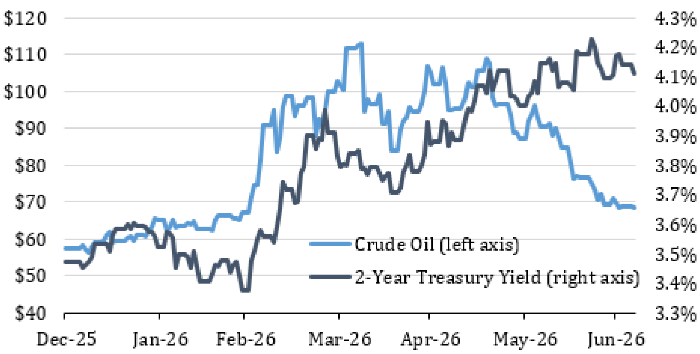
GLOBAL MARKETS

ABS GLOBAL INVESTMENTS

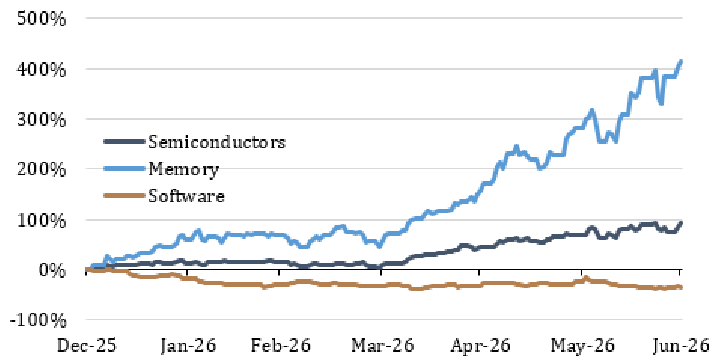
MIDDLE EAST DE-ESCALATION AND AI DIVERGENCE Q2

Throughout the second quarter, the US and Iran held multiple rounds of negotiations aimed at ending military operations and reopening the Strait of Hormuz. The talks did not produce a final agreement, but growing optimism that the conflict would soon end had two effects: traffic through the Strait began to recover (though it stayed below pre-war levels), and crude oil prices fell approximately 30%. Market leadership shifted meaningfully from Q1 to Q2, as investors rotated out of energy and defensives into AI and growth. Even as oil prices fell and technology rebounded, investors grew increasingly concerned about inflation, which pushed shorter-duration Treasury yields above 4% for the first time since early 2025.

Rate Hike Expectations Remain High 2026 YTD

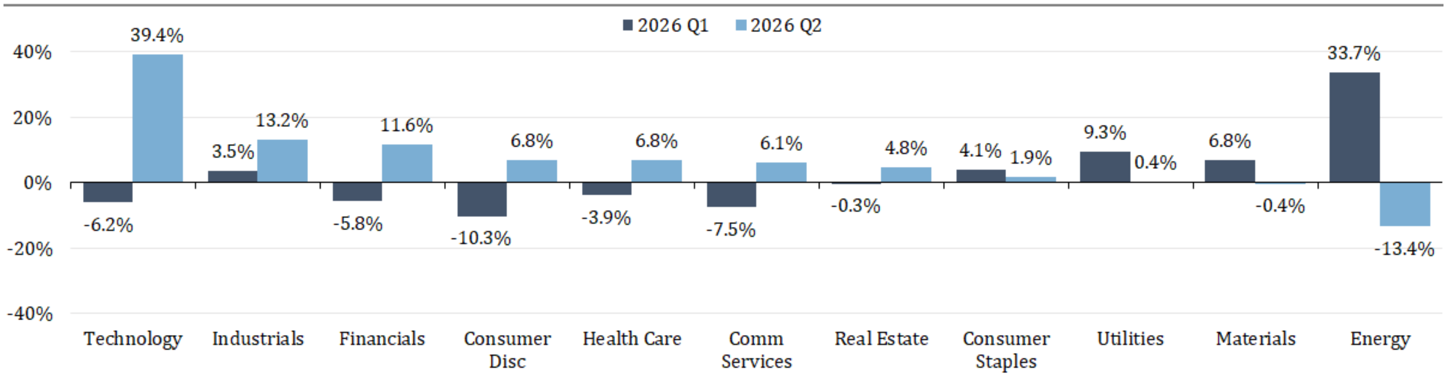


Hardware and Software Performance Divergence 2026 YTD



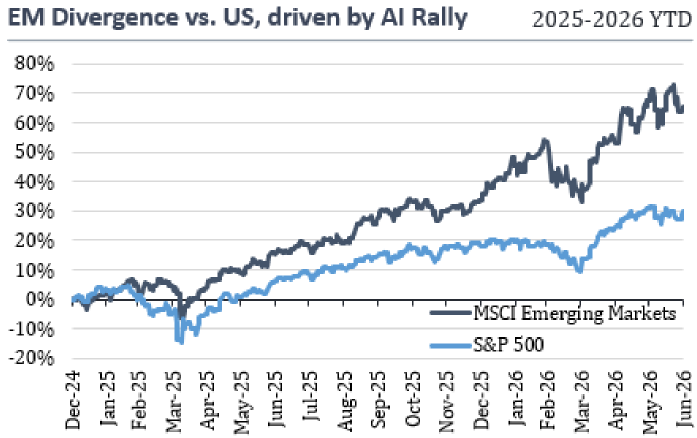
The primary theme in Q2 was enthusiasm around AI infrastructure. Strong global demand for AI data centers drove semiconductor stocks higher, while software companies continued to lag amid concerns that AI could disrupt their existing businesses. Within the semiconductor industry, memory stocks significantly outperformed as AI data center demand rapidly absorbed available memory supply. Despite the broader rally in technology and growth stocks, the Mag 7 underperformed as investors became increasingly skeptical of the sustainability of their heavy AI capital expenditures. Investor focus shifted toward the most direct beneficiaries of the AI trade, namely memory and semiconductor stocks, leading to a decoupling between hyperscalers and the broader AI ecosystem. In other areas of the market, energy stocks gave back a portion of their Q1 gains, while cyclical stocks in the industrial, financial, and consumer discretionary sectors benefited from the de-escalation of the US-Iran conflict. Year-to-date, the top performing global sectors are technology and energy, quite an unusual pair.

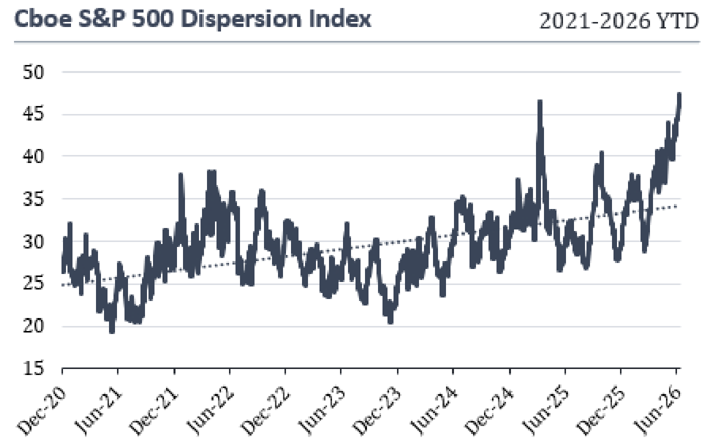
MSCI AC World Sector Performance: 2026 Q1 vs. Q2



Outside the US, Korea and Taiwan were the prime beneficiaries of the AI hardware rally, helping emerging markets outperform the US for the sixth consecutive quarter. These countries were almost solely responsible for the MSCI EM Index's 24% return in Q2, and their triple-digit gains since over the past 12 months have materially reshaped the emerging market investment landscape. Taiwan and Korea now represent over 50% of the MSCI EM Index, with the top 3 stocks (TSMC, Samsung, and SK Hynix) comprising over 30% of the index. European markets have seen a similar narrowing trend, albeit with less magnitude.

Mega cap semiconductor companies (e.g., ASML) and large cap financials drove a majority of the local market's upside for both the quarter and trailing 12 months, while the rest of the market has lagged meaningfully.





In contrast, US markets saw increased participation across the market cap spectrum in the first half of 2026. Russell 2000 gained 21.5% in Q2, its best quarter since the COVID recovery in Q4 2020. In addition, a combination of AI disruption, higher US rates, and global policy divergence have contributed to a rise in underlying stock dispersion. This increase in market diversity has benefited active specialists focused on US sectors and styles, especially relative to the very narrow market leadership that dominated performance from 2021-2024.

SMALL CAP FOCUS

US: AI-Related Small Caps Driven by Strong Earnings Growth

US small caps outperformed large caps for a second consecutive quarter, driven by the decoupling of mega cap tech stocks and strong earnings growth among small-cap companies. Although Russell 2000 entered the year trading at a historically low valuation relative to the S&P 500 (based on EV/EBIT), its 21.5% gain during the quarter was driven primarily by earnings growth rather than multiple expansion. At the industry level, semiconductors, biotechnology, software, and electrical equipment contributed the most at the industry level.

Europe: Investors Lose Appetite from the Defense Trade for Higher Growth Opportunities

Among the European small cap universe, semiconductors and electronics were the largest contributors, while diversified financials, including payment and exchange companies, also contributed positively. In contrast, defense companies gave back some of their strong gains from 2025 as investors rotated into higher growth opportunities.

Japan: AI Semiconductor Supercycle Dominates

In Q1, small cap companies outperformed their large cap counterparts, benefiting from lower exposure to tariffs and exchange rate fluctuations, as well as the expansion of corporate governance reforms. In Q2, however, the trend reversed, with large caps outperforming small caps. Within the small cap universe, semiconductors and electronics were the standout industries, supported by strong AI demand and a weaker yen. In contrast, rate-sensitive defensive sectors, such as Utilities and REITs, as well as domestically oriented industries including food and retail, underperformed amid weak domestic demand.

Canada & Australia: Dispersion within Commodities

In Canada, mining companies benefited significantly from the continued strength in precious metals during Q1. In Q2, however, the selloff in precious metals and oil directly drove the underperformance of these stocks. While Australia is similarly commodity-heavy, its small cap market held up relatively better because its Materials exposure is more tilted toward industrial metals rather than pure gold and silver miners. In addition, the technology sector punched above its weight, driven by AI-related companies such as Megaport (+208%) and NextDC (+29%).

Emerging Markets: AI Investment Trickles Down to Smaller Caps

The AI and memory supply chain was also a dominant theme in emerging markets, with Taiwan's smaller companies across the memory, substrate, packaging, and testing ecosystem driving a significant portion of the small cap rally. Indian small caps also performed well as retail investors continued to flock to the segment and earnings expectations for smaller companies improved.

DISCLOSURES

NOTE: Unless otherwise noted above, the source of performance information/data is Bloomberg, as accessed in July 2026. This document shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified investor receives a final confidential private offering memorandum (the “Fund Documents”) describing an investment fund (each an “ABS Fund”, or in the plural, the “ABS Funds”). The information contained herein is preliminary, is provided for discussion purposes only, is only a summary of key information, is not complete, is subject to change without notice, and does not contain certain material information including important conflicts disclosures and risk factors associated with an investment which are described in the Fund Documents. In the event of any inconsistency between this document and the Fund Documents, the Fund Documents will govern. Compliance ID: 5140137