Red Stone Balanced Fund

Quarterly Report as at 30 June 2026

Table of Contents

1. Market performance and comments from the asset manager

a. General performance

The second quarter of 2026 was characterised by a dramatic interplay between geopolitical escalation and de-escalation in the Middle East, as well as one of the strongest stock market rallies in years. The war between the US/Israel and Iran, which had been ongoing since 28 February, continued to dominate market events: a two-week ceasefire agreed on 8 April collapsed just a few days later due to the refusal to reopening of the Strait of Hormuz, whereupon the US imposed a naval blockade against Iran on 13 April. It was not until a Memorandum of Understanding, announced on 14 June and signed on 17 June, led to the reopening of the strait and a noticeable easing of tensions – although renewed tensions at the end of June highlighted the fragility of the ceasefire. The price of Brent crude oil accordingly went on a rollercoaster ride from US$120 at the start of the quarter back down to around US$73 by the end of the quarter.

Despite this uncertainty, global equity markets delivered a remarkable performance: the SCP 500 rose by 14.9% in the second quarter, whilst the Nasdaq Composite gained 21.4% – the strongest quarterly gains since the second quarter of 2020. The rally was driven by sustained enthusiasm for investments in artificial intelligence, strong corporate earnings (84 per cent of SCP 500 companies exceeded expectations in the first quarter) and easing fears of war. At the same time, the course of the quarter marked a turning point in monetary policy: both the US Federal Reserve, under its new chairman Kevin Warsh, and the ECB and the Bank of Japan signalled or implemented a more restrictive stance in June, as war-related rises in energy prices pushed up inflation expectations. At the end of June, there was finally a sharp correction in AI and semiconductor shares, triggered by valuation concerns and expectations of tighter monetary policy – a foretaste of the fragility of the underlying market breadth. Emerging markets saw divergent trends: whilst India and China struggled with slowing growth and currency pressures, Asian semiconductor manufacturers in Taiwan and South Korea benefited significantly from the AI investment cycle. Gold remained in demand amid geopolitical uncertainty, although ETF demand eased in June, whilst central banks continued to buy heavily, setting a record 289 tonnes in the second quarter.

USA

The US equity market recorded a historic recovery in the second quarter: following a weak first quarter, the S&P 500 rose by 10.4% in April and a further 5.2% in May, reaching an all-time high of 7,610 points on 2 June. For the quarter as a whole,
a gain of 14.9%, whilst the Nasdaq Composite rose by as much as 21.4% – driven primarily by technology and AI stocks.

In terms of monetary policy, the quarter was marked by a change of leadership at the Federal Reserve: on 13 May, the Senate confirmed Kevin Warsh as the new Fed Chair by the narrowest majority in the modern history of the office (54:45 votes) as the new Fed Chair. At its first meeting on 16–17 June, the committee unanimously left the key interest rate at 3.5–3.75 per cent, but removed the previous wording regarding future rate cuts and, in the 'dot plot', signalled for the first time
a majority in favour of interest rate rises by the end of the year, as core inflation (PCE) rose to 3.3 per cent. Long-term yields and the US Dollar Index reacted by firming accordingly.

On the trade front, the aftermath of the Supreme Court ruling of 20 February dominated the picture, according to which the President is not permitted to impose tariffs under the IEEPA. The government swiftly replaced the repealed tariffs with an import surcharge of 10–15 per cent
under Section 122 (temporarily valid until 24 July) and, on 2 April, by stricter Section 232 tariffs on steel, aluminium and copper, effective from 6 April. At the end of June, there was a sharp
correction in AI and semiconductor shares, triggered by valuation concerns, expectations of tighter Fed policy and profit-taking following nine weeks of uninterrupted gains.

Europe

European equity markets performed robustly overall in the second quarter, albeit with noticeable periods of nervousness due to the conflict in the Middle East. The broad STOXX Europe 600 index gained 10% over the quarter. The EURO STOXX 50 rose by 4.59% in June alone, as falling commodity prices and the apparent resolution of the Middle East conflict bolstered market sentiment.

On 11 June, the European Central Bank marked a turning point in monetary policy: for the first time since September 2023 – and following eight consecutive interest rate cuts between June 2024 and June 2025 – the Governing Council raised all three key interest rates by 25 basis points; bringing the deposit rate to 2.25%, effective from 17 June. President Christine Lagarde justified the move by citing the inflationary pressures triggered by the war in the Middle East: the ECB's staff projections
now forecasts headline inflation for 2026 at 3.0 per cent instead of the previous 2.6 per cent, whilst the growth forecast has been revised down to just 0.8 per cent. Lagarde also hinted at further possible interest rate moves.

On the security front, 22 April marked a turning point for Germany: Defence Minister Boris Pistorius presented 'Responsibility for Europe', Germany's first independent military strategy since the Second World War, coupled with the aim of

expand the active armed forces from 185,000 to 260,000 soldiers by the mid-2030s
. European rearmament continued to advance overall, supported by the EU's SAFE loan programme. Overall, Europe's economic performance was more subdued compared with that of the US, with falling purchasing managers' indices, though without the extreme volatility seen in US technology stocks.

Asia

China: China's economy lost significant momentum in the second quarter: according to the National Bureau of Statistics (NBS), gross domestic product grew by just 4.3 per cent year-on-year – down from 5.0 per cent in the first quarter and thus the weakest growth since the end of 2022. The figure fell short of both the expectations of 4.5 per cent and the lower limit of the
official annual target of 4.5–5.0 per cent. Growth for the first half of the year stood at 4.7%. Whilst exports rose by 27% in June (H1: +17.6%) thanks to robust demand for semiconductors and computer components – proving resilient despite disruptions to trade routes caused by the war in Iran – domestic demand remained weak:
urban fixed-asset investment fell by 5.7% in the first half of the year, weighed down by the
ongoing property crisis and subdued private consumption. Beijing responded with a new five-year plan to boost consumption, which aims to raise retail sales to around US$9 trillion by 2030; additional fiscal stimulus measures are expected in the second half of the year.

Japan: On 16 June, the Bank of Japan took a historic step: following a majority (7:1) decision to raise interest rates by 25 basis points to 1.0 per cent, the key interest rate reached its
highest level since 1995. This was triggered by the rise in energy prices caused by the Middle East conflict, which further fuelled inflation, which was already above the 2 per cent target. Despite the
interest rate rise, the Japanese yen remained under considerable downward pressure and traded at around 160 to the US dollar, after the Bank of Japan had already spent around 11.7 trillion yen (73.5 billion US dollars) on foreign exchange market interventions in May. The yield on ten-year Japanese government bonds rose to 2.615% following the decision. The
government of Prime Minister Sanae Takaichi, which had secured a two-thirds majority in the House of Representatives following a historic election victory in February, passed a
A supplementary budget of 3 trillion yen to cushion the impact of rising energy costs on households. The Nikkei 225 reacted moderately positively (+0.46%) to the interest rate decision, as the measure was seen as confirmation of economic normalisation.

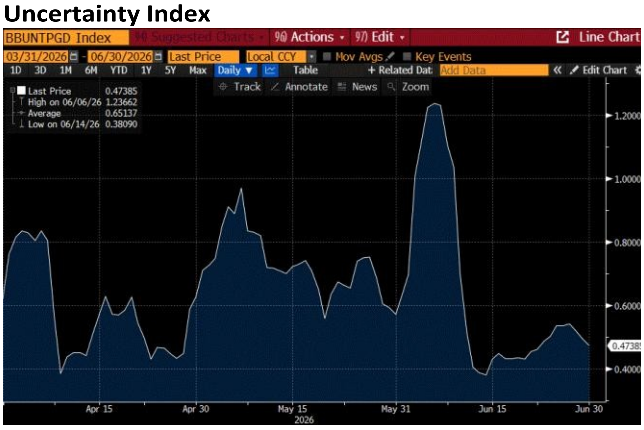
India: The Reserve Bank of India (RBI) left the key interest rate unchanged at 5.25% at its meetings on 8 April and 5 June, maintaining a neutral monetary policy stance. In view of the higher crude oil import costs caused by the conflict in the Middle East, the RBI lowered its
growth forecast for the 2027 financial year from 6.9% to 6.6% and raised the
inflation forecast to 5.1 per cent. The Indian rupee came under considerable depreciation pressure;

foreign exchange reserves fell from their peak of around 700 billion to 682 billion US dollars, after the RBI, according to Governor Sanjay Malhotra, had used an estimated 55 billion US dollars to prop up the currency during the course of the year. On 5 June, the central bank announced a six-point package to encourage capital inflows (including higher investment limits for non-resident Indians and expanded access for foreign investors to government bonds), following which the rupee recorded its strongest daily gain since April and rose to a monthly high of 94.94. Trade relations with the US had already eased in February with a reduction in tariffs from 25 per cent to 18 per cent.

Geopolitical developments in the second quarter of 2026

The following two charts illustrate how the geopolitical environment changed over the course of the second quarter of 2026.

Bloomberg Economics Global Trade Policy Uncertainty Index



Safe Haven Basket

USA

US domestic policy in the second quarter was largely shaped by the Fed leadership succession and the fallout from tariffs. After months of wrangling, on 13 May the Senate confirmed Kevin Warsh as the new Fed Chair by 54 votes to 45 – the narrowest majority in the history of the office; he succeeded Jerome Powell, who remained in office as a regular member of the Board of Governors. Following the Supreme Court ruling in February that IEEPA-based tariffs were unlawful, the government shifted its trade policy towards Section 122 and Section 232 instruments, including increased tariffs on steel, aluminium and copper from 6 April. In terms of foreign policy, Washington remained deeply involved in the Iran conflict, with a naval blockade against Iran from 13 April and an air campaign to reopen the Strait of Hormuz. In Venezuela, following the ousting of Nicolás Maduro in January, the US-backed transitional government under Delcy Rodríguez consolidated its position; in May, US

Marines demonstrated continued military engagement with an evacuation exercise in Caracas, whilst the oil sanctions against Venezuela were lifted.

Europe

In the second quarter, Europe responded to the ongoing geopolitical uncertainty by accelerating its security policy emancipation. Following the Greenland crisis, which was defused in January
crisis in January – during which the EU had, for the first time, threatened to use its new Anti-Coercion Instrument –
Germany presented 'Responsibility for Europe' on 22 April – its first independent military strategy since 1945 – with the aim of expanding its active armed forces to 260,000 soldiers. European rearmament continued to be financed through the EU's SAFE loan programme. In the Ukraine conflict, comprehensive peace negotiations failed to materialise; only brief humanitarian ceasefires at Easter (11 April) and on Russia's Victory Day (9–11 May), as well as prisoner exchanges, took place. On 4 June, President Zelenskyy addressed an open letter to President Putin proposing a direct meeting; on 7 June,
the UK, France and Germany jointly reaffirmed their support for direct dialogue, closely coordinated with Europe and the US.

Asia

The relationship between the US and China was at the centre of Asian geopolitics. At the summit between President Trump and State and Party Leader Xi Jinping from 13 to 17
May, the daily number of sorties by Chinese military aircraft around Taiwan fell noticeably – to an average of three compared with a half-yearly average of 7.5 – which suggested a
temporary easing of tensions in the Taiwan Strait; however, as early as 19 May, a major combat-readiness patrol by the Chinese
People's Liberation Army. In the trade dispute, the tariff truce – which had been renegotiated several times since May 2025 – held in principle, although both sides accused each other of breaches of the agreement, including over US export controls on semiconductors (Huawei) and Chinese restrictions on rare earths. The suspension of reciprocal tariffs was extended until 10 November 2026. Other regional flashpoints, by contrast, remained in the background during the quarter.

Middle East

The war between the US/Israel and Iran, which has been ongoing since 28 February, dominated the entire quarter. A two-week ceasefire agreed on 8 April, which
Israel, failed due to Iran's delayed reopening of the Strait of Hormuz; following the collapse of talks in Islamabad, the US subsequently imposed a
naval blockade against Iran and, from 19 March, conducted an air campaign (including 'Operation Project Freedom', 4–6 May) to forcibly open the strait. With Pakistani mediation, a Memorandum of Understanding was reached on 14 June, which was intended to formally

within 60 days; it was signed on 17 June and enabled the resumption of commercial shipping from 18 June, which, according to US Central Command, had already increased significantly by 20 June. The ceasefire remained fragile, however: at the end of June, tensions flared up again in Lebanon between Israel and Hezbollah, calling into question the sustainability of the agreement.

Conclusion

The second quarter of 2026 was characterised by the interplay between escalation and de-escalation in the Middle East, a monetary policy turning point (the Fed, ECB and BoJ tightening for the first time in years) and a historic, AI-driven share rally (S&P 500 +14.9 per cent), which culminated in a sharp correction at the end of June. China and India struggled with slowing growth and currency pressures, whilst in Europe and the US, a reorientation of security policy was set against the backdrop of robust markets.

b. Comment from the asset manager

Equity markets

Global equity markets experienced an extraordinary recovery in the second quarter of 2026, which ranked among the strongest of recent years in terms of both breadth and speed. Following a first quarter marked by the escalation of the Middle East conflict, sentiment began to turn as early as April, when the first signs of a ceasefire emerged and the earnings season delivered strong profit surprises. Led by US technology stocks and the unbroken investment cycle surrounding artificial intelligence, numerous leading indices – from the SCP 500 and the STOXX 600 to the Nikkei 225, Kospi and Taiex – reached new record highs over the course of the quarter. At the same time, the rally remained fragile: increasing concentration on a handful of large corporations, a more restrictive tone from the major central banks and a historic surge in IPOs triggered a sharp, albeit brief, correction in AI and semiconductor stocks at the end of June.

USA

The US equity market delivered one of its strongest performances in recent years during the second quarter. The S&P 500 rose by 14.9 per cent, whilst the Nasdaq Composite gained as much as 21.4 per cent – the highest quarterly gains since the second quarter of 2020; the Dow Jones gained 12.9 per cent and thus recorded its best quarter since the end of 2022. For the first half of the year, this resulted in gains of 9.6% (SCP 500), just under 13% (Nasdaq) and 8.9% for the Dow Jones (the best first half-year since 2021); the small-cap Russell 2000 gained almost 22% – its best first half-year since 1991. The market capitalisation of the S&P 500 rose by 8.74 trillion US dollars to over 67 trillion US dollars in the quarter alone, with the ten largest constituents accounting for 36.5 per cent of the total index capitalisation – a sign of the market's increasing concentration on a handful of technology giants.

The rally was driven by a strong earnings season: 84 per cent of SCP 500 companies beat earnings expectations in the first quarter, the best beat rate since 2021.

Europe

European equity markets also performed robustly in the second quarter, albeit with noticeable bouts of nervousness stemming from the conflict in the Middle East. The broad-based STOXX Europe 600 gained 9.7% over the quarter. Among the national indices, the German DAX led the way, whilst Italian shares benefited from a wave of mergers in the banking sector; the UK's FTSE 100 lagged behind due to fiscal concerns. The EURO STOXX 50 rose by 4.59% in June alone, buoyed by falling commodity prices and the apparent resolution of the Middle East conflict; implied volatility (VSTOXX) fell significantly over the course of the month as investors increasingly discounted geopolitical risk.

Overall, Europe's economic performance was more subdued compared with the US, with declining purchasing managers' indices, but without the extreme volatility seen in US technology stocks.

Asia

Asian equity markets (excluding Japan) presented a highly heterogeneous. In Hong Kong, the Hang Seng Index recovered rapidly after a weak March (–6.9% following the escalation in the Middle East) and rose by over 2% on some trading days in April.

The biggest movements were seen in South Korea and Taiwan, both of which are heavily focused on the global AI semiconductor cycle: by the end of May, the Korean Kospi had risen by around 90% since the start of the year, but plummeted by around 10% on 8 June following a disappointing revenue forecast from Broadcom and a record volume of leveraged retail positions (37.74 trillion won), triggering a trading halt. The Taiex stood at 46,125.91 points at the end of the first half of the year, an increase of just under 60% since the start of the year;
TSMC gained around 55%, whilst MediaTek rose by nearly 200%. Taiwan thus overtook India during the quarter to become the world's fifth-largest stock market. The high concentration – TSMC accounts for over 40% of the Taiex, whilst Samsung and SK Hynix together make up around 42% of the Kospi – highlights both markets' dependence on a small number of AI semiconductor stocks.

Japan

The Japanese stock market was among the strongest globally in the second quarter. The Nikkei posted the best performance of the major global indices, ahead even of the AI-driven Nasdaq. The rally was driven by semiconductor equipment and component stocks such as Tokyo Electron, Advantest, Lasertec and Kioxia, as well as by the technology conglomerate SoftBank.

The Bank of Japan's interest rate decision on 16 June (a rise to 1.0 per cent, the highest level since 1995) was interpreted by the market as confirmation of economic normalisation and did not trigger a sustained sell-off. At the end of the quarter, the index gave back some of its June gains in the wake of the global AI correction, but remained well above the levels seen at the start of the year.

Key macroeconomic factors

Monetary policy

The second quarter of 2026 marked a remarkable convergence in monetary policy: for the first time in years, several major central banks simultaneously tightened their rhetoric or policy, as war-induced higher energy prices pushed up inflation expectations worldwide
. In the US, on 13 May, the Senate confirmed, by the narrowest majority in history (54:45), confirmed Kevin Warsh as the new Fed Chair; at its first meeting on 16–17 June, the FOMC left the key interest rate at 3.5–3.75 per cent, but removed the wording regarding future rate cuts and, in the dot plot, signalled for the first time that a majority favoured interest rate rises. On 11 June, the European Central Bank implemented its first interest rate rise since September 2023 (deposit rate +25 basis points to 2.25 per cent). The Bank of Japan raised its key interest rate to 1.0% on 16 June, the highest level since 1995. Only the Reserve Bank of India (RBI) maintained its neutral stance and left the key interest rate unchanged at 5.25% at its meetings on 8 April and 5 June unchanged at 5.25%. For the equity markets, this synchronised shift in policy meant rising discount rates for growth stocks – a negative factor that became particularly apparent during the correction at the end of June.

Inflation

Inflation rose in most major economies in the second quarter, driven primarily by the war-induced rise in energy prices. In the US, consumer price inflation rose to 3.8% in April, whilst the Fed's preferred core measure (PCE) rose to 3.3%; the Fed's updated projections now forecast PCE inflation at 3.6% by year-end (previously 2.7%). In the eurozone, the ECB revised its inflation forecast for 2026 from 2.6% to 3.0%. In Japan, core inflation remained above the Bank of Japan's 2% target, whilst India raised its inflation forecast for the 2027 financial year to 5.1%. A stark contrast was evident in China, where weak domestic demand and the ongoing property crisis tended to favour deflationary trends. For the equity markets, rising inflation in Western economies meant higher expectations for real interest rates and thus a tendency for headwinds for highly valued growth stocks, even though this effect was overshadowed by earnings and AI euphoria during the quarter under review.

Trade policy

Global trade policy remained characterised by considerable uncertainty in the second quarter. Following the US Supreme Court's ruling on 20 February, which held that the President may not impose tariffs under the IEEPA, the US government shifted its tariff policy to Section 122 (import surcharge of 10–15 per cent, valid until 24 July) and Section 232 instruments, including tighter tariffs on steel, aluminium and copper from 6 April – with direct cost implications for import-dependent industrial companies and their profit margin outlook. In relation to China

, the tariff truce – which had been renegotiated several times since May 2025 – remained in place in principle; the suspension of reciprocal tariffs was extended until 10 November 2026, although both sides accused each other of breaches of the agreement, including over US export controls on semiconductors. The reduction in US tariffs on Indian goods from 25 per cent to 18 per cent, agreed in February, supported Indian export figures during the reporting period. For the stock markets, trade policy thus remained a source of uncertainty, affecting in particular cyclical and export-oriented sectors, even though it took a back seat to geopolitical and monetary policy issues as the quarter progressed.

Notable market movements and trends

The second quarter of 2026 was characterised by a historic boom in the primary market: on 12 June, SpaceX went public on the Nasdaq under the ticker symbol SPCX, raising around US$75 billion – the largest initial public offering in history, with a valuation of around US$1.7 trillion at listing and a 19% rise in share price on the first day of trading. Driven by this major deal, global IPO proceeds for the quarter reached around US$154 billion (331 transactions, up 242% on the previous quarter); in the US alone, according to Renaissance Capital, around US$104.8 billion was raised, with the Renaissance IPO Index rising by 42% during the quarter – almost three times as much as the SCP 500. Even away from the spotlight, the pipeline remained full: both Anthropic and OpenAI filed confidential prospectuses during the reporting period.

At the same time, the quarter revealed growing concentration and the associated fragility: the ten largest SCP 500 constituents accounted for 36.5 per cent of the index's market capitalisation, TSMC over 40 per cent of the Taiex and Samsung/SK Hynix together 42 per cent of the Kospi. This concentration on AI and semiconductor stocks manifested itself in two sharp but brief corrections: the KOSPI slump on 8 June (–10%, trading halt) and the broader semiconductor correction at the end of June. In the gold market, demand from central banks remained consistently high at a record 289 tonnes for the quarter, whilst private ETF investors sold a net total of 74 tonnes in June and the price traded around 8 per cent below the first quarter's record high – an indication that, following the easing of tensions in the Middle East, some 'safe-haven' capital had shifted back into risk assets.

Conclusion

The second quarter of 2026 was characterised by one of the strongest yet most fragile stock market rallies of recent years. Buoyed by easing fears of war, a strong earnings season and unabated AI euphoria, the S&P 500, Nasdaq, Nikkei, Kospi and Taiex reached new record highs; the historic SpaceX IPO underscored investors' appetite for risk. At the same time, in June, the Fed, the ECB and the Bank of Japan began, for the first time in years, to adopt a more restrictive stance for the first time in years, as war-driven higher energy prices fuelled inflation worldwide. The growing concentration on a handful of AI and semiconductor stocks

proved to be a weak spot at the end of June: the Kospi's slump on 8 June and the broader technology correction showed how quickly sentiment can shift when valuations,
Interest rate expectations and geopolitical risk came under pressure at the same time. There was a marked regional divide: robust earnings in the US, Europe, Taiwan and South Korea
were offset by a noticeable slowdown in growth in China, as well as currency and interest rate pressures in Japan and India. For the coming quarters, the key question remains whether corporate profits can continue to justify the high valuations and how
sustainable the ceasefire in the Middle East actually is.

Country	**Index**	**ID**	**Change in % in local currencies**
South Korea	KOSPI	KOSPI	67.77
Japan	Nikkei 225	NKY	37.21
USA	SCP 500	SPX	14.87
China	CSI 300	SHSZ300	11.90
Switzerland	Swiss Market Index	SMI	11.09
Germany	DAX	DAX	10.21
France	CAC 40	CAC	7.51
Australia	SCP ASX 200	AS51	3.50
England	FTSE 100	UKX	3.15

Bond markets

The second quarter of 2026 was characterised by ongoing tensions in the Middle East, volatile energy prices and diverging monetary policies among the major central banks. Whilst the ECB raised its key interest rate by 25 basis points, the Fed left interest rates unchanged. The
Government bond markets were particularly influenced over the course of the quarter by concerns about potential disruptions to energy supplies as a result of the crisis in the Strait of Hormuz. Consequently, government bond yields initially rose sharply, as higher oil prices fuelled inflation fears. Towards the end of the quarter,
government bond yields retreated from at least part of this rise after progress in talks between the US and Iran eased fears of longer-term
supply disruptions. US Treasury yields nevertheless ended the second quarter at a higher level than at the start of the reporting period.

Despite this challenging environment, investors' appetite for risk improved noticeably over the course of the quarter. Attention increasingly turned to the resilience of the global economy and the solid fundamentals of many
companies. Against this backdrop, the global
corporate bond markets posted positive returns. The investment-grade bond market yielded 0.8%, whilst the high-yield bond market rose by 2.7%. The stronger performance of the high-yield segment reflected investors' growing willingness to take on higher credit risks.

At the same time, credit spreads narrowed in both segments. Whilst spreads in the investment-grade segment narrowed by 15bps, risk premiums in the
high-yield market fell by 62 basis points. This development points to improved market sentiment and increased investor confidence in the creditworthiness of corporate issuers.

Index	**Currency**	**ID**	**Total Return**	**Credit spreads +/- bps**
Bloomberg Global Aggregate IG Bond Index (Hedged)	CHF	LGCPTRCH	0.80%	-15
Bloomberg Global High Yield Bond Index Hedged	CHF	H00039CH	2.70%	-62

Commodities

Markets Summary

Throughout the second quarter of 2026, global commodities markets were almost entirely dominated by the war between the US/Israel and Iran, as well as the associated crisis in the Strait of Hormuz. Whilst the oil market experienced an unprecedented rollercoaster ride characterised by a collapse in supply and a rapid recovery, industrial metals – led by copper – followed a largely independent trajectory, driven by US trade policy (Section 232 tariffs) and structural supply shortages in Chile. Following its record high in the first quarter, gold consolidated at a high but slightly declining level, as the easing geopolitical risk premium and rising real interest rates channelled some of the 'safe-haven' capital back into equities . Overall, this resulted in a commodities sector that moved less in unison than usual, but was driven simultaneously by three largely independent factors – military conflict, trade policy and interest rate expectations – all at the same time.

Crude Oil: Supply

Side

The supply side of the oil market in the second quarter was characterised by a historic slump and an equally rapid recovery. Following the closure of the Strait of Hormuz,
According to the International Energy Agency (IEA), global oil production fell by a further 1.8 million barrels per day (b/d) in April to 95.1 million b/d – the cumulative losses since the start of the war at the end of February totalled 12.8 million b/d; production in the Gulf states stood at around 14.4 million b/d below pre-war levels. In May, global output fell again to 94.5 million b/d. Total OPEC+ production plummeted from 42.77 million b/d in February to 33.19 million b/d in April. The seven leading OPEC+ producers (following the UAE's surprise withdrawal in May) nevertheless agreed to monthly quota increases of 188,000 b/d each for April, May and June – a largely symbolic gesture, as numerous members were
quotas even before the crisis: Saudi Arabia's quota rose to 10.291 million b/d in June, whilst actual output in March stood at just 7.76 million b/d.
It was only with the ceasefire and the gradual reopening of the Strait of Hormuz from 17–18 June that production recovered significantly: According to the IEA, global supply jumped by 4.1 million b/d to 98.8 million b/d in June. Nevertheless, in its June report, the IEA forecast a decline in supply of 3.9 million b/d for 2026 as a whole, to an average of 102.4 million b/d.

Demand side

The demand side was also profoundly affected by the war. In its May report, the IEA revised down its forecast for global oil demand growth in 2026 to a decline of

420,000 b/d compared with the previous year (to 104 million b/d) – 1.3 million b/d lower than expected before
the start of the war; for the second quarter alone, a year-on-year slump in demand of 2.4–2.45 million b/d was estimated (of which around 930,000 b/d came from OECD countries and 1.5 million b/d from non-OECD countries). In its June report, the IEA revised the forecast downwards again significantly downwards: a decline of 1.1 million b/d is now expected for the year as a whole (700,000 b/d lower than in the May report), after supplies in the second quarter
an estimated 5 million b/d compared with the previous year – a consequence of high fuel prices and disrupted product availability. The sectors hardest hit were the
petrochemical and aviation sectors; in some countries particularly affected by the crisis
, active cost-saving measures such as price controls or reduced working weeks were also implemented at times. According to the IEA, a noticeable recovery in demand is not expected until the third quarter of 2026 and will not be fully realised until 2027 (+2 million b/d).

Stocks

Global oil stocks came under considerable downward pressure in the second quarter. In the US, commercial crude oil stocks (excluding the Strategic Petroleum Reserve) fell to 433.7 million barrels by the end of May – a decline of 8.0 million barrels in just one week and around 3 per cent below the five-year average. At the same time, the Strategic Petroleum Reserve (SPR) fell by a further 8.0 million barrels to 357.1 million barrels; combined commercial and strategic stocks had thus already lost around 90 million barrels since their most recent peak. In its reports, the IEA described global commercial oil stocks as 'shrinking very rapidly
shrinking', with supply coverage in some places now measured in weeks rather than months
. The US Strategic Reserve offered an increasingly limited buffer, as it had already been structurally weakened by earlier releases – a vulnerability that proved particularly critical in the face of a concurrent geopolitical shock. It was only with the
reopening of the Strait of Hormuz towards the end of June did the downward trend in stock levels begin to stabilise, as more crude oil found its way back into global trade flows.

Copper

In the second quarter, the copper market developed largely independently of the oil market and was driven primarily by US trade policy and supply disruptions in Chile. The
COMEX futures contract reached a record high of US$6.65 per pound (around US$13,650 per tonne on an LME basis) on 13 May; since the start of the year, the COMEX
copper price had thus been around 33.9% higher than in the same period of the previous year. At the centre of
market activity was the ongoing Section 232 investigation into copper imports: at the end of June, the US government finalised a two-tier tariff structure under which refined copper cathodes
were initially exempt from tariffs, whilst processed and semi-finished
copper products were subject to rates of up to 50 per cent. This prospect triggered an
wave of unprecedented pull-forward demand: US imports of unprocessed refined copper

averaged 140,000 tonnes per month (January 2025 to May 2026), almost double the previous year's level, whilst COMEX stocks rose to a record high of around 650,000 tonnes and stocks outside the US on the LME fell to a
three-month low of 352,100 tonnes.

Furthermore, production shortfalls in Chile, the world's largest copper producer, exacerbated the situation: the country's production fell by 9.04 per cent year-on-year in March 2026, with Codelco (–10 per cent), Escondida (–15.75 per cent) and Collahuasi (–10.8 per cent) were affected more severely than average. Major banks adjusted their forecasts for the global supply deficit in 2026 accordingly: Morgan Stanley expects a deficit of 600,000 tonnes – the largest in over 20 years – whilst J.P. Morgan forecasts 330,000 tonnes; the International Copper Study Group
revised its forecast from a surplus of 209,000 tonnes (October 2025) to a deficit of 150,000 tonnes (May 2026).

Gold

Following the record high of the first quarter, the gold price consolidated in the second quarter at a historically high but slightly lower level: according to the World Gold Council, the average quarterly price was around 8 per cent below the first-quarter record, but
still 37% above the previous year's figure. Global demand for gold remained virtually unchanged at 1,269 tonnes for the quarter; for the first half of the year, demand totalled 2,522 tonnes, representing a 2% increase on the previous year and a record high of around 380 billion US dollars.
Central banks purchased 289 tonnes in the second quarter – a record for a second quarter – marking a significant recovery from the weaker buying activity seen in the first quarter.
By contrast, gold ETFs came under selling pressure: following net outflows of 45 tonnes for the quarter as a whole, outflows of 74 tonnes occurred in June alone, as rising interest rate and inflation expectations in the US, along with a stronger dollar, diminished the appeal of the non-interest-bearing precious metal. Demand for bars and coins remained stable at 307 tonnes, returning to a more normal level after two exceptionally strong quarters, whilst jewellery demand slumped by 17 per cent to 278 tonnes in the face of high prices – in China (down 28 per cent to 50 tonnes) it was at its weakest since the second quarter of 2004
, and in India it fell by 15 per cent to 75 tonnes. Overall, these developments suggested that, with the easing of tensions in the Middle East and the simultaneous stock market rally, some of the 'safe-haven' capital was shifting back towards riskier assets.

Conclusion

Commodity markets in the second quarter of 2026 were shaped by three largely independent forces: the war-induced supply shock and the subsequent rapid recovery in the oil market; a structural supply deficit in copper, exacerbated by US tariff policy; and a consolidation of the gold price at a high level following a decline in safe-haven demand. For all three markets, the sustainability of the ceasefire in the Middle East remains the key risk factor for the third quarter.

Commodities	**Currency**	**ID**	**Change in % in US dollars**
Copper (LME)	USD	LP1	8.81
Gold	USD	XAU	-14.41
Silver	USD	XAG	-22 April
ICE Brent crude oil	USD	CO1	-38.39

Currency 1	**Currency 2**	**ID**	**Change in %**
USD	JPY	USDJPY	2.41
USD	EUR	USDEUR	1.14
USD	CHF	USDCHF	1.11
EUR	CHF	EURCHF	-0.05

Changes in currency pairs are always viewed from the perspective of the first currency in the pair. For example: USD versus EUR -5%, i.e. the US dollar has weakened by 5% against the euro.

2. Analyses

a. Net performance in %

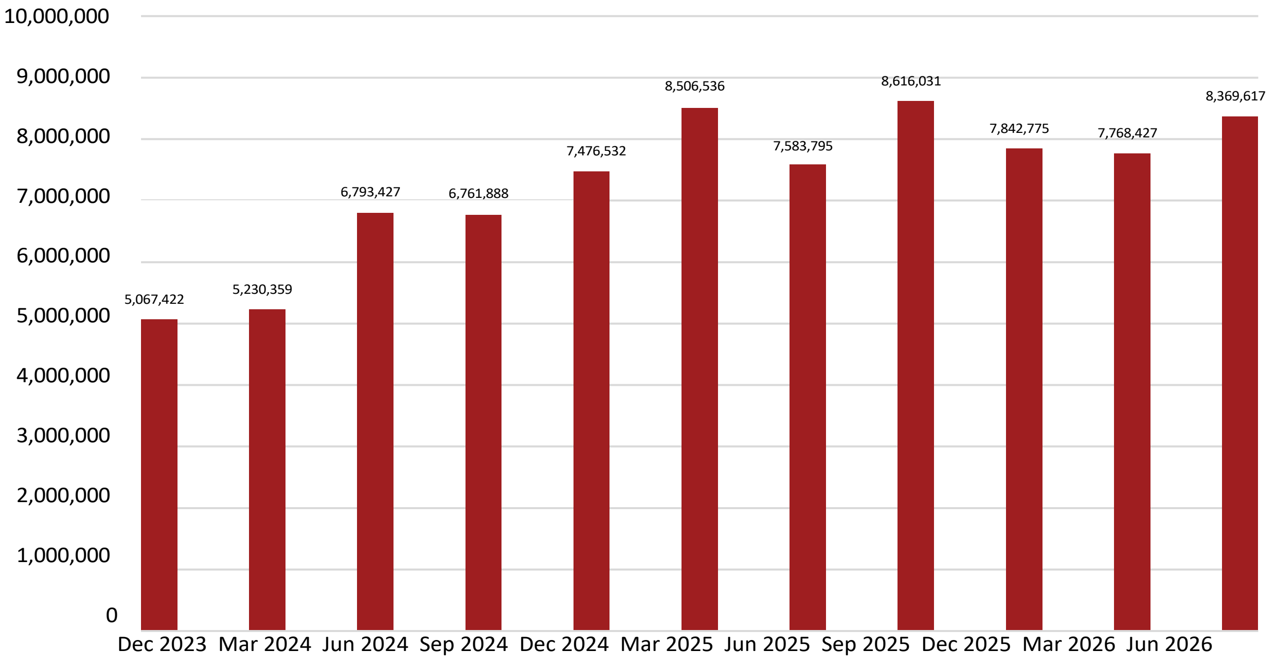
Share class	Quarter	Current Year	since inception	Reference date
Red Stone Balanced CHF*	1.13	1.15	4.95	30 June
Red Stone Balanced EUR	1.56	1.87	15.42	30 June
Red Stone Balanced JPY**	1.24	1.21	9.26	30 June
Red Stone Balanced USD	2.04	2.67	22.38	30 June

*The CHF share class was launched on 28 March 2024.
**The JPY share class was suspended in July 2026.

b. Performance of the fund's assets

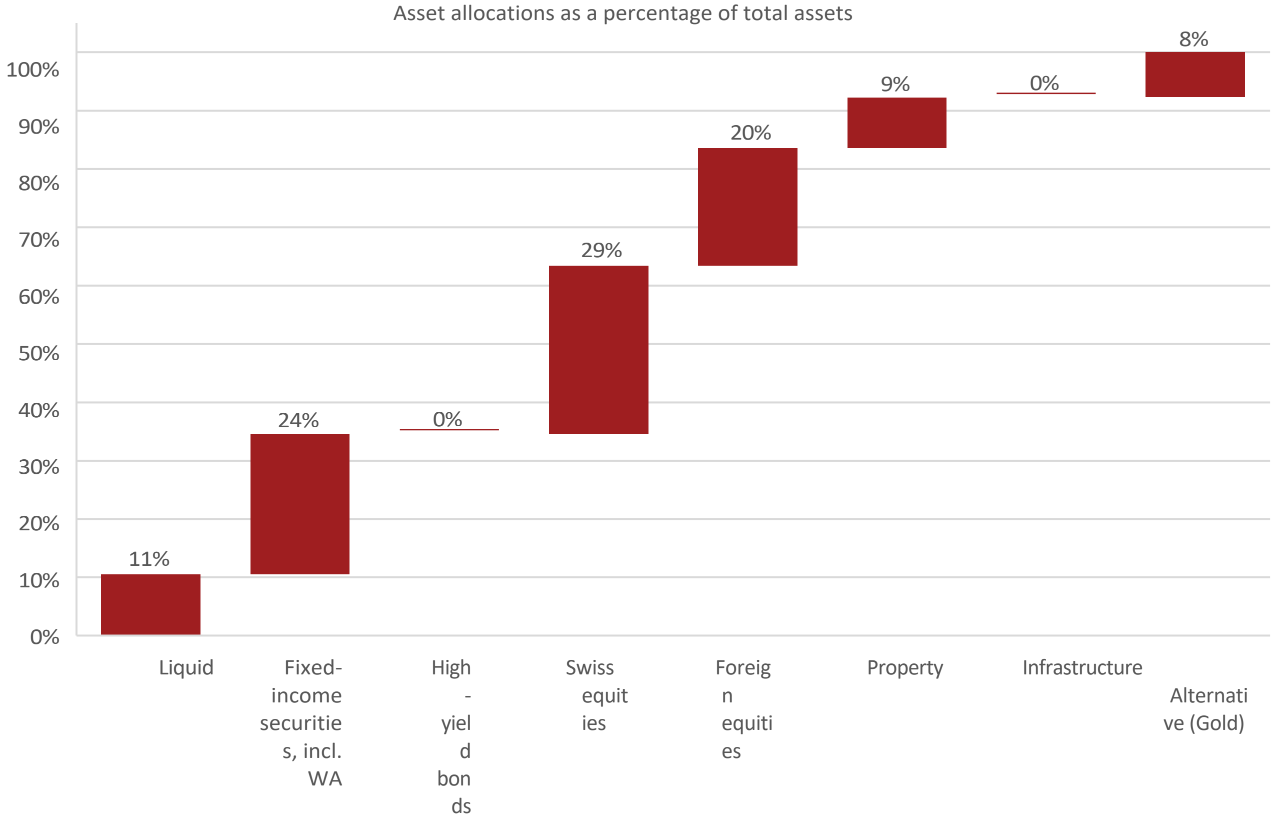
Taking into account performance, as well as subscriptions and redemptions of units, the fund's assets changed from CHF 7,768,427 to CHF 8,369,617 during the reporting period, representing a decrease of 8%.

Performance of the fund's assets in CHF



c. Asset allocation

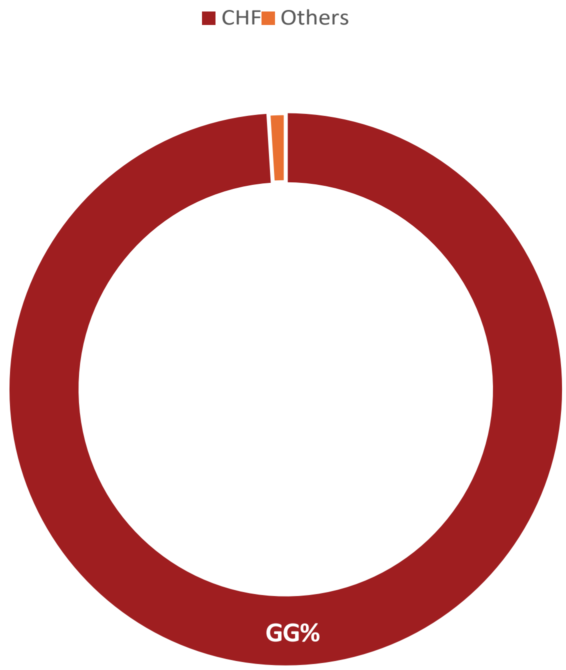
As at the reference date, the asset allocations are as follows:



d. Overview of the 10 largest positions

	Description	Asset class	As a % of total assets
1	Liquidity CHF	Cash	11
2	UBS MSCI World ETF	Global equities	9.5
3	Fundamenta Real Estate	Property	8.4
4	iShares Physical Gold ETC	Alternative	8.2
5	Sandoz	Swiss equities	2.3
6	Roche PS	Swiss equities	2.1
7	Novartis	Swiss equities	1.3
8	Ypsomed	Swiss equities	1.2
9	Bachem	Swiss equities	1.2
10	Nestlé	Swiss equities	1.1

e. Currency allocations



3. Compliance

a. Target allocation monitoring in %

Asset class	of total assets	Target allocation	Delta Allocation target ratio
Liquidity	11	1	10
Foreign currency bonds (including WA)	24	24	0
High-yield bonds	0	5	-5
Swiss equities	29	30	-1
Foreign equities	20	20	0
Property	9	10	-1
Infrastructure	0	5	-5
Alternative investments (gold)	8	5	3

b. Range control in %

Investment category	Lower Range as a % of total capital	Upper Range as a % of total capital	Comment
Liquidity	0	45	Range maintained
Foreign currency bonds (including convertible bonds)	0	35	Range maintained
High-yield bonds	0	10	Range maintained
Swiss equities	10	40	Range maintained
Foreign equities	10	30	Range maintained
Property	0	15	Range maintained
Infrastructure	0	10	Range maintained
Alternative investments (gold)	0	10	Range maintained

c. Compliance with investment guidelines

As at the reporting date, all investment guidelines have been complied with.

12 August 2026, Valex Capital AG