandemic. The wage growth rate of high-skilled workers is currently higher than that of middle and low-skilled workers. This means that the technology premium in the labor market is working strongly depending on the ability to use technology.

Particularly noteworthy is the fact that wage increases and productivity improvements are taking place at the same time. As of January 2024, labor productivity in the non-agricultural sector increased by 1.2% as the output growth rate exceeded the working hours growth rate. In other words, the current AI cycle is showing more balanced structural growth unlike the dot-com period. This trend has the potential to lead to the expansion of the real purchasing power of the US economy, strengthening labor efficiency and spreading of total factor productivity across industries in the mid to long term.

1.3.2.5 Increase productivity in the technology sector

Exhibit 31. US Business labor productivity



Source: FRED, Federal Reserve Bank of St. Louis

In addition, the rapid spread of AI technology improves the productivity of the computer infrastructure and data processing sectors and the industries classified as technology-intensive industries. In particular, fields with high AI introduction rates are significantly improving work efficiency within the industry and output per unit. In fact, the graph shows that the Data Processing, Internet Publishing, and Other Information Services sectors are showing the steepest increase in productivity since 2019, showing that AI-based infrastructure innovation is being transferred to practical work efficiency. In addition, the Publishing Industries (incl. software), Professional, Scientific, and Technical Services, Management of Companies and Enterprises sectors also show a clear upward trend, suggesting that the effects of AI technology are not limited to specific industries but are spreading widely.

This productivity improvement in the AI sector improves the efficiency of various industries, which has a positive effect on boosting the economy. In addition, China's low-cost AI technology (e.g., DeepSeek, etc.) is promoting competition around the world, which could accelerate the pace of future technology adoption and bring forward the date of a major productivity shift. If this situation continues, however, the possibility of inducing inflation, including wage increases, will also be raised. Against this background, the Fed is implementing a cautious monetary policy, maintaining a freeze rather than raising interest rates.

1.3.3 Conclusion

The current AI cycle shows a similar trend of investment expansion to the dot-com bubble period in the late 1990s, but it has a distinct difference in terms of profit base and industrial spread. During the dot-com era, hype and unclear profit models led to a bubble burst, whereas today’s AI cycle is driven by technologies like generative AI, cloud, and advanced semiconductors that generate real profits. In particular, so-called "M7" companies such as Microsoft, Alphabet, Nvidia, and Meta are actively expanding their performance-based capital expenditures, acting as structural factors that drive mid- to long-term productivity improvement and real GDP growth at the same time.

Real GDP and productivity indicators also reflect this trend. Real GDP in the first quarter of 2025 suffered a temporary slowdown due to high interest rates and uncertainties in the supply chain, but it partially defended the decline in growth rate due to large-scale investment and inventory adjustment. At the same time, the recent AI cycle is showing a structural transformation in which productivity improvement is spreading across industries while real profits are being generated simultaneously with the adoption of technology.

Furthermore, even as working hours decrease, output is increasing, and an efficiency-oriented employment structure is taking shape, with both hourly wages and productivity rising together. In the early stages of technology adoption, increases in unit labor costs were dominant, but recently, the productivity growth rate has outpaced them, leading to a recovery in per-unit productivity.

In addition, wages are also on an upward trend, but the particularly steep wage growth among highly skilled workers reflects the effect of a technology premium, indicating that the spread of AI is influencing the overall wage structure in the labor market. This phenomenon also appears alongside improvements in productivity.

Moreover, it can be confirmed that the productivity of AI-based industries is rapidly improving, which positively contributes to economic recovery and corporate performance. However, it should be noted that the expansion of AI infrastructure investment may increase demand for capital goods, and if wage pressure persists, it could act as an inflationary factor.

In conclusion, the current AI cycle is interpreted as a structural growth trend accompanied by the expansion of performance-based CapEx, productivity improvement across the industry, and capacity to consume. This is a key factor that distinguishes it from past dot-com bubbles, and the current technology cycle is acting as an important turning point for the US economy to transition to a performance-based sustainable growth structure. AI is no longer a future possibility but a new growth engine that is being demonstrated by its current performance and productivity.

Asset Allocation Strategies

1.4 Productivity Innovation in the AI Industry and Infrastructure Investment

We intend to maintain an 80% allocation to equities. Although near-term economic uncertainties persist, continued CapEx expansion by technology companies underpins a long-term outlook with substantial potential. Our focus will be on selective investments in technology sectors directly contributing to productivity gains. We will concentrate on companies with proven business models and technological competitiveness.

For hedging, we will maintain a 20% allocation, but plan to decrease exposure to Bills and incrementally purchase long-term bonds considering recent rate volatility and detecting undervalued phases in long duration bonds. By capturing the high yield and liquidity of Bills and taking a phased approach to longer-duration assets, we will be positioned to respond more effectively to equity market volatility. This approach allows us to adapt flexibly to changes in the macro environment while capturing long-term growth opportunities rooted in technological innovation.

Moreover, unlike the dot-com bubble, the current AI investment cycle is characterized by tangible profit gains through investments. Government policy support and global competition for leadership are further accelerating this trend, creating an exceptionally robust growth story.

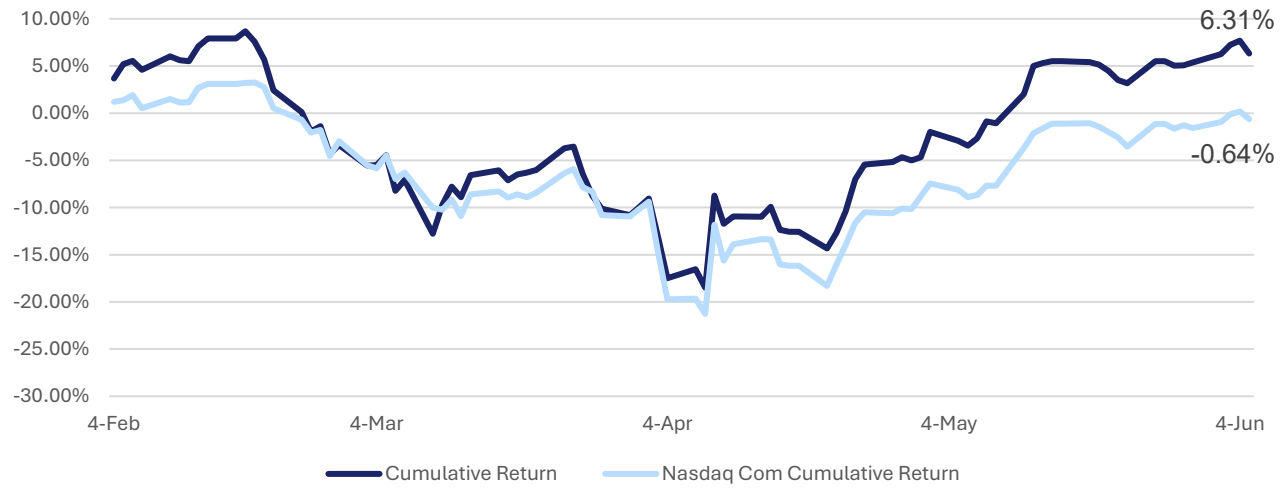
What is required now is a strategy that balances strong conviction in growth potential with disciplined risk management. On this basis, we will maintain a medium to long-term approach, pursuing sustainable returns through selective investments in technology stocks and an optimized hedging portfolio tailored to the current environment.

GLIF

Portfolio Composition and Investment Rationale

02

2.1 Portfolio Performance



Ticker	Average Price	Current Price	Market Value	Rate of Return	Portfolio Weight
			Stock		
SMH	$238.32	$251.30	$27,391.70	5.44%	25.77%
IGV	$101.82	$104.68	$27,740.20	2.81%	26.09%
XOVR	$18.87	$18.08	$3,814.88	4.19%	3.59%
EWJV	$33.23	$34.82	$4,282.86	4.77%	4.03%
TSLA	$383.68	$284.70	$2,847.00	-25.80%	2.68%
APP	$338.65	$414.14	$8,282.80	22.29%	7.79%
PLTR	$83.74	$119.91	$7,074.69	43.19%	6.65%
NVDA	$115.79	$139.99	$6,299.55	20.90%	5.93%
			Hedging Oriented Assets		
SHV	$110.15	$110.12	$7,708.40	7.25%	7.25%
TLT	$ 84.72	$86.45	$2,766.40	2.60%	2.60%
FXY	$62.33	$64.10	$3,140.90	2.95%	2.95%
IAU	$56.72	$63.29	$4,936.62	4.64%	4.64%
	Total Commissions		**Cash**		
	$204.79		$ 22.31		

Trade Activity Summary

Date	Asset Sold	Assets Bought	Key Objective
Feb 6	Stocks by 20%	Bonds	Short-term **defensive** positioning
Feb 21	Bonds by 50%	VIXY, IAU, FXY	**Risk management** amid volatility
Feb 28	Partial IBB	SMH, IGV	**Reduce** exposure to **rate-sensitive sectors**
Early Mar	Full IBB	NVDA	Entered at a perceived **undervalued price** point
Mid Mar	Partial VRT	NVDA	Rotation from overvalued mid-cap to **undervalued large-cap**
Late Mar	Full VRT	EWJV	Defensive **overseas equity strategy**
Early Apr	Partial VIXY	EWJV, NVDA	**Anticipate volatility decline** post-"Liberation Day" and shift toward value stock
Late Apr	Further VIXY reduction	IGV, IAU	Increased software and gold exposure to **hedge tariff-related risks**
Early May	Full VIXY	x	**Cash raised for potential re-entry** into growth ETFs during future volatility
Late May	Partial SHV	IGV, TLT	boost **software exposure** and add **undervalued US long-term Treasuries**

Portfolio Composition and Investment Rationale - Equity

2.2.1 Nvidia (NVDA)

A Global Leader in GPUs and accelerated computing for AI, Data centers, and HPC

Investment Thesis:

NVIDIA stands at the forefront of a major shift toward reasoning-based AI, where compute demand is expected to grow 1000x by 2030. As the only player with fully integrated hardware, software, and system-level solutions, it is best positioned to lead this transformation. With proprietary technologies such as CUDA, NVLink, and Spectrum-X, NVIDIA dominates both training and the rapidly expanding inference workloads. Its ambitious roadmap, featuring Blackwell, Blackwell Ultra, and Rubin, reinforces its leadership. Global adoption across hyperscalers, enterprises, and governments, along with supportive regulation, has positioned NVIDIA as the core infrastructure provider of the AI era and a high-conviction long-term investment.

Key Drivers:

NVIDIA's growth is driven by surging global demand for its latest Blackwell chips, which are at the heart of next generation AI infrastructure. In response to rapidly increasing orders from hyperscalers, NVIDIA raised its chip production targets by 25% in mid 2024. By early 2025, it had already shipped 3.6 million Blackwell units, excluding Meta, highlighting robust adoption across major cloud providers. The upcoming Blackwell Ultra is expected to further accelerate this trend, with early deployments planned by AWS, Google Cloud, Microsoft Azure, and Oracle. International demand is also a major driver. NVIDIA has secured large scale strategic deals with governments across the Middle East and Asia. For example, the company will supply over 18,000 chips to Saudi Arabia's AI initiative Humane, and the UAE has signed a multi-year agreement to import over 1 million chips through 2027, including 500,000 high-performance GPUs annually. These partnerships not only underscore the company's supply chain scalability but also demonstrate the growing geopolitical importance of NVIDIA's AI hardware. Taken together, accelerating enterprise adoption, expanding hyperscaler partnerships, a packed product roadmap, and international strategic alliances position NVIDIA to remain the central enabler of global AI infrastructure for years to come.

Current Price: $139.99

Average Price: $115.79

Portfolio Weight: 5.93%

Rate of Return: 20.90%

Key Valuations

P/E: 45.90

ROE: 115.46%

GPM: 70.11%

PEG: 1.52

Portfolio Composition and Investment Rationale - Equity

2.2.2 Palantir (PLTR)

Offers data integration and analytics platforms to detect patterns and aid decision-making processes

Investment Thesis:

Palantir reported Q4 revenue of $828 million, a 36% year-over-year increase, beating analyst estimates, with earnings per share at $0.14 versus the expected $0.11. While its government business remains strong with a 45% revenue increase, the standout was its US commercial segment where sales surged 64%. This reflects the growing adoption of its AI Platform, which helps companies integrate large-scale AI models into daily operations, positioning Palantir as a key player in enterprise AI. Its recent partnership with Enabled Intelligence enhances its value to federal clients by improving AI model accuracy through better data labeling. Together, these strengths reinforce Palantir's appeal to both government and commercial sectors, ultimately alluding to its ongoing growth.

Key Drivers:

The alignment with industrial and political shifts, particularly under the Trump administration's push for government efficiency and cost-cutting, has drove Palantir's success in the first quarter of 2025. The company's AI-enabled software platforms have gained traction as federal spending shifts from traditional consulting to commercial tech solutions, boosting Palantir's appeal. Its strong government performance, with a 45% year-over-year jump in government revenue, underscores its entrenched role in defense and intelligence sectors. Meanwhile, commercial growth surged, fueled by the adoption of its AIP and strategic partnerships like the one with Archer Aviation, aimed at transforming next-gen aviation through AI-driven manufacturing and operational software. Political momentum favoring national security and digital modernization has accelerated the adoption of enterprise AI solutions across both public and private sectors. Simultaneously, a growing number of corporations are ramping up AI integration to drive efficiency, optimize operations, and remain competitive, further amplifying demand for Palantir's platforms. Palantir's ability to deliver scalable, agile solutions has distinguished it amid a tech downturn, placing it alongside top-tier defense contractors and making it a go-to choice in uncertain economic times.

Current Price: $119.91

Average Price: $83.74

Portfolio Weight: 6.65%

Rate of Return: 43.19%

Key Valuations

P/E: 523.62

ROE: 12.41%

Rule of 40: 83%

PEG: 15.82

Portfolio Composition and Investment Rationale - Equity

2.2.3 Applovin Corporation (APP)

Applovin Provides software-based platform for advertisers through two segments: Advertising and Apps

Investment Thesis:

Positioned at the intersection of mobile advertising and AI-driven optimization, AppLovin is emerging as a key beneficiary of the structural expansion of global digital advertising markets. In 2025, with global ad spend surpassing $1 trillion and digital ads comprising over 75% of total spend, AppLovin leverages its proprietary AI-powered optimization engine, AXON, to deliver superior returns for advertisers. Supported by both the broader secular trend of digital transformation and the AI innovation cycle, AppLovin is positioned to deliver sustained top-line growth and exceptional margin expansion, solidifying its leadership as a performance marketing platform.

Key Drivers:

Global advertising spend is projected to exceed $1.1 trillion in 2025, with digital formats accounting for over 75% of total ad spending. Mobile advertising alone is forecasted to reach $447 billion, representing 56% of digital ad spend. This structural tailwind ensures robust demand for AppLovin's mobile app ad optimization platform. The proprietary AXON AI engine has driven double-digit quarterly growth rate improvements compared to pre-AI levels. AXON 2.0's enhancements in real-time bidding and targeting optimization helped deliver a 73% YoY surge in advertising revenue. As AppLovin continues to automate budget allocation and campaign execution via self-serve solutions, the company is set to capitalize on the growing importance of data-driven, automated marketing. In Q1 2025, AppLovin reported $1.48 billion in revenue (+43.44% YoY) and $1.0 billion in adjusted EBITDA (+83% YoY) with an adjusted EBITDA margin of 68%. The company's Rule of 40 EBITDA score (111.44%) significantly exceeds industry benchmark 40. Free cash flow doubled to $826 million, with operating efficiencies driving a gross margin of 81.7%. Notably, ad revenue now accounts for most total revenues, while the successful divestiture of legacy gaming assets has streamlined operations and further strengthened profitability.

Current Price: $414.14

Average Price: $338.65

Portfolio Weight: 7.79%

Rate of Return: 22.29%

Key Valuations

P/E: 74.78

ROE: 287.44%

Rule of 40: 81%

PEG: 1.59

Portfolio Composition and Investment Rationale - Equity

2.2.4 Tesla (TSLA)

Builds an innovative ecosystem by integrating EVs with autonomous driving, energy solutions, AI, and humanoid robotics.

Investment Thesis:

Tesla is evolving from a traditional EV manufacturer into a technology platform company leading in autonomous driving, AI, and robotics. With established global supply chains and economies of scale, Tesla is now expanding into high-margin businesses like FSD software and humanoid robots, which could transform its profitability and valuation. Successful commercialization of autonomous driving and a robotaxi service could shift Tesla's model to recurring service revenue, with each robotaxi potentially generating over $30,000 annually. A fleet of 5 million could yield tens of billions in profit. Additionally, the Optimus robot could revolutionize industrial labor, potentially surpassing the value of Tesla's current businesses. These new revenue streams are not yet fully reflected in the stock price, indicating further upside. While Tesla's forward P/E is high at 60–65, rapid growth from AI and robotics could quickly justify the valuation from 2026–2027 onward.

Key Drivers:

Tesla's growth is driven by three major pillars. The first is its stable revenue base from EVs and energy products. With Gigafactory-driven manufacturing efficiencies, the upcoming launch of a lower-cost model, and expanded offerings in solar and energy storage solutions, Tesla continues to strengthen its hardware-driven revenue streams. The second driver is the robotaxi business, enabled by Tesla's proprietary AI and autonomous driving technologies. Using a camera-based Vision AI system, Tesla has amassed billions of miles in real-world driving data, giving it a competitive edge in developing full self-driving capabilities. Once FSD is realized and robotaxi services are deployed, Tesla can shift from a one-time sales model to a recurring revenue model, much like how Apple evolved from hardware sales to a platform-based model through the App Store. The third growth engine is Optimus, Tesla's humanoid robot initiative. Powered by its Dojo supercomputer, Tesla is training vision and movement models for use in factory automation, logistics, caregiving, and healthcare—paving the way for a general-purpose robot capable of replacing human labor. Though still in the experimental stage, the production cost of Optimus is expected to drop below $10,000, enabling mass adoption and positioning Tesla as a leader in the high-margin industrial robotics market. In combining its manufacturing excellence with AI-driven software capabilities, Tesla is simultaneously scaling multiple high-growth businesses across sectors, positioning itself as a long-term compounder of enterprise value.

Current Price: $284.70

Average Price: $383.68

Portfolio Weight: 2.68%

Rate of Return: -25.80%

Key Valuations

P/E: 156.57

GPM: 17.66%

OPM: 7.40%

PEG: 8.39

Portfolio Composition and Investment Rationale - Equity

2.2.5 VanEck Semiconductor ETF (SMH)

Provides exposure to the world's leading semiconductor companies such as NVDA, TSMC, AVGO

Current Price: $251.30

Average Price: $238.32

Portfolio Weight: 25.77%

Rate of Return: 5.44%

Investment Thesis:

SMH provides investors with targeted exposure to the world's leading semiconductor companies, including industry giants such as NVIDIA, TSMC, and Broadcom. The fund's hardware-centric, market-cap-weighted approach is designed to capture the structural growth and innovation at the heart of the global semiconductor sector. As semiconductors continue to underpin critical advancements in AI, cloud computing, automotive technology, and digital infrastructure, SMH stands to benefit from persistent, secular demand and the increasing strategic importance of this industry in the global economy. The ETF's focus on established market leaders allows for both risk diversification and direct participation in the sector's most dynamic growth segments.

Key Drivers:

The primary driver of SMH's performance is the rapidly expanding demand for advanced semiconductors, particularly those used in AI, cloud infrastructure, and high-performance computing. Companies such as NVIDIA, TSMC, and Broadcom, which form the core of the portfolio, are at the forefront of developing chips that power machine learning, data centers, and communications. This surge in demand is expected to remain robust as enterprises and cloud providers continue to invest heavily in digital transformation and data infrastructure.

Furthermore, the semiconductor market itself is experiencing significant structural expansion on a global scale. With the industry valued at approximately $600 billion in 2024 and forecasted to grow at a 7–8% compound annual rate, SMH offers exposure to the sector's leading innovators and regions, including the United States, Taiwan, and the Netherlands. SMH's strategy is distinguished by its concentration in large-cap hardware leaders, providing investors with exposure to critical points along the semiconductor supply chain—from chip design to manufacturing and equipment.

Major Holdings	
Ticker	Weight
NVDA	21.73%
TSM	11.41%
AVGO	9.73%
ASML	4.80%
AMD	4.56%
QCOM	4.38%
AMAT	4.35%
TXN	4.28%
KLAC	4.25%
ADI	4.24%

Portfolio Composition and Investment Rationale - Equity

2.2.6 iShares Expanded Tech-Software Sector ETF (IGV)

An index fund designed to provide focused investment exposure to leading North American companies in software, cloud, SaaS, and interactive media, capturing the innovation and growth of the IT sector.

Current Price: $104.68

Average Price: $101.82

Portfolio Weight: 26.09%

Rate of Return: 2.81%

Investment Thesis:

The cloud infrastructure market reached $94 billion in global enterprise cloud infrastructure service spending in Q1 2025, representing a 23% YoY increase. The three market leaders, AWS, Azure, and Google Cloud account for 63% of total enterprise spending, with AWS holding a 30% market share (CY 2025 Q1 income $11.5bn), Microsoft at 22% (CY 2025 Q1 income $11.1bn), and Google Cloud at 12% (CY 2025 Q1 income $2.2bn). Notably, these companies are making massive infrastructure investments in response to rising demand for AI and big data: AWS plans $100 billion in capital expenditures, Microsoft $80 billion, and Google $75 billion. For SaaS companies, subscription-based models provide stable cash flows, and major SaaS firms are reporting annual revenue growth rates of 20–30%. Microsoft's cloud segment grew over 20% annually, while Google Cloud posted a 28% growth rate. Driven by enterprise digital transformation and increased AI adoption, cloud and SaaS companies are maintaining steady growth. Additionally, the expansion of AI and generative AI services is emerging as a new growth engine for the software industry. The generative AI market is expected to grow at a compound annual rate of 26% through 2032, and cloud providers are intensively investing in infrastructure for AI model training and deployment. Microsoft holds a 45% market share in new cloud AI cases related to generative AI, while AWS maintains its strength in traditional AI. From a portfolio perspective, IGV is composed of 61% application software and 36% system software, providing broad exposure to the overall growth of the software industry. By including a variety of leading companies in its portfolio, IGV effectively diversifies risk while strategically investing in the core growth drivers within the sector.

Major Holdings	
Ticker	Weight
MSFT	8.89%
ORCL	8.10%
PLTR	8.05%
CRM	7.21%
NOW	6.71%
ADBE	5.77%
INTU	5.06%
PANW	4.07%
CRWD	3.74%
MSTR	2.92%

Key Drivers:

As global enterprises accelerate digital transformation, demand for cloud-based services continues to grow steadily, directly contributing to revenue growth for key IGV holdings such as Microsoft, Oracle, and Adobe.

These companies provide high-performance, high-availability cloud infrastructure and solutions that enhance both operational efficiency and scalability for their clients. The proliferation of the SaaS model also underpins IGV's structural growth trajectory. Leading IGV constituents like Salesforce, ServiceNow, and Intuit rely on subscription-based revenue models that generate predictable cash flows and high customer lifetime value. SaaS models improve customer retention and allow for real-time feature updates, strengthening user loyalty and enabling expansion across diverse industries. Demand from a wide range of customers, including small and mid-sized businesses, further enhances IGV's stability. Meanwhile, the explosive growth in cybersecurity demand is fueling rapid expansion among IGV holdings like Palo Alto Networks, CrowdStrike, and Fortinet. As digital adoption accelerates, corporate investment in data protection and threat defense is no longer optional. Cloud environments require sophisticated, layered security strategies. Rising demand for zero-trust architecture, endpoint protection, and automated threat detection is positioning these cybersecurity firms as strategic, high-growth assets with defensive characteristics. Finally, the adoption of AI is fundamentally transforming the software industry. Microsoft's integration of Copilot into Office and Adobe's rollout of Firefly are redefining traditional productivity tools with AI driven capabilities. These innovations not only increase revenue per user but also provide a strong competitive edge. Beyond added features, AI is delivering tangible value across customer experience, marketing, operations, and data analytics. IGV's portfolio companies are at the forefront of this shift, making the ETF highly attractive for long-term growth exposure.

Portfolio Composition and Investment Rationale - Equity

2.2.7 iShares MSCI Japan Value ETF (EWJV)

Focuses on undervalued Japanese stocks supported by policy and reform momentum

Investment Thesis:

Our team selected the iShares MSCI Japan Value ETF (EWJV) based on a strong belief that Japan is undergoing a rare structural transformation, not just a cyclical recovery. Decades of deflation and financial repression are giving way to positive real interest rates, wage growth, and normalized capital markets. This shift strengthens the long-term case for Japanese value stocks, which were previously constrained by ultra loose policy and weak domestic demand. Since 2024, the Bank of Japan has ended negative interest rates, raised its benchmark rate to 0.5%, abandoned yield curve control, and halted ETF purchases moves that reintroduce organic capital pricing and revalue risk assets. As a result, value-oriented sectors like financials, industrials, and cyclicals are regaining leadership. EWJV provides focused exposure to these areas, with holdings that are not only undervalued on P/B and P/E metrics but also positioned to benefit from higher interest margins, stronger consumption, and export competitiveness. Meanwhile, corporate governance reforms and expanded retail participation via the NISA scheme are accelerating capital inflows and re-rating potential. As global investors rotate out of overvalued US growth stocks amid rate and geopolitical risks, Japan stands out as a prime beneficiary. EWJV offers liquid, diversified access to this shift. We view this ETF not as a contrarian bet, but as a strategic allocation to Japan's revaluation cycle combining resilience with long-term upside.

Key Drivers :

Japan is undergoing a structural economic shift, moving away from deflation toward positive real interest rates, rising wages, and normalized capital allocation. The Bank of Japan's policy normalization—including the end of negative rates and YCC has reactivated risk-based pricing, benefiting value sectors like financials and industrials. Domestic consumption is recovering as wage growth accelerates, supporting earnings across core sectors in EWJV's portfolio. Despite this improvement, Japanese value stocks remain deeply undervalued, offering strong re-rating potential supported by low P/E and P/B ratios. Corporate governance reforms and expanded shareholder returns further strengthen the investment case. Meanwhile, Japan's NISA program and global rotation away from overvalued US growth stocks are driving long-term capital inflows into value-oriented ETFs like EWJV.

Current Price: $34.82

Average Price: $33.23

Portfolio Weight: 4.03%

Rate of Return: 4.77%

Major Holdings	
Ticker	Weight
7203	8.43%
8306	7.51%
8316	4.47%
7974	4.36%
8058	3.27%
8411	3.15%
8031	2.50%
9433	2.50%
7267	2.19%
9434	2.08%

Portfolio Composition and Investment Rationale - Equity

2.2.8 ERShares Entrepreneur Private – Public Crossover ETF (XOVR)

Expose to entrepreneurial US large caps and private equities

Investment Thesis:

While the major holdings of IGV and SMH are largely similar, XOVR differentiates itself with a core exposure to SpaceX, which is its largest holding. Although SpaceX is not publicly listed and therefore difficult to access through conventional ETFs, XOVR holds a direct equity stake in the company. The space launch vehicle (SLV) market is already estimated to be worth around $400 billion and is expected to grow at a CAGR of 13.1%. SpaceX is the dominant player in this market, followed by Rocket Lab, and is rapidly improving its cost efficiency while generating positive cash flow. Based on these fundamentals, we chose to invest in XOVR to capture growth potential in this high impact industry.

Key Drivers:

This ETF targets companies led by innovative CEOs, with holdings heavily concentrated in big tech stocks such as NVDA, META, GOOGL, NFLX, ORCL, and includes APP, which is one of our top picks. We believe that the current high-interest rate environment favors large-cap companies with strong market power and consistent cash flow generation. All major holdings of this ETF meet these criteria. In particular, we see the space launch vehicle (SLV) market as a critical industry for future growth, driven by geopolitical tensions such as the US–China tech cold war and emerging business models like Starlink. SpaceX stands out as a dominant player, offering unmatched cost efficiency. It can launch Starlink satellites at cost, as it owns both the service and the launch infrastructure and can offer competitive pricing to third-party clients while maintaining high margins. This positions SpaceX squarely on the curve of economies of scale, and we expect its profitability to rise sharply as scale increases.

Current Price: $18.08

Average Price: $18.87

Portfolio Weight: 3.59%

Rate of Return: -4.19%

Major Holdings	
Ticker	Weight
SPACEX	9.53%
NVDA	5.71%
META	5.08%
GOOGL	4.87%
NFLX	4.62%
ORCL	4.39%
APP	4.32%
HOOD	3.70%
CRWD	3.51%
CRM	3.41%

Portfolio Composition and Investment Rationale - Hedging Oriented Assets

2.3.1 iShares Short Treasury Bond ETF (SHV)

Preserve capital and reduce portfolio volatility with highly liquid short-term Treasuries

Current Price: $110.12

Average Price: $110.15

Portfolio Weight: 7.25%

Rate of Return: -0.03%

Investment Thesis:

The iShares Short Treasure Bond ETF (SHV) is a product that invests in ultra-short US government bonds with a maturity of one year or less and is used as a stable means of managing funds in that it can recover funds without risk of loss while being hardly affected by interest rate fluctuations. SHV has a slightly longer maturity than similar ultra-short government bond ETFs such as SGOV and BILL, providing relatively high expected returns, and stable dividend income can also be expected through monthly dividends. It also has the advantage of being able to respond flexibly to changes in interest rates, and it's characterized by securing a certain interest return while maintaining liquidity even when economic uncertainty is high. Thanks to these characteristics, SHV is evaluated as a hedging asset suitable for investors pursuing a short-term cash holding strategy.

Key Drivers:

As global financial market volatility has increased due to the ongoing US–China trade conflict, short-term US bonds, which are relatively insensitive to interest rate fluctuations and easy to cash in, are emerging as an alternative safe asset for investors. With long-term bond yields soaring and uncertainty growing around traditional safe assets, demand for short-term bond ETFs offering both stability and high liquidity is on the rise. In this environment, short-term bonds are becoming increasingly attractive as hedge assets, offering higher returns than deposits and the benefit of quick liquidity. In particular, since a rapid base rate cut appears unlikely, investors are finding short-term bonds even more appealing due to their higher yields compared to cash.

Portfolio Composition and Investment Rationale - Hedging Oriented Assets

2.3.2 iShares 20+ Year Treasury Bond ETF (TLT)

Composed of US Treasury bonds with remaining maturities greater than twenty years.

Current Price: $86.45

Average Price: $84.72

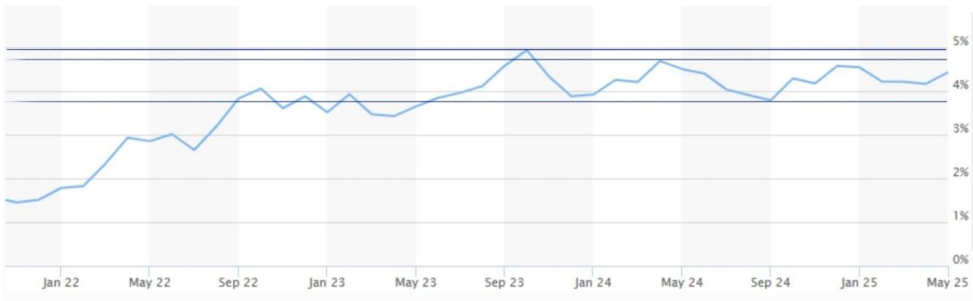
Portfolio Weight: 2.60%

Rate of Return: 2.04%

Investment Thesis:

As US 10-year Treasury yields exceed 4.5% and 30-year Treasury yields surpass 5%, we identified a compelling opportunity in the bond market and decided to invest in TLT. TLT provides exposure to US Treasury bonds with maturities greater than 20 years, allowing us to capitalize on what we see as an undervalued market and potentially generate higher returns, while also hedging our growth stock exposure. Although inflationary pressures persist, we maintain our conviction that US Treasuries remain unrivaled as a safe-haven asset. As bonds reach undervalued levels, we anticipate increased buying activity in the market.

Key Drivers:

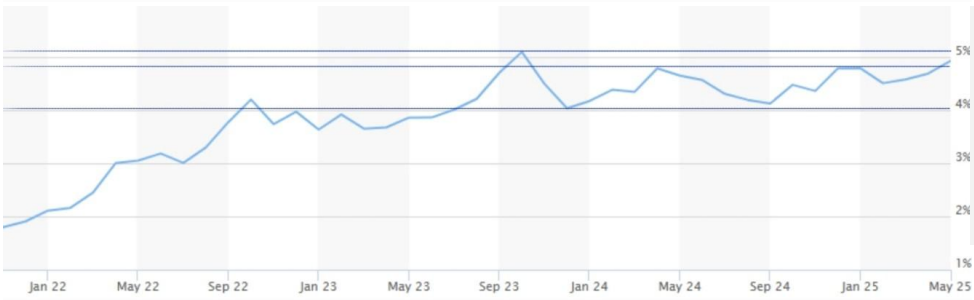


US 10-year Note Yield

1st Resistance: 4.687%

2nd Resistance: 4.934%

1st Support level: 3.787%



US 30-year Bond Yield

1st Resistance: 5.097%

2nd Resistance: 4.934%

1st Support level: 3.787%

Given the strength of the US dollar system and the likelihood of continued negotiations under a potential Trump administration, it is unlikely that major countries such as Japan, the UK, or China would sell off their US Treasuries. Simply put, there is no viable alternative.

Source: Wall street Journal

Portfolio Composition and Investment Rationale - Hedging Oriented Assets

2.3.3 iShares Gold Trust (IAU)

Designed to provide investors with exposure to the price movements of gold through futures contracts

Current Price: $63.29

Average Price: $56.72

Portfolio Weight: 4.64%

Rate of Return: 11.59%

Investment Thesis:

By tracking the performance of gold through an exchange-traded fund structure, IAU allows investors to benefit from gold price movements. The fund's primary investment rationale is its role as a hedge against inflation and currency devaluation, especially during periods of economic uncertainty or when the value of major currencies declines. Additionally, since gold often moves independently of other asset classes like stocks and bonds, IAU serves as an effective tool for portfolio diversification, helping to reduce overall risk. Its high liquidity and accessibility on major stock exchanges further enhance its appeal to a wide range of investors.

Key Drivers:

Global economic uncertainty plays a significant role. For example, geopolitical tensions, trade disputes, or financial market instability in major economies can prompt investors to seek out gold as a safe asset. During such times, demand for gold tends to surge, which can drive up the price of IAU significantly. Expectations of inflation and changes in monetary policy further impact IAU's performance. When there are growing expectations of higher inflation or when major central banks are likely to cut interest rates, real interest rates often decline, which historically supports higher gold prices. This, in turn, boosts the value of IAU. The strength or weakness of the US dollar is another crucial factor. Since gold is typically priced in US dollars, a weaker dollar usually leads to higher gold prices, while a stronger dollar can put downward pressure on gold. Therefore, the outlook for the dollar and the broader US economy can have a direct effect on IAU's returns. Supply and demand dynamics within the gold market also matter. Factors such as central bank purchases or sales, and changes in industrial or investment demand can all influence gold prices. For instance, if central banks buy gold in large quantities, prices may rise, whereas an increase in supply could put downward pressure on prices. The structure and costs of the ETF itself can affect IAU's performance. IAU has a low expense ratio (0.25%), which is attractive to investors, but these costs can still have a small impact on long-term returns. Additionally, liquidity, premiums or discounts to net asset value (NAV), and trading volumes can influence IAU's short-term price movements.

Portfolio Composition and Investment Rationale - Hedging Oriented Assets

2.3.4 Invesco CurrencyShares Japanese Yen Trust (FXY)

Yen hedging enhances resilience in macro uncertainty

Investment Thesis:

The Japanese yen is regaining its status as a premier safe-haven asset, supported by Japan's rising inflation, structural wage growth, and the Bank of Japan's shift toward monetary tightening. With expectations of a rate hike and an exit from decades-long deflation, the yen is becoming more attractive on its own fundamentals. In contrast, the US faces mounting fiscal risks, credit downgrades, and a weakening dollar outlook. This divergence strengthens the yen's case as both a short- to medium-term hedge and a strategic long-term allocation, offering downside protection, macro alignment, and diversification—particularly for equity-heavy portfolios.

Current Price: $64.10

Average Price: $62.33

Portfolio Weight: 2.95%

Rate of Return: 2.83%

Key Drivers:

As of mid-2025, the Japanese yen (JPY) is emerging as both a cyclical and structural hedge amid Japan's policy normalization and growing vulnerabilities in the US economy. The Bank of Japan has exited ultra-loose monetary policy, driven by persistent inflation and wage growth, signaling a revaluation phase for JPY supported by rising domestic yields. In contrast, the US faces fiscal instability following massive tax cuts, rising debt, and credit downgrades—eroding confidence in the dollar and increasing expectations of Fed easing. Simultaneously, the yen continues to serve its traditional role as a safe-haven asset during periods of geopolitical risk and global uncertainty. For multi-asset portfolios, the yen provides valuable downside protection, diversification, and a hedge against dollar concentration. Both tactically and strategically, JPY offers asymmetric upside and should be considered a core component of FX risk management in 2025.

Major Rebalancing and Portfolio Changes

03

3.1 Feb 6: Initiated Bond Investment

Tactical Rebalancing:

On February 6, 2025, we initiated a bond position as part of a strategic move to align with our base-case view of a long-term upward trajectory in the US economy. At the same time, we aimed to hedge against potential downside risks stemming from Trump's tariff rhetoric, the Russo-Ukraine war, and prolonged US-China trade tensions, which could heighten geopolitical uncertainty, drive inflationary pressures, and weigh on short-term growth.

To mitigate interest rate risk while ensuring stable income generation, we adopted a duration matching strategy and increased our allocation to risk-free assets.

At the time, the rise of China's DeepSeek was intensifying doubts over the US's continued dominance in AI, while concerns were also growing about the sustainability of CapEx investments by hyperscalers. Meanwhile, improving efficiency in AI development was shifting investor focus on AI software companies. Notably, earnings surprises from Celestica and Palantir this week drove strong gains in our portfolio. However, Trump's tariff related comments injected renewed uncertainty into the broader market, limiting overall upside momentum. In response, the bond allocation served as a defensive measure to support long term return stability.

Ticker	Weight Change
SMH	-6.04%p
IGV	-5.97%p
IBB	-1.05%p
XOVR	-0.98%p
TSLA	-0.95%p
APP	-1.29%p
PLTR	-1.46%p
VRT	-1.04%p
CLS	-1.62%p
SHV	12.36%p
SHY	0.23%p
IEI	0.55%p
IEF	0.98%p
TLT	2.40%p
SHYG	3.98%p

Portfolio Events:

1. ISM Non-Manufacturing PMI 52.8 (Forecast 54.2, Previous 54.0)

The US ISM Non-Manufacturing PMI came below expectations. Although it remained above 50, indicating continued expansion, the slower growth in business activity and elevated price indices suggest that the US economy is losing momentum amid persistent inflationary pressures.

2. Nonfarm Payroll Report

Average Hours Earnings 4.1% (Forecast 3.8%, Previous 3.9%)

Nonfarm Payroll 143K (Forecast 169K, Previous 307K)

Labor Force Participation Rate 62.6% (Previous 62.5%)

Unemployment Rate 4.0% (Forecast 4.1%, Previous 4.1%)

US job growth slowed sharply in January, missing expectations, while the unemployment rate unexpectedly declined and wage growth accelerated. Weaker job growth may help lower inflation, but faster wage gains could push it higher, leading to mixed signals for the inflation outlook. Under the conflicting data, markets reacted calmly.

3. Palantir Earnings Call

Revenue $827M (YoY +36.03%, Forecast $776M, Beat)

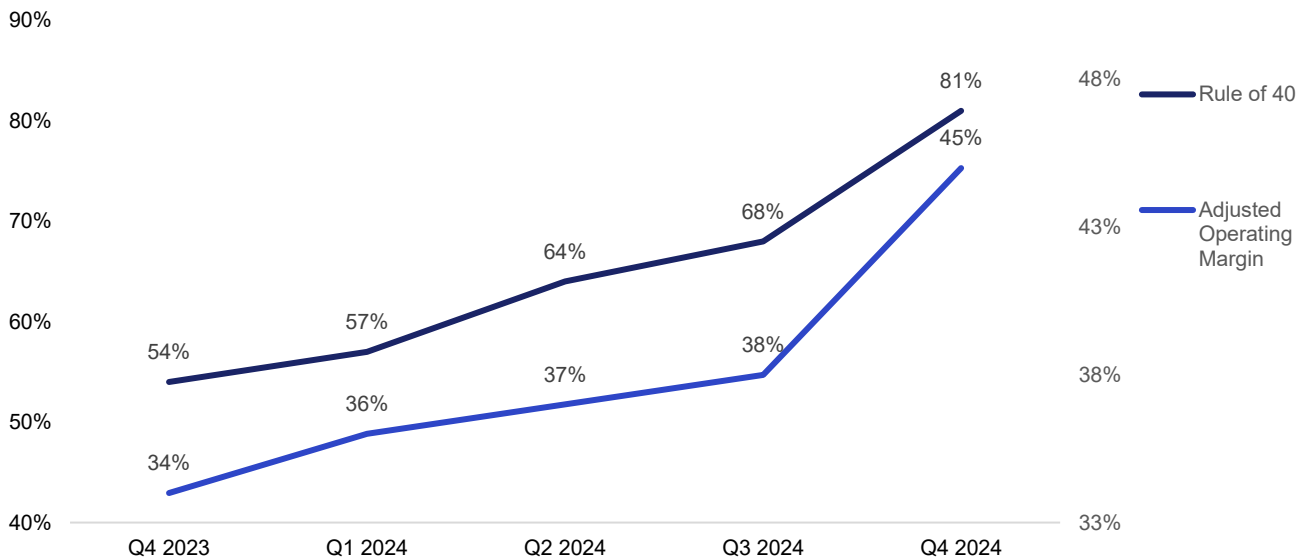
EPS $0.14 (Forecast $0.11, Beat)

RDV $1.79B (YoY + 99%)

TCV $803M (YoY +134%)

Rule of 40: 83%

Exhibit 32. PLTR Earnings



Source: Palantir Q4 Earnings Call

Major Rebalancing and Portfolio Changes

3.2 Feb 21: Replaced Bond Portfolio with Hedging-Oriented Assets

Tactical Rebalancing:

On February 21, 2025, a bond portfolio rebalancing was conducted in response to concerns about the effectiveness of a traditional stock-bond portfolio under high inflation and low volatility. Over the past week, the US stock market experienced a sharp decline, but the FX portfolio, which is supposed to serve as a hedge by moving in the opposite direction, showed minimal movement. In some cases, stock and bond returns moved in the same direction. To address this, all bond ETFs except ultra-short-term bond ETFs were sold, while VIXY (VIX futures ETF) was purchased at 5%, IAU (gold ETF) at 2.5%, and FXY (yen) ETF at 2.5%.

Ticker	Weight Change
SHV	-1.93%p
SHY	-0.24%p
IEI	-0.57%p
IEF	-1.01%p
TLT	-2.45%p
SHYG	-4.00%p
VIXY	5.10%p
FXY	2.54%p
IAU	2.54%p

The decision to buy VIX was made because it is one of the few assets that consistently moves in the opposite direction of stocks during periods of high inflation and low volatility. The VIX tends to move more sharply than equities during significant stock market declines, making it an effective tool for managing short-term volatility while maintaining a long-term bullish outlook.

Gold was chosen as a hedge since there is limited room for further declines in US Treasury yields, given the current inflation and growth outlook. In times of heightened uncertainty, such as recent remarks from Trump, demand tends to increase for traditional safe havens like gold, making it a more effective hedge than long-term Treasuries.

Yen was also purchased because, with the GAA team portfolio having a high allocation to US equities, and with both stocks and bonds moving in the same direction, there has been a noticeable outflow of capital from the US to Europe and China. As the world's second reserve currency, demand for the yen could rise in the short to medium term, providing a potential negative correlation with US equities and serving as an effective hedge.

Portfolio Events:

1. Michigan Sentiment Index 64.0 (Forecast 67.3, Previous 67.3)

US consumer sentiment dropped sharply in February to its lowest level since late 2023, while both short- and long-term inflation expectations surged. The decline was broad-based across all groups, raising concerns about persistent inflation and weaker economic growth. Markets reacted with falling stock prices, lower Treasury yields, and stronger demand for safe-haven assets.

Major Rebalancing and Portfolio Changes

3.3 Feb 28: Reduced exposure to rate-sensitive sectors

Ticker	Weight Change
IBB	-2.00%p
SMH	1.00%p
IGV	1.00%p

Tactical Rebalancing:

Under concerns about potential inflation spikes driven by high reciprocal tariffs, the stocks in our portfolio are experiencing sharp declines. Our hedging strategy is working well, as gold, yen, and the VIX are moving in the opposite direction of equities. However, we believe this is an opportune moment to rebalance our stock portfolio to pursue lower risk and higher potential returns.

Historically and fundamentally, the healthcare sector has delivered the highest returns during periods of declining inflation, supported by lower borrowing costs. Based on our view that inflation is likely to fall and base rates will decrease, we initially bought IBB. However, as the IT sector has dropped significantly and inflationary pressure from high tariffs remains strong, we have decided to sell IBB and instead purchase undervalued stocks in the tech sector.

Portfolio Events:

1. CB Consumer Confidence Index 98.3 (Forecast: 102.7, Previous: 105.3)

US consumer confidence saw its largest drop in three and a half years in February. The Conference Board's Consumer Confidence Index fell to 98.3, plunging by 7 points from the previous month and marking a decline for the third consecutive month. This was the biggest drop since August 2021 and came in well below expectations.

Consumers have become more pessimistic about the labor market, incomes, and business conditions, with the share of those expecting a recession reaching its highest level in nine months. The decline in confidence was mainly attributed to policy uncertainty and heightened inflation concerns driven by tariffs.

Additionally, one-year inflation expectations climbed to the highest level since May 2023, while the University of Michigan survey showed long-term inflation expectations have reached a 30-year high. Fed officials have indicated that interest rates will be held steady until inflation is sufficiently contained.

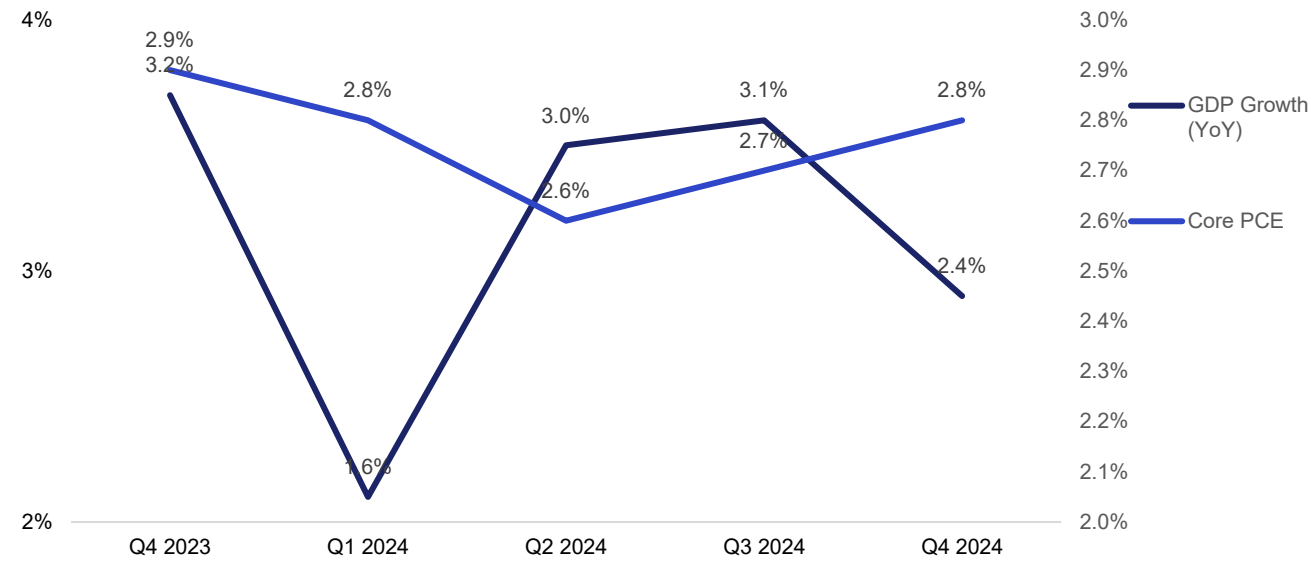
2. US Q4 2024 GDP (YoY) 2.3% (Forecast 2.3%, Previous 3.1%)

The US economy expanded at an annualized rate of 2.3% in Q4 2024, according to the Commerce Department's revised estimate, unchanged from the advance figure and matching market forecasts. This growth was driven primarily by strong personal consumption, which increased by 4.2% in the fourth quarter, despite a slowdown from the robust growth seen in Q2 (3.0%) and Q3 (3.1%). While government spending and exports were revised upward, consumer spending and private investment were adjusted lower. For the full year 2024, GDP grew by 2.8%, reflecting sustained underlying demand.

2. US Q4 2024 PCE (YoY) 2.5% (Forecast 2.5%, Previous 2.6%)

Inflation indicators were revised higher in the latest report. The overall PCE price index rose by 2.5% in Q4, up 0.1 percentage points from the previous estimate. More notably, the core PCE price index, which excludes volatile food and energy prices, was revised up to 2.7%, a 0.2 percentage point increase from the initial reading. This upward revision in core inflation, now at its highest since May 2023, may prompt the Fed to take a more cautious approach to interest rate cuts, as price stability remains a key policy objective.

Exhibit 33. US GDP & PCE



Source: Trading Economics

Major Rebalancing and Portfolio Changes

3.4 Early Mar: Full sale of IBB and purchase of NVDA

Tactical Rebalancing:

In the first week of March, our team made a strategic decision to fully divest from IBB (Biotech ETF) and newly allocate capital into NVIDIA (NVDA). This move was based on changes in the macroeconomic environment as well as a detailed analysis of individual stock fundamentals. First, the major biotech companies included in the IBB ETF tend to have high debt-to-equity ratios, making them structurally sensitive to interest rate changes. Considering the recent policy stance of the Fed, concerns have arisen about the potential deterioration in profitability for these companies. Our team decided to sell IBB and shift our focus to NVIDIA, which offers a compelling combination of growth potential and valuation attractiveness. Compared to high-valuation growth stocks like Palantir, NVDA stands out with its relatively low valuation and strong profitability metrics. NVIDIA's fundamentals remain solid. Its 12-month forward ROE has climbed to 66.7%, and its relative valuation continues to appear attractive even after recent price movements. The company's 12MF P/E stands at 24.5x, notably lower than its 1-year peak of 40.2x. Looking ahead, NVDA is expected to achieve a 3-year EPS CAGR of 29.0% (2025–2027). Based on this growth rate, its PEG ratio is just 0.8x significantly below the market average of 1.7x and the semiconductor industry average of 1.1x indicating strong valuation appeal relative to its growth prospects.

Ticker	Weight Change
IBB	-3.88%p
NVDA	3.88%p

Portfolio Events:

1. Fed Chair Powell's Policy Outlook – Cautious Stance on Rate Decisions Amid Policy Uncertainty

Fed Chair Jerome Powell stated on the 7th that the central bank will not rush into interest rate decisions until there is greater clarity regarding the Trump administration's policies. He emphasized the need to assess the net effects of changes in trade, immigration, fiscal, and regulatory policy. Powell noted that the current interest rate level is well-positioned to observe economic developments. Recent signs of slowing consumer spending and rising uncertainty have raised concerns that President Trump's tariff measures may trigger both inflationary pressures and economic deceleration simultaneously. Powell reassured that the Fed is closely monitoring inflation expectations and is prepared to ease policy if the labor market weakens more than expected or if inflation falls rapidly.

Major Rebalancing and Portfolio Changes

3.5 Mid Mar: Partial sale of VRT and additional purchase of NVDA

Tactical Rebalancing:

In mid-March, the portfolio underwent a targeted rebalancing involving a partial sale of Vertiv Holdings (VRT) and an increased allocation to NVIDIA Corporation (NVDA). This adjustment was made to enhance the portfolio's exposure to higher-quality growth while realizing gains from earlier positions and aligning sector exposures with forward-looking investment convictions.

Ticker	Weight Change
VRT	-1.13%p
NVDA	1.13%p

The decision to reduce the VRT position was driven by both valuation and risk management considerations. Although VRT had contributed positively to prior returns, it had reached levels where further upside appeared limited. Its high volatility, relatively cyclical business model, and valuation stretched by recent price appreciation made it a candidate for de-risking. Taking partial profits allowed the portfolio to lock in gains while reducing exposure to names more sensitive to macroeconomic uncertainty, particularly as interest rate expectations and industrial demand growth remained mixed.

The capital raised was strategically reallocated to NVDA, a long-term core holding that had underperformed in the short term but remains fundamentally strong. This rebalancing also improved the overall quality and thematic alignment of the portfolio. By increasing the weight of a high-visibility, secular growth stock like NVDA, the portfolio is better positioned to benefit from long-term technological tailwinds. Simultaneously, trimming exposure to more cyclical industrials like VRT reduces vulnerability to economic slowdowns. The trade effectively tilts the portfolio toward growth without meaningfully increasing concentration risk, as NVDA still represents a manageable share of total assets and is balanced by diversified ETF and fixed-income holdings.

Portfolio Events:

1. FOMC 4.25~4.50% (Forecast 4.25~4.5%, Previous 4.25~4.5%)

At the March FOMC meeting, the Fed unanimously decided to keep the federal funds rate unchanged at 4.50% and adjusted the pace of quantitative tightening (QT) by reducing the monthly cap on Treasury reinvestments from $25 billion to $5 billion. The Fed maintained a cautious policy stance, noting that while the economy and labor market remain solid, inflation continues to stay elevated. Although the year-end interest rate projection was unchanged, more committee members projected the upper end of the rate range. Inflation forecasts were revised upward, while growth projections were downgraded. In the statement, language referring to balancing policy objectives was removed, and references to heightened uncertainty were added. Chair Powell stated that tariffs are influencing inflation and emphasized that monetary policy will remain restrictive for the time being. As a result, the expected timing for rate cuts has been pushed back to September, and the projected number of cuts in 2024 has been reduced from three to two.

In the press conference, Chair Powell assessed that the US economy and labor market remain strong and resilient, although inflation is still somewhat elevated. He mentioned signs of recent softening in consumer spending and easing in labor market conditions. While long-term inflation expectations remain stable, short-term inflation is being partially affected by trade policy. The Fed emphasized that current monetary policy is appropriately restrictive and that a cautious approach is necessary given the high level of uncertainty. Unless inflation deviates significantly from the expected path, additional tightening is unlikely. Powell added that liquidity conditions and reserve levels in money markets are stable, and the decision to slow QT reflects a judgment that this is an appropriate time to adjust the pace—signaling a prolonged QT process. He also noted that the Fed will continue reducing its MBS (mortgage-backed securities) holdings and that there is no urgency to lower interest rates quickly.

Wall Street analysts interpreted the March FOMC meeting as presenting a somewhat ambiguous and stagflationary outlook. The Fed acknowledged increased economic uncertainty, and Chair Powell admitted that tariffs could delay the disinflation process. The combination of downgraded growth and upwardly revised inflation forecasts fueled stagflation concerns. Some analysts argued that by moderating the pace of QT, the Fed has effectively begun taking a more accommodative stance. The prevailing view is that the Fed will maintain a wait-and-see approach, keeping the door open for rate cuts later in the year, possibly after the summer.

Major Rebalancing and Portfolio Changes

3.6 Late Mar: Full sale of VRT, CLS and purchase of EWJV

Tactical Rebalancing:

In late March, the portfolio underwent a strategic rebalancing that involved a complete exit from Vertiv Holdings (VRT) and a new investment in the iShares MSCI Japan Value ETF (EWJV). The proceeds from the VRT sale were allocated to EWJV, which focuses on undervalued Japanese equities. This decision was based on the view that Japan's stock market is entering a phase of revaluation following major changes in the Bank of Japan's monetary policy. The recent interest rate hike, the removal of yield curve control, and the end of ETF purchases represent meaningful shifts in Japan's financial environment. These changes are expected to benefit sectors that are sensitive to interest rates and domestic economic growth. In addition, the recent wage negotiations in Japan resulted in the highest real wage increases since the 1990s, which supports industries such as banking, insurance, and consumer-related businesses. These sectors are well represented in EWJV's portfolio.

Ticker	Weight Change
VRT	-1.26%p
CLS	-1.30%p
EWJV	2.58%p

Investing in EWJV also helps improve regional diversification and reduce exposure to risks that are specific to the United States, including political uncertainty, continued monetary tightening, and the heavy concentration in the technology sector. Japan is still in the early stages of monetary policy normalization, and the yen remains undervalued when measured by real effective exchange rates. The relatively low valuations and high dividend yields of Japanese value stocks provide stability during periods of market volatility while offering potential for capital appreciation.

This portfolio adjustment reflects a long-term strategy rather than a short-term reaction. By selling a volatile mid-sized industrial company in the United States and investing in a developed market that is undergoing structural reforms and policy shifts, the portfolio aims to enhance both long-term return potential and stability.

Portfolio Events:

1. March S&P Global Manufacturing PMI 49.8 (Forecast 51.8, Previous 52.7)

After a temporary boost in factory output driven by tariffs during the first two months of the year, the manufacturing sector showed signs of contraction in March, leading to the first decline in the S&P Global Manufacturing PMI this year. The solid growth seen over the previous two months lost momentum as new order growth slowed and supplier delays eased, resulting in a drop in overall production for March. Concerns are mounting over the potential negative effects of upcoming policy measures such as federal spending cuts and tariff-related impacts, casting a shadow over the manufacturing outlook.

2. Building Permits / New Home Sales 676,000 (Forecast 680,000, Previous 664,000)

In February, new single-family home sales in the US rose by 1.8% month-over-month to 676,000 units. This represents a relatively solid trend, especially considering that January's figure was revised upward to 664,000. However, the result slightly missed the market forecast of 680,000 units, suggesting that the recovery remains limited. The rebound in sales appears to be supported by a decline in mortgage rates—from above 7% to around 6.65%—as well as unusually mild winter weather, which likely encouraged more site visits and slightly improved buyer sentiment. Nonetheless, many analysts remain cautious about calling this a broader housing market recovery. In fact, building permits, a leading indicator of future housing starts, fell 1.2% from the previous month, signaling possible supply-side constraints. Additionally, mutual tariffs set to take effect in April are being cited as another factor that could weigh on market sentiment. Amid a combination of persistent inflation pressures and growing concerns over economic slowdown, the sustainability of housing demand remains uncertain—especially as the consumer confidence index recently dropped to its lowest level in four years.

Major Rebalancing and Portfolio Changes

03

3.7 Early Apr: Full sale of CLS and partial sale of VIXY, followed by purchase of EWJV

Tactical Rebalancing:

As President Trump announced a 90-day reciprocal tariff suspension for all countries except China, the market rebounded like a compressed spring being released. The Nasdaq, in particular, surged by 12.1% in a single day, largely due to the strong rebound following a steep decline. The GAA team's stock portfolio, which is heavily focused on AI, rebounded significantly. At the same time, the FX portfolio, and VIX. If the uncertainty triggered by Trump fades and the market either enters a consolidation phase or begins a sustained rebound, a strategy to gradually buy ultra-short-term bond ETFs could be effective in further increasing the weight of the equity portfolio. However, given the ongoing high volatility in the short term, it is deemed prudent to maintain an 80:20 allocation ratio (stocks to FX/hedges), and to continue using the excess returns generated by VIXY within the FX portfolio to incrementally add to equities.

Ticker	Weight Change
CLS	-2.76%p
VIXY	-1.38%p
EWJV	1.81%p
NVDA	0.73%p
APP	1.37%p

By adjusting the allocation of VIXY, the total FX-related segment was brought to around 20%. CLS was fully sold, reducing the allocation to small-cap stocks to 0%. This move was made to resolve challenges posed by inflation and short-term volatility, and more importantly, to increase exposure to undervalued large-cap stocks. Part of the realized gains was used to purchase the Japanese value stock ETF, EWJV, with the remainder currently held in cash. As the market declines, we made plans to further buy Nvidia and the IGV ETF, which includes major software companies.

Portfolio Events:

1. US CPI(Core & Headline) - Core CPI YoY 2.8% (Forecast 3.0%, Previous 3.1%)

The US Core CPI fell 40 basis points YoY to 2.8%, driven by a 6.3% oil price drop and slower home price growth (4%, lowest since 2021), missing the Fed's 2% inflation target. March CPI rose 0.1% MoM, while Core CPI fell 0.1% due to declines in airfares, auto insurance, used cars, and leisure costs. Unaffected by April's tariff announcement, March indices showed limited volatility, with some firms stockpiling to delay tariff impacts. Tariff effects are expected from April, especially with a 125% tariff on Chinese imports likely to raise prices. Retaliatory tariff risks and expert predictions suggested March figures may be the lowest for a while, with rising inflation pressures and uncertainty ahead.

2. FOMC Minute Apr 9

In this meeting, the FOMC expressed growing concerns about heightened risks to the US economic outlook, driven by weaker-than-expected consumer spending and sentiment data, coupled with increased uncertainty surrounding trade policy developments. Investors appeared to be reacting to the possibility of a significant deterioration in the economic landscape, though the implied modal federal funds rate path from options markets showed little change, suggesting the baseline economic outlook remained largely intact. The TGA saw a substantial decline of nearly $300 billion since the debt issuance suspension was announced in January, leading to an increase in bank reserves by approximately $180 billion, with ON RRP balances also rising slightly. Reserves are expected to continue growing, except during tax payment periods, until the debt ceiling issue is resolved, at which point they could drop sharply as the TGA is replenished, risking reserves falling below levels deemed appropriate by the Committee. To address this, the manager suggested pausing or significantly slowing the pace of balance sheet runoff as a safeguard. Inflation has moderated considerably over the past two years but remains slightly above the Fed's 2% long-term target, with data for the first two months of 2025 exceeding expectations. Housing services inflation continued to ease, aligning with earlier slowdowns in market rents, but core non-housing services inflation, particularly in nonmarket services, remained elevated. A rise in core goods inflation was noted, largely attributed to expectations of higher tariffs. Announced or planned tariff increases were larger and more extensive than many business contacts anticipated, with some reporting cost increases, possibly in anticipation of rising tariffs, and a willingness to pass these onto consumers. However, longer-term inflation expectations remained well anchored, supporting the Committee's price stability objective. The labor market was assessed as broadly balanced, with a stable low unemployment rate and moderating nominal wage growth, suggesting it is unlikely to be a significant source of inflationary pressure in the near term.

Major Rebalancing and Portfolio Changes

3.8 Late Apr: Additional sale of VIXY and additional purchase of IGV and IAU

Ticker	Weight Change
VIXY	-0.86%p
IGV	1.05%p
IAU	0.55%p
FXY	0.31%p

Tactical Rebalancing:

Although US export controls on H20 GPUs remain in place, recent developments suggest that the two countries are increasingly entering into an open competition for AI dominance. Given this backdrop, it is reasonable to expect that neither side will take actions that would deliberately weaken their own AI capabilities.

In line with the previous portfolio rebalancing, a portion of VIXY was sold, and additional purchases were made in IGV and IAU. The decision to add IGV was based on expectations for US software companies to maintain a relative advantage amid tariff shocks and geopolitical competition. While large-cap companies are more globally exposed in terms of revenue compared to small- and mid-caps, they also tend to have lower import dependence. Therefore, the impact of Chinese tariffs on their cost structure is relatively limited. Additionally, productivity gains from hyperscalers actively adopting AI are expected to help protect margins.

The additional purchase of IAU reflects a bet on the relative weakness of the US dollar, in a similar vein to buying the Japanese yen. While the current macro and industry environment is reminiscent of the dot-com cycle, the most comparable period in terms of policy dynamics is the 1980s, when Japan rapidly emerged as a global economic power. The US is likely to pursue a second "Plaza Accord" through different mechanisms. While the dollar's status as the world's reserve currency is unlikely to be undermined by current volatility, we expect gold prices to rise in the short term as a result of the dollar's relative weakness.

Portfolio Events:

1. US Retail Sales(Mar) MoM 1.4% (Forecast 1.3%, Previous 0.2%)

According to the US Commerce Department, retail sales in March 2025 rose 1.4% month-over-month to $734.9 billion, a significant improvement from February's 0.2% increase. Compared to the previous year, sales grew by 4.6%, with a 4.1% increase for the January-March period, signaling a sustained consumer recovery.

By sector, retail sales in March 2025 showed varied growth. Auto and parts sales surged by 5.3% month-over-month, marking the largest increase, and rose 8.8% compared to the same period last year. Excluding autos and parts, retail sales increased by 0.5% month-over-month and 3.6% year-over-year. Retail sales excluding both gasoline and auto/parts grew by 0.8% month-over-month and 4.5% year-over-year. Experts attributed the surge to preemptive buying driven by anticipated tariff-related price hikes. Moreover, they saw little evidence of recession but noted that tariff-driven demand could delay rate cuts, sustaining upward pressure on interest rates.

2. US Industrial Production (Mar) MoM -0.3% (Forecast -0.2%, Previous 0.8%)

According to the Fed, the March 2025 industrial production index was 103.9, reflecting a 0.3% decline from the previous month. The February figure was revised upward from a 0.7% increase to a 0.8% increase. The Fed attributed the March decline to a 5.8% drop in the utilities index, driven by reduced energy demand due to higher-than-average temperatures in March compared to the same period in previous years.

3. Speech by Jerome Powell Apr 16

Jerome Powell stated that the scale of announced tariff increases is significantly larger than expected, warning that tariff policies could fuel inflation. He noted that tariffs are highly likely to cause at least a temporary rise in inflation, adding that data so far indicates that growth in the first quarter of this year has slowed compared to last year's robust pace. The Fed aims to avoid a recession while achieving its 2% inflation target. He cautioned, tariffs are likely to push us further from that goal for the remainder of the year, potentially creating a challenging scenario for achieving our dual mandate of maximum employment and price stability.

However, Powell indicated that the Fed would not rush to alter its monetary policy stance. He stated that US is in a good position to wait for greater clarity before adjusting our policy stance. The Fed continues to project two rate cuts this year.

Major Rebalancing and Portfolio Changes

3.9 Early May: Full Sale of XIVY, Raised Cash within the Portfolio

Ticker	Weight Change
VIXY	-1.31%p

Tactical Rebalancing:

Although the portfolio's overweight in large-cap stocks generated alpha, lower gains in IGV and declines in some hedging assets meant it did not outperform the benchmark. All VIXY holdings were sold, and about 11% of the portfolio is now held in cash or equivalents, including US short-term Treasury ETFs. Plans include reinvesting this cash into undervalued assets like IGV, US long-term Treasuries, or a 3x long leveraged Bitcoin position, while keeping overall crypto exposure below 5%. Future allocations will be determined based on the Fed's rate stance and upcoming earnings from rate-sensitive sectors.

Portfolio Events:

1. ISM Non-Manufacturing PMI 51.6 (Forecast 50.2, Previous 50.8)

ISM Non-Manufacturing PMI rose to 51.6 in April, indicating continued expansion. Business activity remained in expansion for the 59th consecutive month, although the pace slowed. New orders increased, with more companies sourcing and manufacturing domestically. However, employment contracted for the second straight month, though at a slower rate. Supplier deliveries slowed for the fifth month, and inventories continued to expand. Prices paid by service organizations climbed sharply, reaching the highest level since January 2023. Backlogs of orders and new export orders remained in contraction, while imports saw a significant decline, hitting a low not seen since June 2024. Respondents noted cautious business strategies amid policy uncertainty, tariff-related inventory adjustments, and continued demand fluctuations.

2. FOMC 4.25~4.5% (Forecast 4.25~4.5%, Previous 4.25~4.5%)

The Fed kept the benchmark interest rate unchanged at 4.25~4.5%. This marks three consecutive FOMC meetings where rates have remained steady. Although President Trump pressured for a rate cut, Chair Powell emphasized the economic uncertainty caused by Trump's tariffs. Powell warned, "The risks of higher unemployment and higher inflation appear to have risen, and we believe that the current stance of monetary policy leaves us well positioned to respond in a timely way to potential economic developments." This suggests that it is still unclear whether the Trump tariff policy will have a greater negative impact on prices or employment. At the March FOMC, the tariff effects were described as 'temporary' and a direct confrontation with Trump was avoided, but this time there was more concern expressed about the shock from tariffs. Regarding the direction of interest rates, Powell stated, "We don't feel like we need to be in a hurry. We feel like it's appropriate to be patient." signaling no intent to cut rates. As a result, expectations for a rate cut by the Fed in the first half of the year are fading.

Looking only at US economic indicators, the April unemployment rate was 4.2%, similar with right before Trump's election, and the PCE inflation rate in March was 2.3% year-over-year, which is not high, indicating a relatively stable situation for now. However, concerns over rising prices and economic deterioration persist. Consumers' one-year inflation expectations rose to 6.5% in April, the highest in 44 years, and the March unemployment expectation hit 44%, the highest since the onset of the COVID-19 pandemic in April 2020. With these indicators, many expect the Fed will decide the direction of interest rates after July 8, when the 90-day grace period for Trump's tariffs, which is expected to clear up some of the uncertainty.

3. Nonfarm business sector labor productivity (QoQ) 1.4% (Forecast -0.4%, Previous 1.7%)

Nonfarm business sector labor productivity in the first quarter fell by 0.8% from the previous quarter, marking the first decline since Q2 2022. This figure was slightly below the market expectation of -0.7%. During the same period, output decreased by 0.3% while hours worked increased by 0.6%, resulting in weaker productivity. This result could weigh on markets that had hoped for a moderation of wage cost driven inflationary pressures. The decline is attributed to higher corporate costs due to tariffs and uncertainty in trade and tax policy, which have negatively affected business investment. The Trump administration has used tariffs to promote trade fairness and revive manufacturing, but this has been cited as a contributing factor to the slowdown in productivity. US financial authorities view productivity gains driven by technological innovation, such as AI, as a key factor to suppress wage inflation.

However, on a year-over-year basis, productivity grew by 1.4%. Furthermore, as seen in the strong Q1 corporate earnings reported by FactSet and Chair Powell's remarks, there is a high possibility that Q1 GDP will be revised upward, suggesting that the current productivity figures may understate real productivity.

4. Palantir Earnings Call

Revenue $844M (YoY +55%,Forecast $864M, Beat)

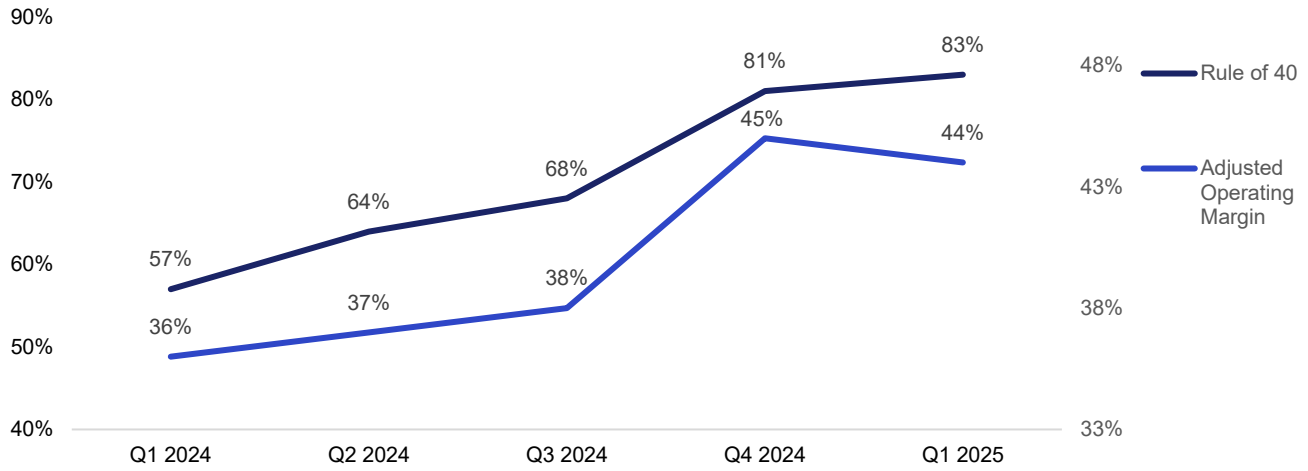
EPS $0.13 (Forecast $0.13, Match)

RDV $2.32B (YoY +127%)

TCV $810M (YoY +183%)

Rule of 40: 83%

Exhibit 34. PLTR Earnings



Source: Palantir Q1 Earnings Call

5. Applovin Earnings Call

Revenue $1.48B (YoY +40%, Forecast $1.38B, Beat)

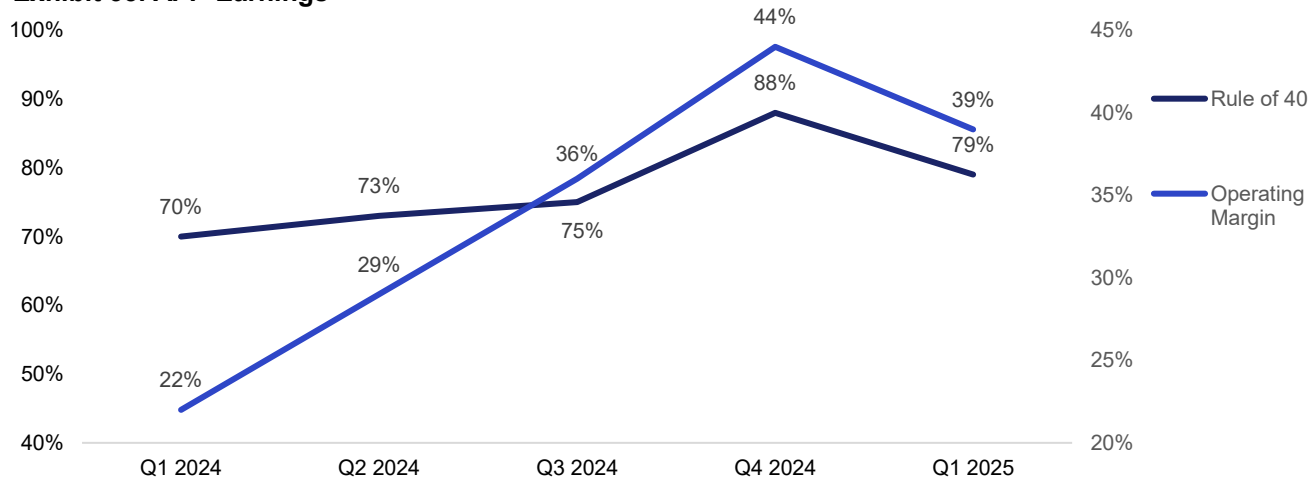
EPS $1.67 (YoY +144%, Forecast $1.45, Beat)

Advertising Revenue $1.16B (81% Margin, YoY +71%)

App Revenue $325M (19% Margin, YoY -14%)

Net income $576M (39% Net Margin, YoY +17%p)

Exhibit 35. APP Earnings



Source: Applovin Q1 Earnings Call

Major Rebalancing and Portfolio Changes

03

3.10 Late May: Partial Sale of SHV and Purchase of TLT and IGV

Ticker	Weight Change
SHV	-1.04%p
TLT	1.64%p
IGV	0.30%p

Tactical Rebalancing:

This week, the stock market began with a downgrade from Moody's and ended lower after digesting news of US tariff hikes on the EU. Despite the risk-off sentiment from falling equities, gold did not rise significantly, while the yen strengthened noticeably.

After selling all VIXY last week, proceeds along with funds from selling SHV were used to purchase TLT, especially as the 10-year and 30-year Treasury yields approached resistance levels of 4.7% and 5%. Additional TLT was bought around May 22 as yields were near resistance. As bond yields stabilized, about 1% more SHV was sold to further increase TLT holdings. In line with the hedging nature of these assets, the expectation is that demand for US Treasuries will naturally rise if recession fears increase, and the current environment suggests long-term Treasuries remain undervalued. Going forward, the plan is to continue increasing bond duration whenever long-term yields approach resistance or become significantly undervalued.

Portfolio Events:

1. Moody's Credit Ratings Downgrades US to Aa1 from Aaa

Moody's has downgraded the US government's credit rating from Aaa to Aa1, citing persistent large fiscal deficits and rising interest costs. This move strips the US of its last triple-A rating from a major agency, following similar downgrades by Fitch and S&P. Moody's warned that expanding budget deficits and higher borrowing needs will likely push interest rates up further over time, and noted that none of the current budget proposals would meaningfully reduce the fiscal gap. While the downgrade is not expected to cause immediate market turmoil, some investors warn it could increase US borrowing costs in the long run, further straining fiscal stability. Moody's still recognizes the US's exceptional economic strength and the dollar's global reserve status, but emphasizes that ongoing political gridlock and fiscal mismanagement are key risks to its credit outlook.

2. US 10-year TIPS Auction

On May 22, the US Treasury auctioned $18 billion of 10-year TIPS, which were awarded at a yield of 2.220%, in line with market expectations and up 28.5 basis points from the previous auction in March (1.935%). This marks the highest yield since 2009. The bid-to-cover ratio was 2.36, slightly higher than the previous 2.35 but just below the three-auction average of 2.39. The awarded yield was nearly identical to the when-issued yield, indicating the result matched market expectations. Indirect bidders, representing foreign demand, took 71.4% of the auction—up 4.0 percentage points from the prior auction and the highest since September 2023. Direct bidders took 16.7%, down 6.5%p, while primary dealers absorbed 11.9%, up 2.5%p.

3. Trump Threatens Fresh Tariffs on EU, iPhones and Rival Devices

President Trump has threatened to impose a 50% tariff on goods imported from the EU starting June 1, 2025, and a 25% tariff on iPhones and other smartphones made overseas, unless companies like Apple shift production to the US. This move is part of his effort to boost US manufacturing and counter what he claims are unfair EU trade practices, including VAT and regulatory barriers. The administration is also urging Apple to move semiconductor and component production to the US. However, experts point out that fully relocating iPhone manufacturing to America would be costly and difficult due to supply chain and infrastructure challenges. Many analysts view Trump’s tariff threats as a negotiation tactic rather than a definite policy.

Future Investment Plans

04

4.1. Possible Scenarios & Risks - Credit and Liquidity

Risk Scenario

Starting with heightened policy and political uncertainty, primarily stemming from Trump's evolving tariff policy and the ongoing negotiations around the federal budget and debt ceiling. This environment of uncertainty weighs heavily on business sentiment, consumer confidence, and the risk appetite of banks. In financial markets this signals expectations of slower growth and discouraging banks from extending new loans, particularly to companies exposed to tariffs and import-related risks. Instead, banks shift their portfolios towards government securities, especially short-term Treasuries, while credit standards tighten. The slowdown in bank lending, in turn, makes it more difficult for companies to finance inventories and ongoing operations. This dynamic leads to a freeze in new hiring and a reduction in capital expenditures, weakening the labor market not so much through widespread layoffs but rather by stalling the creation of new jobs, especially in sectors tied to goods movement and inventory management. Meanwhile, as the government approaches a potential debt ceiling deadline and prepares for a new round of large-scale Treasury issuance, the market's ability to absorb additional long-term debt comes into question. Liquidity stress could emerge, particularly if political negotiations remain unresolved, which might force the Fed to intervene with renewed quantitative easing to stabilize the market. Ultimately, these developments combine to significantly increase the risk of a broader economic slowdown or even recession in the second half of the year. This scenario shows uncertainty leads to credit tightening, which weakens the real economy, raises financial market fragility, and leaves policymakers with few effective tools to prevent further deterioration.

Past Cycle	
GFC	2007-2008
Dot-com	2000-2001

Investment Plans	
US Short-term Treasuries	Safe haven asset, preferred during economic downturns and rising uncertainty
Gold	Serves as an inflation hedge and performs well during systemic crises and after monetary easing
Defensive Equities	Lower earnings volatility and relatively resilient even in recessions

Source: GlobalData.TS Lombard: THE ARC OF GRWOTH BENDS WITH CREDIT
Ray Dailo: Paradigm Shifts

Future Investment Plans

4.2 Possible Scenarios & Risks - Inflation & Employment

Risk Scenario

The imposition of tariffs has triggered a broad wave of cost pressures across the US economy. By raising the prices of imported raw materials, intermediate goods, and finished products, these trade measures have significantly increased input costs for businesses. As a result, inflationary pressures have intensified, and consumer purchasing power has weakened amid ongoing global uncertainty. Consequently, companies are experiencing severe margin compression due to rising costs and weakening demand, leading to a broad pullback in hiring and investment. Inflation will surge and GDP growth will be downturn. Real consumer spending is in decline, and corporate earnings are under renewed pressure. Policymakers are caught in a credibility trap. Easing monetary policy too early risks unanchoring inflation expectations, but maintaining a tight stance exacerbates labor market damage. Market sentiment has deteriorated, long-term yields have risen amid inflation and fiscal concerns, and valuations have compressed in sectors that are particularly sensitive to interest rates. The result is a prolonged period of macroeconomic instability characterized by high inflation, weak growth, and worsening labor conditions mirroring aspects of the 1970s post-oil shock environment. Without structural reforms, the economy risks falling into a stagflationary trap that could erode real incomes and undermine investor confidence.

Past Cycle	
Oil-Crisis (1)	1973-1974
Oil-Crisis (2)	1979-1980

Investment Plans	
Gold	Acts as a safe-haven asset during periods of inflation, policy uncertainty, and geopolitical tension. Tends to benefit from a weakening USD and negative real rates.
Commodity	Offers broad inflation protection by capturing price gains in energy, metals, and agricultural products. Tends to outperform during late-cycle or stagflationary environments.

Source: Ray Dailo: Paradigm Shifts

Future Investment Plans

4.3 Possible Scenarios & Risks – GDP & Productivity

Risk Scenario

1. Earnings shock within the most highly valued growth stocks resulting in a breakdown in valuation multiples

Past Cycle	
Dot-com	2000-2001

The M7 companies now account for the highest-ever share of S&P 500 market capitalization, with aggregate earnings rivaling those of entire G7 countries. However, current earnings growth expectations seem excessively idealistic. According to Deutsche Bank, projected average annual growth rates for the next five years range from 9 to 22 percent, a pace rarely maintained in corporate history. Such high expectations make the market highly sensitive to even minor disappointments. If just a few of these companies report weaker-than-expected earnings, stock price declines could trigger broader market repricing and a deterioration in investor confidence, similar to what occurred during the dot-com bust. These mega-cap companies are now central to index performance and are widely held by both retail and institutional investors, so sharp declines in their valuations could significantly increase market volatility and cause negative wealth effects. This could spill over into other sectors, creating a feedback loop that amplifies equity market losses.

Investment Plans – Scenario 1	
Gold	Acts as a store of value during declining confidence in fiat currencies and heightened uncertainty; low correlation with stocks and bonds; enhances portfolio resilience in crises
High dividend value stocks	Provides stable and predictable cash flows when growth stocks underperform; historically outperformed tech stocks after previous bubbles
High-ROE, low-leverage, consistent profit value stocks, REITs	Strong financial quality, reliable dividends, and volatility protection.

Source: Deutsche Bank: Deeply seeking comparisons to 2000
Ray Dailo: Paradigm Shifts

2. Structural divergence between rising productivity and persistent inflation

In the second scenario, productivity increases across industries but inflation remains elevated due to strong aggregate demand, wage pressures, and ongoing supply constraints. Rapid investment in AI infrastructure, including greater demand for electricity, semiconductors, and cloud data centers, is pushing up input costs, while these pressures have not yet produced broad-based consumer benefits or reduced end-user prices. Persistent wage growth that outpaces productivity gains is contributing to rising unit labor costs, adding to underlying inflationary pressure. This structural imbalance limits the Fed's flexibility, making it difficult to lower interest rates even if economic growth slows. Higher and more persistent discount rates driven by inflation concerns could lead to downward repricing of growth stocks, particularly those with long-term cash flow projections in the technology sector. As a result, investor sentiment may weaken further, prompting a shift out of risk assets and into defensive sectors such as utilities, consumer staples, and high-quality bonds. This scenario is also likely to increase financial market volatility and make monetary policy less effective in supporting the recovery.

Past Cycle	
Dot-com	2000-2001

Investment Plans – Scenario 2	
Gold	Preserves purchasing power during periods of high inflation and declining real rates; effective hedge against central bank policy uncertainty
Commodities	Benefits from increased demand for energy and agriculture driven by AI and inflationary trends
Real Assets	Inflation-linked income models (rent escalations, logistics pass-through); provides cash flow stability
REITs, Infrastructure Funds, MLPs	Inflation hedge and income generation; cushioning effect during interest rate volatility
Value Stocks	Outperform in high-rate environments due to durable cash flows and solid balance sheets

Source: Deutsche Bank: Deeply seeking comparisons to 2000
Ray Dailo: Paradigm Shifts