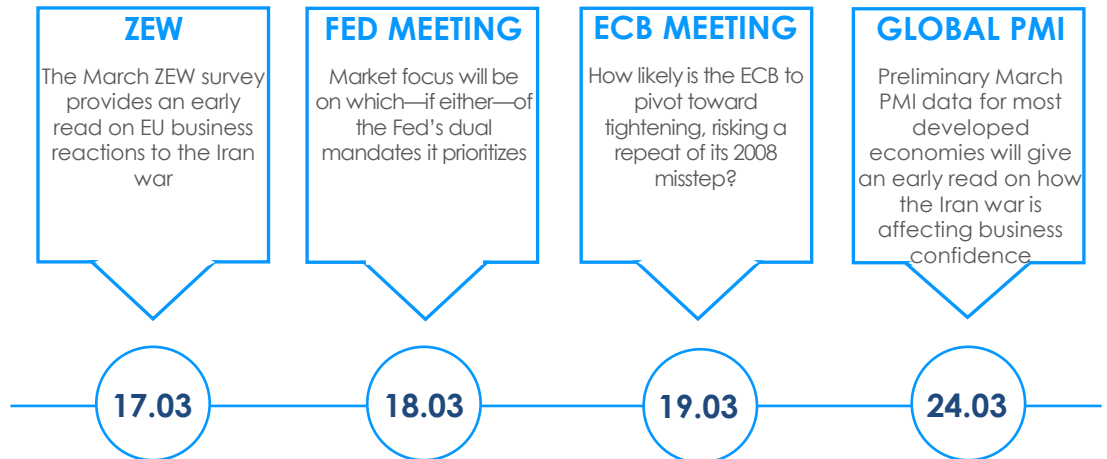


Main Events

Azimut Global Network

- * Milan
- * Abu Dhabi
- * Austin
- * Cairo
- * Chicago
- * Dubai
- * Dublin
- * Hong Kong
- * Estoril
- * Istanbul
- * Lugano
- * Luxembourg
- * Mexico City
- * Miami
- * Monaco
- * New York
- * Santiago
- * São Paulo
- * Shanghai
- * Singapore
- * St Louis
- * Sydney
- * Taipei

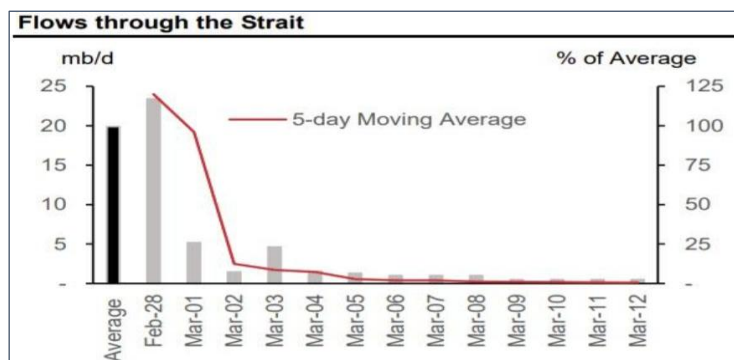


Hormuz Chokepoint Hits Global Markets

- The closure of the Strait of Hormuz due to the war in Iran caused the largest disruption ever in oil supplies, triggering a surge in prices and leaving net oil-importing countries (particularly in Asia) vulnerable to the supply shock
- It is likely that Trump will seek a way to quickly claim that he has achieved his goals and bring the war to an end, given that he is failing to deliver on two of the key promises on which he was elected—ending U.S. involvement in foreign conflicts and lowering prices
- How long the conflict lasts is key to determining the correct portfolio allocation, since the ideal portfolios differ significantly depending on whether the war is short or long

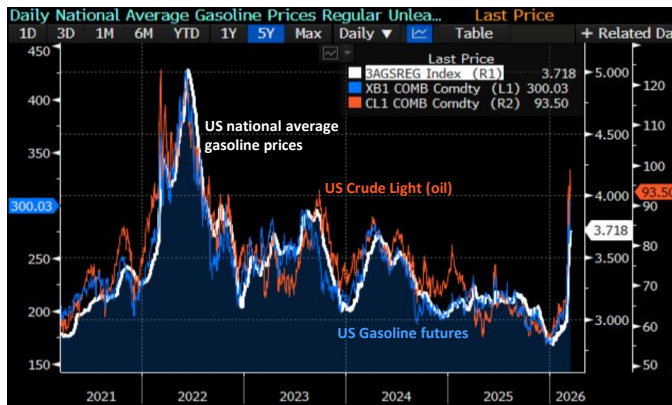
The war in Iran has just entered its third week, causing major disruptions to the global flow of oil. For the moment, however, the impact on financial markets has been relatively muted, considering that we are facing the “the largest supply disruption in the history of the global oil market,” according to the International Energy Agency (IEA).

Before the war, 20 million barrels of oil passed through the Strait of Hormuz every day (including 2 mb/d of Iranian oil), accounting for about 20% of global oil production. That flow has now dwindled to just a few drops.

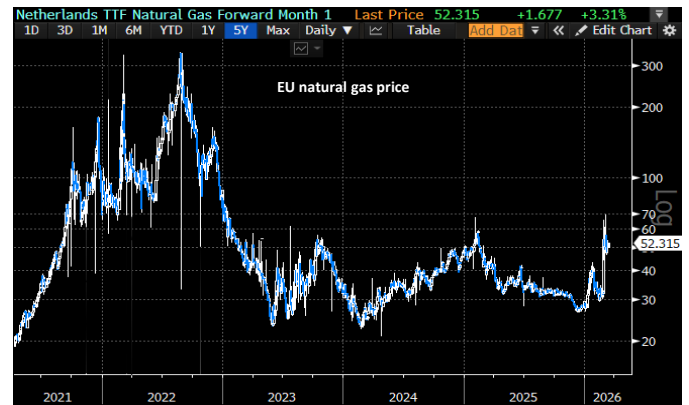


Source: SG Cross Asset Research/Commodities, Bloomberg, S&P Global, Kepler

(continued)



Source: Bloomberg



Source: Bloomberg

Only about 5 mb/d of oil can be rerouted via pipelines to port facilities located south of the Strait of Hormuz (SoH). With limited capacity available to circumvent the crucial waterway and storage facilities filling up, GCC countries have been forced to reduce total oil production by about 10 mb/d. Other OPEC+ and non-OPEC+ countries are attempting to boost production to offset the shortfall caused by the de facto closure of the SoH, limiting the global production loss to about 8 mb/d for the time being. However, this still represents 8% of the global oil demand. Adding to the strain, almost 2 mb/d of Gulf refining capacity has also been taken offline

Last week, IEA member states decided to release 400 million barrels of oil from their strategic reserves onto the market: this is the largest amount ever released and the first coordinated action since the outbreak of the war in Ukraine. Although this is a massive step, its impact is likely to be limited if the conflict drags on. There are two main reasons for this. The first and most important is that the war with Iran is creating a flow issue, not a stock issue. With 8–10 mb/d lost every day, the release is equivalent to covering the shortfall for 40–50 days. After that, the problem will resurface in all its severity. Furthermore, strategic reserves will eventually need to be replenished, meaning that upward pressure on oil prices will continue even after the conflict ends. The second reason is that each country is free to decide how much to release and over which time frame. It is believed that only about 3 mb/d will actually reach the market in the short term, which still leaves a shortfall of a few million barrels per day.

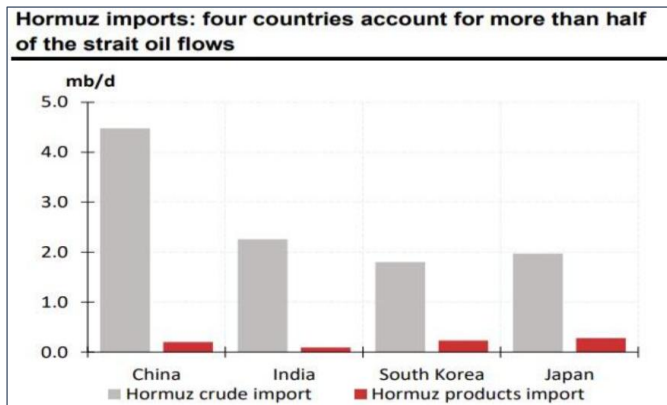
In this context, the United States is among the least vulnerable countries, given that it is the world's largest oil producer and is self-sufficient, producing domestically the 13 mb/d of oil it needs daily (20 mb/d including other liquid energy sources that aren't technically oil but are treated as such, such as NGLs (Natural Gas Plant Liquids)). Nevertheless, the surge in oil and gasoline futures prices will also have implications for US consumers. Based on historical correlations (chart on the bottom left), it can be inferred that the average gasoline price at the pump in the US could rise by an additional 10%, given the current price of US Light Crude.

Europe is clearly more vulnerable, as it must import most of the energy it consumes and has already been under strain since the outbreak of the conflict in Ukraine, no longer having access to Russian oil and gas. As a result, gas prices in Europe have surged 70% since the end of February, with spikes of over 100%.

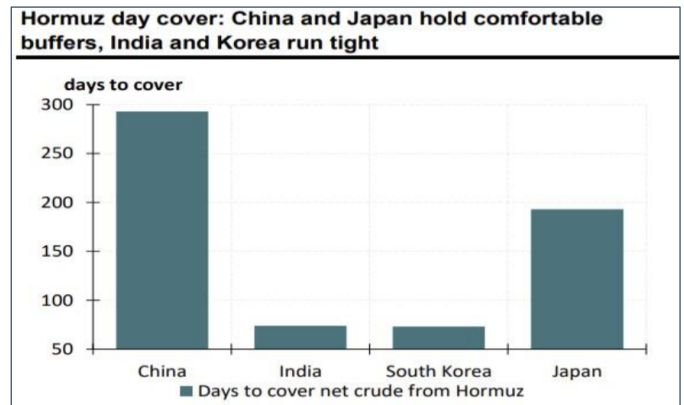
However, the region facing the greatest challenges due to the closure of the Strait of Hormuz is Asia, since a large portion (roughly 50%) of the oil it needs originates from the Persian Gulf, with China, India, South Korea, and Japan the most significant buyers. China has a reserve equivalent to almost 300 days in the event of a supply disruption resulting from the closure of the SoH, while India and South Korea are the most vulnerable countries, with reserves of 74 and 73 days, respectively. Other countries in Southeast Asia have even smaller reserves.

Although the pressure on oil prices is evident and widely publicized, there are other consequences linked to the closure of the SoH that are less visible but could have an equally severe impact if that waterway were to remain closed for an extended period of time. Helium, for example, is essential in various stages of semiconductor production. Coincidentally, Qatar, who is located north of the SoH, is the world's second-largest producer of helium, with approximately 63 million cubic meters produced in 2025 out of about 190 million cubic meters globally, accounting for nearly one-third of the world's supply. South Korea imports about two-thirds of its helium from Qatar, and Taiwan is also heavily exposed.

(continued)



Source: SG Cross Asset Research/Commodities



Source: SG Cross Asset Research/Commodities

For Taiwan, however, the greatest concern is the availability of LNG, of which it has reserves sufficient for only 11 days. South Korea and Taiwan each account for about 18% of global semiconductor capacity. Any prolonged disruption in the supply of these raw materials will ultimately affect the semiconductor sector as well.

The duration of the ongoing conflict is therefore crucial not only for gauging its immediate impact on financial markets, but also—and above all—for assessing its medium- and long-term consequences, such as its effects on inflation, global growth, supply chain disruptions, and so on. Sadly, the conclusions are opposed depending on whether the war is short or long.

Unfortunately, it is impossible to predict how the war might unfold; the best we can do is weigh the pros and cons—for both the United States and Iran—of a prolonged military conflict, assuming that decisions are made on the basis of rational behavior (which, regrettably, is not always the case).

Let's start with the United States. Trump was elected, among other things, because he insisted on the need to put an end to the practice of involving the United States in multiple conflicts around the world. Another key campaign promise was to lower inflation. The decision to launch hostilities against Iran runs directly counter to what he promised voters. Midterm elections will be held in November. Even before the conflict, Trump had the lowest approval rating since his reelection, and the risk of losing at least one of the two chambers of Congress was real. With affordability being the primary source of discontent expressed in the polls, the decision to start a war whose most immediate and instantly felt consequence is a rise in gasoline prices does not seem like a wise move. Should the conflict escalate and lead to a heavy death toll (we clearly hope this is not the case), the public backlash against a war whose reasons have not been adequately explained to the citizens could be even more significant.

Furthermore, the decision to start the conflict does not appear to have been properly considered, given that ensuring the SoH remained open and operational was supposed to be a precondition. The fact that over the weekend Trump openly asked other countries to support the U.S. in its attempt to reopen the SoH is further clear evidence of this. The refusal of nearly all countries to provide assistance would suggest that Trump does not enjoy the support of the international community. Furthermore, as can be inferred from more or less explicit statements, even neighboring countries were not informed in advance nor did they give their consent, despite it was highly likely their region could have turned into a battlefield. Finally, the cost of the war is far more unfavorable for the United States, given that the drones used in most of Iran's attacks cost far less than the missiles needed to shoot them down.

Iran, fully aware of the above, has every interest in keeping the Strait of Hormuz closed and in attacking oil production and shipping facilities in neighboring countries. The greater the impact on oil prices and the availability of raw materials, the greater the pressure on Trump to bring an end to the hostilities. The Iranian regime does not seem to have any particular reason to back down first. Last but not least, even one of the stated objectives of the intervention—namely, to overthrow the regime—does not appear to be yielding the desired results.

Therefore, it seems clear that Trump has every incentive to declare as soon as possible that he has accomplished his stated goals and brought the conflict to an end.

(continued)



Source: J.P. Morgan Equity Derivatives Strategy, Polymarket



Source: Bloomberg

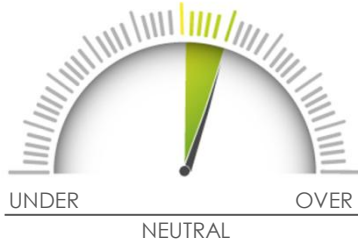
Currently, based on oil price options as well as predictions from Polymarket, a global cryptocurrency-based prediction market, it appears instead that the market assigns only a 50% probability that the conflict will end by May. More likely, the catalyst—and the timing—for a resolution will be some disorderly reactions in financial markets, whether in the form of a further spike in energy prices or interest rates, or a more severe correction in the stock markets.

If the conflict is resolved quickly, the impact on the global economy could be fairly limited, as the rise in energy prices is likely to be reversed quickly and will not have time to spread to the rest of the economy, either in the form of a resurgence of inflation or a slowdown in growth. In such a scenario, the trends that prevailed before the outbreak of the conflict are likely to resume. This would primarily benefit bonds, including long-term bonds (the recent rise would prove to be an excellent entry point for extending portfolio duration), as well as non-U.S. equity markets (including emerging markets), cyclical stocks and small caps.

Conversely, if the conflict were to drag on or escalate, opening up new fronts, the consequences would likely be more negative. Rising oil prices and shortages of essential raw materials could trigger a growth shock rather than an inflationary shock, in the sense that the resulting economic slowdown would offset inflationary pressures. In that case, EPS growth expectations will need to be revised downward. Given the generous valuations at which equity markets still trade—which have barely moved from recent highs—there is a risk of more significant corrections in global equity markets. U.S. equities and the dollar could continue to hold up better than other equity markets, while emerging markets would likely be the most at risk. Credit markets would also be affected, as an economic slowdown would exacerbate the lingering problems, particularly those surrounding private debt (this will likely be the focus of our next report). Conversely, as in the scenario of a quick resolution, sovereign bonds could represent an attractive investment opportunity and serve as a portfolio hedge, given that an economic slowdown, combined with inflation remaining under control, would call for lower interest rates.

Fixed Income

Developed Markets Sovereign



We have upgraded our recommendation on Developed Market sovereign bonds to **Slightly Overweight**. The recent rise in sovereign yield curves, driven by the conflict in Iran, has lifted rates to more attractive absolute levels. That said, caution remains appropriate. A swift and durable resolution to the conflict would create a compelling entry point, even for ultra-long tenors. Conversely, if the conflict becomes prolonged or escalates further, sovereign bonds face a heightened risk of additional downward corrections.

EU Core



EU Periphery



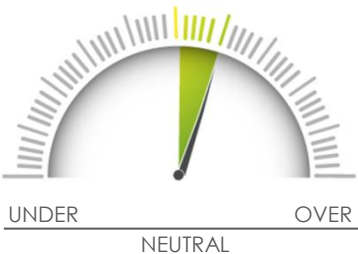
US Treasury



Japanese JGB



Developed Markets Corporate



We maintain our **Slightly Overweight** recommendation on Developed Market corporate bonds. However, given the continued weakening in certain segments of the private credit market, coupled with escalating geopolitical risks from the ongoing US-Israel war with Iran and the sharp spike in oil prices, the committee views risks to the asset class as having risen materially. Should the conflict persist without swift resolution and energy commodity prices fail to normalize, a downgrade could become warranted. Within credit, investment-grade bonds remain the preferred allocation over high-yield bonds.

IG Europe



IG US



HY Europe



HY US



Emerging Markets



We maintain our **Slightly Overweight** recommendation on Emerging Markets debt. Emerging-market debt has also been negatively affected by the outbreak of war in Iran, given that investments in emerging markets are typically among the first to be cut back during geopolitical crises and/or periods of rapidly rising risk aversion. As just discussed above for corporate bonds, the committee believes that risks to the asset class are rising significantly. Unless the conflict is resolved quickly and energy commodity prices return to normal levels, a downgrade may become necessary.

Local Currency



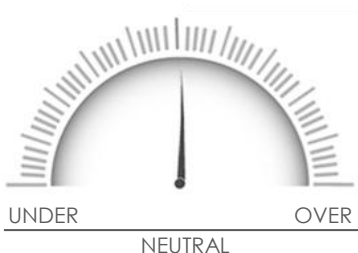
Hard Currency IG



Hard Currency HY



Commodities



Our recommendation for commodities remains **Neutral**. While precious metals are experiencing elevated volatility, they continue to serve as a vital portfolio hedge against rising geopolitical uncertainty. Simultaneously, the recent surge in oil and natural gas prices is driving significant momentum within the Energy sector.

Precious



Energy



Industrial



Agricultural



Currencies

We maintained our **Neutral** recommendation on the US Dollar. Although the dollar has once again played its typical role as a “safe haven,” its recent strengthening has been rather muted. In the absence of a swift resolution to the conflict, the dollar may remain strong. Nevertheless, in the medium term—and particularly if a ceasefire is reached—the risk of a decline remains. In the very short term, the Fed meeting could lead to further strengthening if the dot plot indicates growing concern on the part of the Fed governors regarding upside risks to inflation.

The view on the Euro remains **Neutral** as well. The euro has been relatively weak since the start of the conflict, reflecting its greater dependence on energy imports. Also for the single currency, the central bank meeting could lead to a strengthening of the euro if the ECB confirms rumors that a rate hike is possible in 2026 in response to the spike in energy prices.

We have maintained our recommendation on the **Chinese Renminbi** to **Neutral with a bullish bias**.

The outlook for other **emerging markets currencies** has been confirmed as **Neutral with a bullish bias**, with a preference for currencies of countries that are net exporters of energy commodities.

Euro	⊖	USD	⊖	CNY	⊖	Other EM	⊕
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