MORA CAPITAL MANAGEMENT

Investment Policy

April 2026

Our market view in a nutshell – April 2026

- **Geopolitics dominates: markets price normalization, not persistence.** The escalation in the Iran conflict, including the naval blockade and failed negotiations, has shifted market focus almost entirely away from macro data. Despite the potential for a prolonged disruption, investors continue to treat the episode as a temporary shock, extrapolating the pattern of recent crises where markets quickly normalize once uncertainty fades.
- **Reversibility vs. hysteresis: the key macro distinction.** Recent cycles have reinforced the idea that shocks are reversible and policy can "buy time," leading to V-shaped recoveries. However, geopolitical disruptions may behave differently, generating more persistent effects on inflation and growth. The risk is that markets are still pricing reversibility by default, underestimating the potential for lasting economic scarring.
- **Oil shocks: persistence matters more than magnitude—and can reprice rates abruptly.** Historical episodes show that market impact depends less on the size of the initial supply disruption than on its duration. The 1970s shocks led to lasting inflation and weaker growth as disruptions became embedded, while the Gulf War shock proved temporary. Today, with a significant share of global oil flows exposed to Hormuz, markets remain focused on short-term dislocation rather than the risk of a structural break. This is also evident in rates: Fed guidance continues to look through temporary energy spikes, and the dots still point to a gradual easing cycle. However, in a tail-risk scenario—particularly one involving damage to energy infrastructure—the distinction becomes irrelevant: a persistent supply shock would likely re-anchor inflation expectations, forcing a repricing of the rate path and potentially reversing the easing narrative.
- **Private credit: confidence stress, not systemic risk.** Tensions in private credit are visible in listed proxies such as BDCs, as well as in selective defaults and redemption constraints. However, broader credit markets tell a more benign story: High Yield spreads remain relatively contained, and default rates point to late-cycle normalization rather than systemic deterioration. As in past episodes, opacity amplifies concern, but public markets have yet to confirm a solvency shock.
- **AI as the underlying driver: micro over macro.** While geopolitics dominates headlines, structural forces continue to evolve in the background. AI-driven productivity is increasingly shaping outcomes at the company level. This is already visible in earnings: Q1 results point to another quarter of double-digit expansion, reinforcing the resilience of corporate profitability. At the same time, markets are focusing more closely on the scale and returns of AI-related capex, as sustained investment in infrastructure becomes the key transmission channel from innovation to earnings. The key question is shifting from whether AI drives growth to how efficiently that growth is monetized.

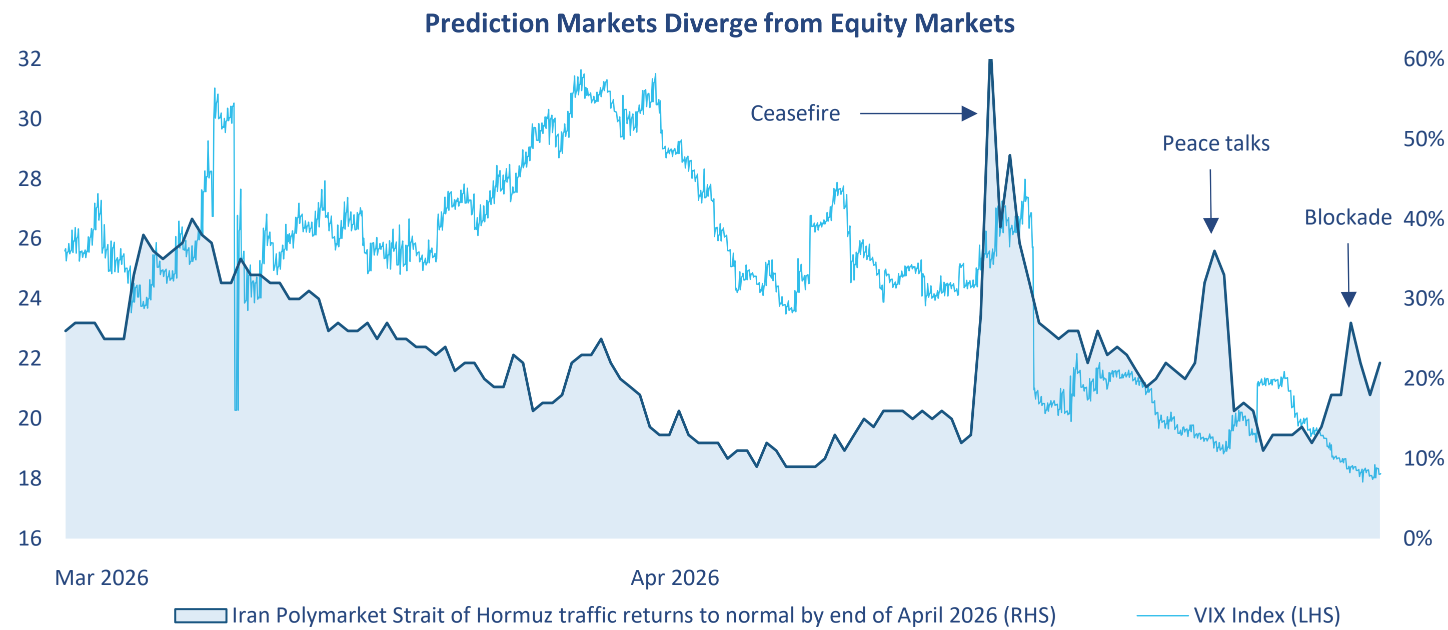
Investment Policy

Asset Class		View	Rationale
Fixed Income	US Investment Grade	+	Treasury bonds offer protection against an economic slowdown and / or increased risk aversion. We favor short to medium maturities
	US Credit	+	Interest rate cuts, controlled inflation, and resilient consumption have reduced the likelihood of a recession. While credit spreads have narrowed, investment-grade bonds remain attractive, as the default rate is expected to stay low
	EU Investment Grade	+	The economy is showing greater signs of weakness, and inflation has fallen faster within the target range, providing the ECB with ample room for cutting rates. We prefer government bonds and high-quality corporates
	European Credit	=	Prospects for European credit have improved since it is expected that the ECB will follow the Fed in lowering rates. However, the European economy remains more vulnerable to a downturn
	Emerging Markets	=	The prospect of a weaker dollar spurred by the Fed's interest rate cuts has marginally enhanced the appeal of emerging market debt
Equities	US	+	Supported by earnings growth that justifies current valuations. Beyond AI-infrastructure names, we see limited signs of euphoria, and believe a broad part of the market merits an “option premium” reflecting AI-driven earnings opportunities ahead.
	Europe	=	The European economy is showing an unexpected resilience despite the slump in manufacturing. With the core economies barely growing and the risk that tariffs pose to the important export sector, we see less upside
	Asia	=	We recommend investing selectively in the region. Despite low valuations, China remains an area of concern
	Emerging Markets	–	Emerging market stocks tend to be more cyclical, and there are fewer high-quality stocks. The risk of tariffs diminish their appeal in the short term
	Sectors & Themes	+	To complement our core allocation, we favor Healthcare and companies that pay sustainable dividends
Alternative Investments	Hedge Funds	–	Multi-strategy / multi-manager hedge funds with daily liquidity are having a disappointing performance, particularly when compared with other less risky alternatives, like short-term corporate bonds
	Commodities	=	Commodity prices have been driven up by (and not caused by) inflation, as well as the war in Ukraine. We do not expect these levels to be sustainable in the long term
	Private Equity	=	Investing in late-stage private equity provides access to the asset class with liquidity provision up to a certain degree

+ Overweight – Underweight = Neutral

Volatility Falls, Tail Risks Rise

Markets Are Pricing Reversibility, Not Hysteresis



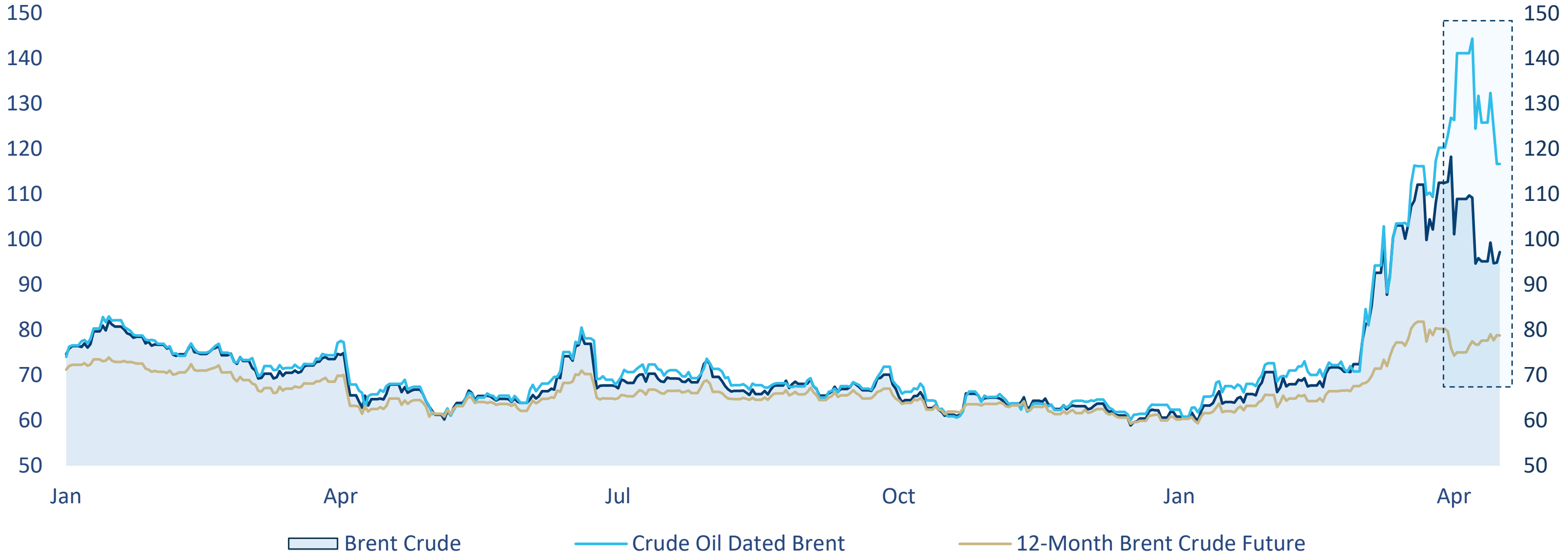
- **Volatility reflects "normalization," not resolution.** The decline in VIX suggests markets are pricing a quick return to normal conditions following each headline (ceasefire, talks), reinforcing the **pattern of recent crises (e.g., tariff shocks)**, where uncertainty fades quickly and risk assets stabilize.
- **Tail risks point to persistence beneath the surface.** At the same time, market-implied probabilities of disruption remain elevated, indicating that the **risk of a more lasting—potentially irreversible—shock** has not disappeared.

Source: Bloomberg and Polymarket

Time Is Ticking

Risk of Fuel Shortages Is Rising

Physical Oil Markets Are Tightening Rapidly



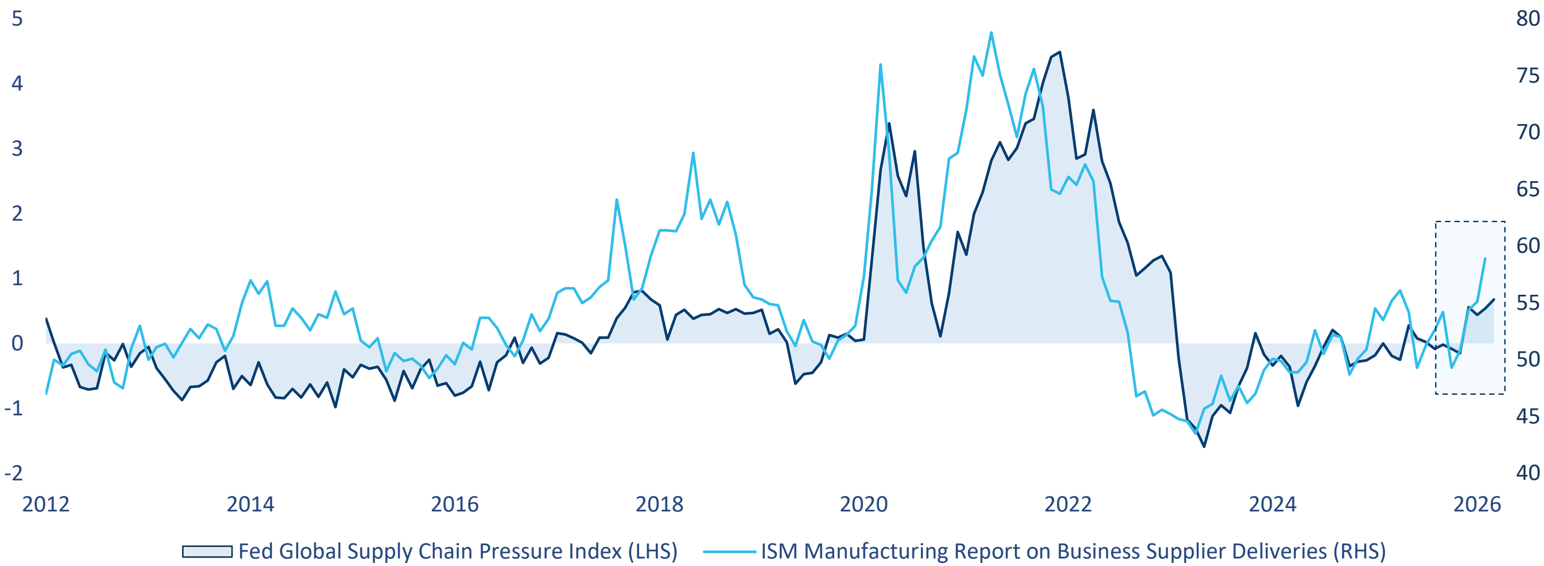
- **Time is the binding constraint, not price.** The gap between physical and futures markets reflects a shortage of immediately available barrels, as the lagged impact of disrupted Hormuz flows begins to materialize. As inventories are drawn down, **the supply gap becomes increasingly visible.**
- **Markets remain complacent on persistence risk.** While energy markets signal tightening, **equities still discount a temporary disruption**, with limited adjustment for a more durable supply shock and its implications for inflation, growth, and valuations.

Source: Bloomberg

This Time Is Different—But How?

Another Energy Spike—or a Shock with Second-Order Effects?

Broader Supply Effects Have Yet to Materialize

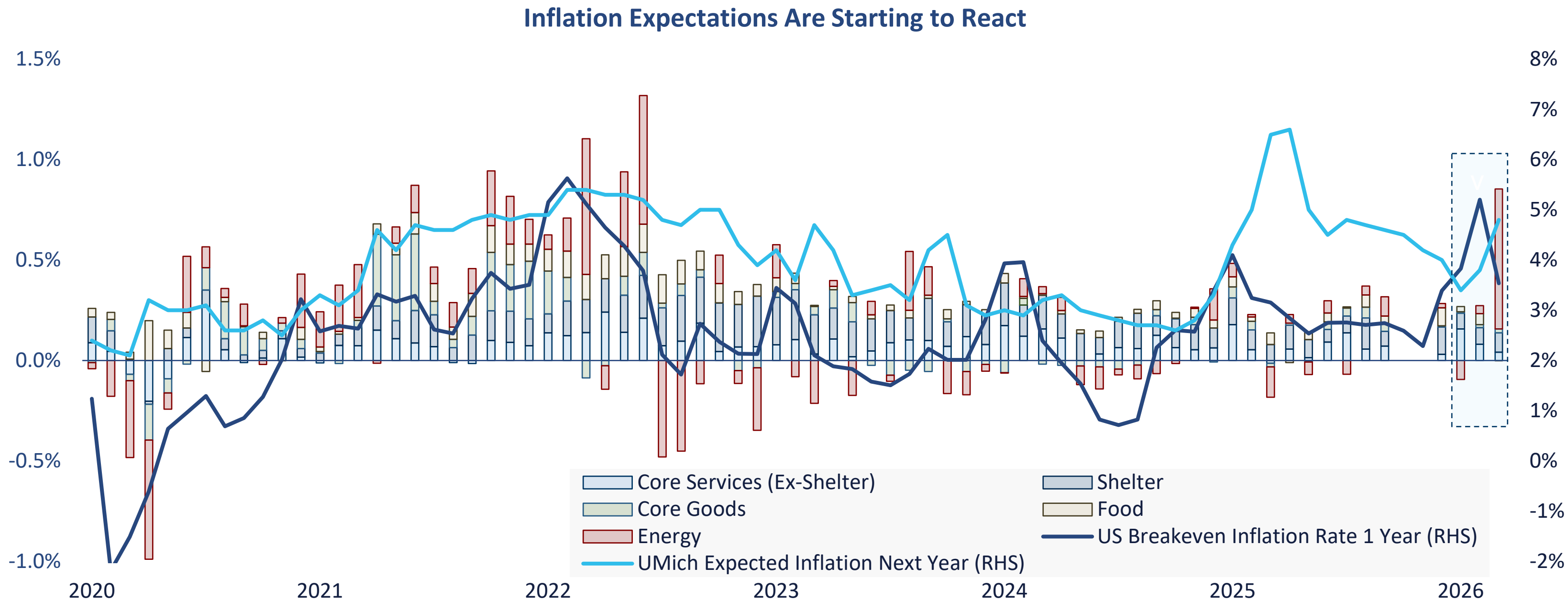


- **Supply shocks take time to propagate through the system.** Unlike post-COVID bottlenecks—where shortages spread from goods into energy—the current shock is concentrated in energy, with broader effects **not yet evident and not guaranteed to materialize**.
- **Energy shocks can trigger broader second-round effects**. Past oil crises show that even targeted disruptions can evolve into wider supply shocks, affecting costs, activity, and inflation. The risk is that an energy constraint gradually feeds into a more generalized tightening, with larger macro consequences than currently priced.

Source: Bloomberg

Inflation Is About Expectations—And the Scar Is Still Fresh

How Will Economic Agents React This Time?

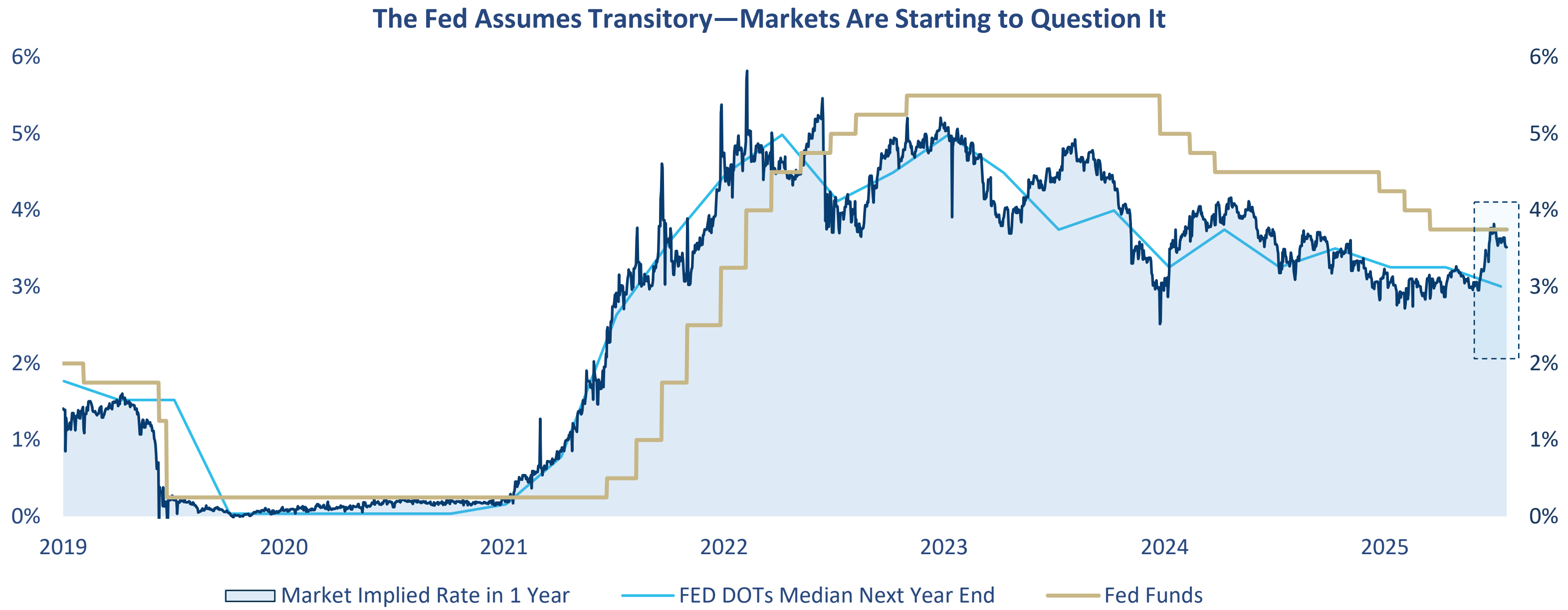


- **Inflation is shaped by expectations, not just shocks**. Recent data show that energy is again driving headline inflation, with gasoline accounting for most of the latest surge. The key question is not the initial impulse, but how it feeds into expectations and pricing behavior across the economy.
- **The inflation "scar" may make agents more reactive**. Following the post-pandemic episode, consumers and firms may be quicker to adjust prices and expectations in response to new shocks. Survey-based expectations are already rising alongside falling sentiment, suggesting that **inflation dynamics could become more sensitive—even if the shock itself is temporary.**

Source: Bloomberg

Fed Looks Through, Markets Adjust the Rate Path

Headline Inflation Is Complicating Normalization

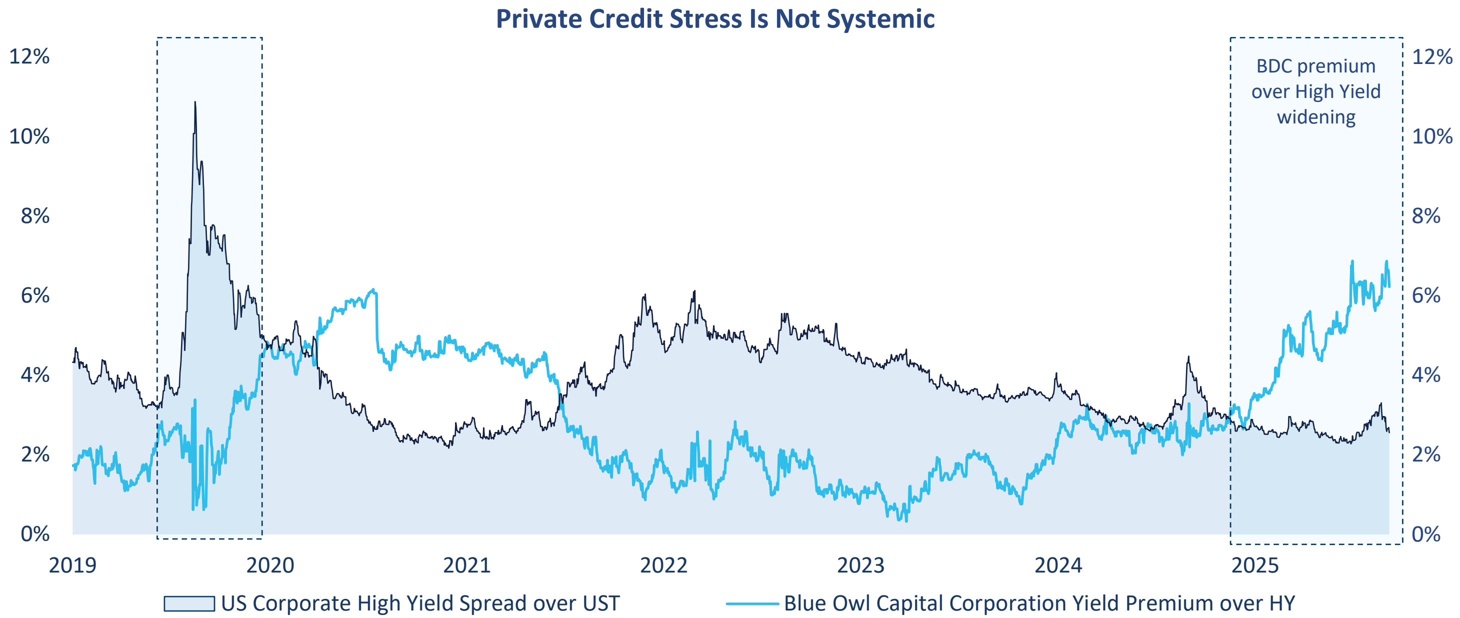


- **The Fed is looking through the shock—for now.** Policy guidance still treats energy-driven inflation as temporary, with the dots still pointing to a gradual easing cycle. At the same time, officials acknowledge a two-sided risk, where a prolonged conflict could just as easily require tighter policy.
- **Markets are adjusting, but still anchored to easing.** Rate expectations have shifted higher, yet remain broadly consistent with a normalization path. The risk is that **a more persistent supply shock would force a sharper repricing**, as inflation proves less transitory and expectations begin to re-anchor at higher levels.

Source: Bloomberg

Private Credit: An Investor Confidence Crisis

A Vehicle Problem, Not an Underlying Asset Problem

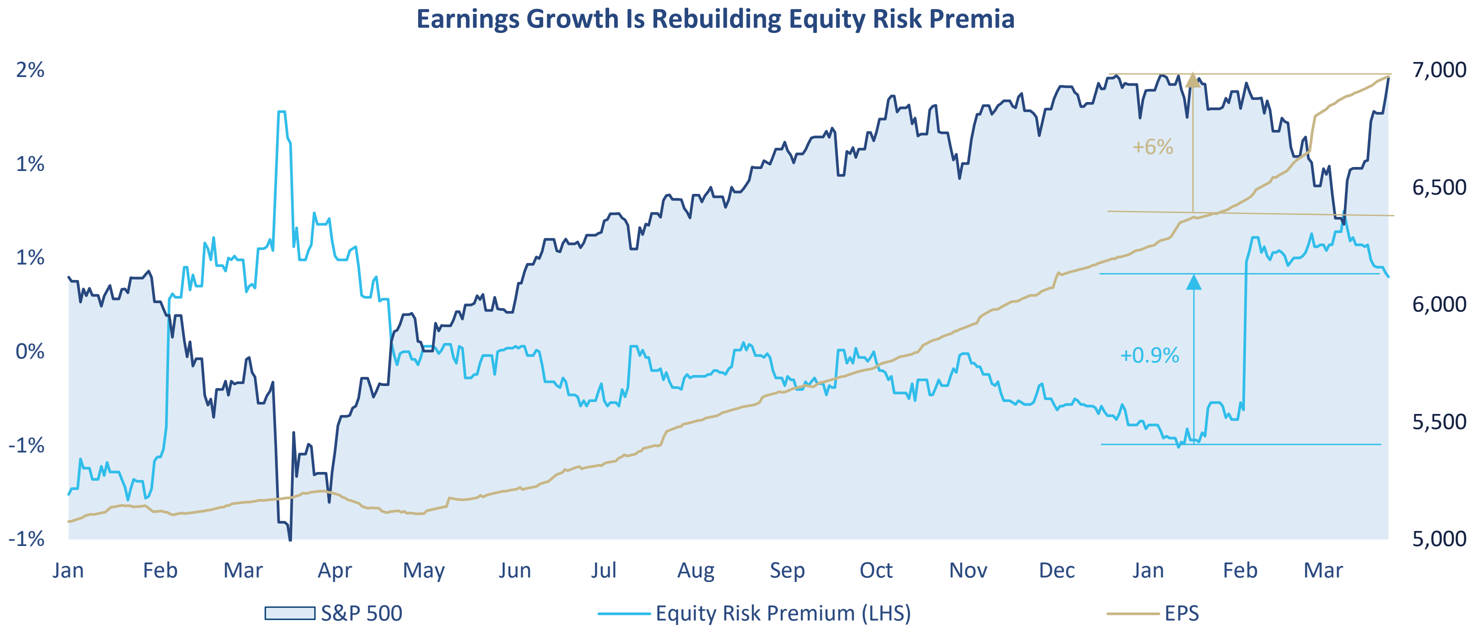


- **Stress is concentrated in the vehicle, not the system**. Listed private credit proxies (e.g., BDCs) show widening discounts and higher funding premia, reflecting investor caution and tighter liquidity conditions, while **public credit spreads remain relatively contained**.
- **A confidence shock, not a credit event**. The absence of stress in High Yield suggests this is primarily a **vehicle-level repricing**—rather than a broad-based solvency deterioration.

Source: Bloomberg

Markets at All-Time Highs, but Valuations Improve

The Underlying Earnings Trend Remains Intact

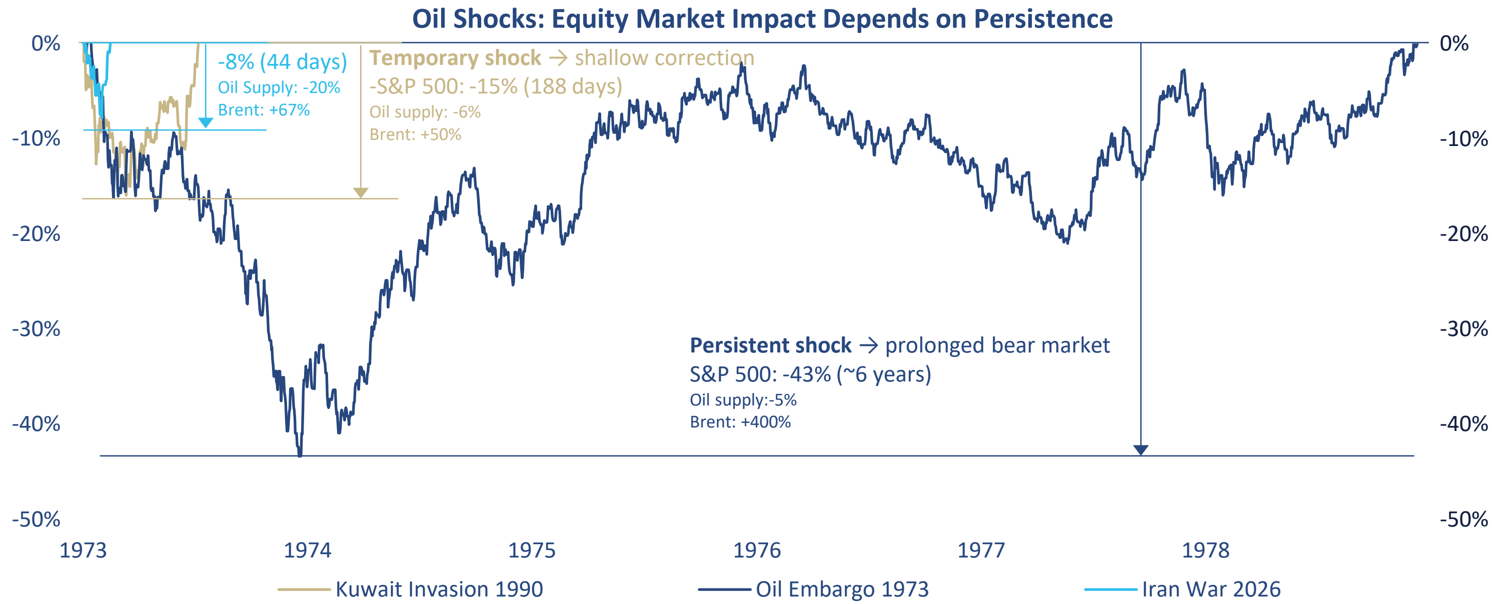


- **Earnings are driving the market, not multiples.** Equity gains are supported by sustained profit growth, with S&P 500 earnings expected to grow at a double-digit pace—extending a multi-quarter trend of strong corporate profitability.
- **AI is shifting the balance from macro to micro.** Productivity gains are increasingly driven at the company level, with AI-related investment supporting earnings resilience. The key question is not whether AI drives growth, but **how efficiently that growth is monetized.**

Source: Bloomberg

If History Is a Guide…

Markets May Be Underpricing Irreversibility



- **Not all oil shocks are equal.** Past episodes show that market impact depends less on the initial disruption than on its persistence: the 1973 embargo led to a prolonged drawdown, while the 1990 shock proved short-lived.
- **So far, markets are pricing the "1990 playbook."** The current correction remains modest and short in duration, suggesting investors still expect a temporary disruption—**with limited adjustment for a more persistent supply shock.**

Source: Bloomberg

Investment scenarios

	Scenario 1 Policy mistake - Too Loose, Too Tight	**Scenario 2** Tailwinds Power Continued Expansion	**Scenario 3** AI - Boom or Bust?
Drivers	• Inflation remains above target, supported by a tight labor market, resilient housing and possible renewed trade frictions. • The Fed misjudges the balance between growth and inflation: it keeps policy too restrictive for too long or, alternatively, eases prematurely and is later forced into a more aggressive tightening cycle.	• Pro-growth policies, solid balance sheets and accommodative monetary and fiscal stances extend the business cycle. • Disinflation continues, allowing the Fed to start a gradual cutting cycle toward a neutral stance without reigniting inflation. • Robust real growth narrows the fiscal deficit at the margin, the yield curve steepens slightly, credit spreads stay tight and corporate earnings rise steadily.	• AI has the potential to lift productivity and corporate earnings significantly, but also to generate economic and social disruption, as well as episodes of market euphoria and panic. • Large investments in AI-related infrastructure support growth in the short term, while creating the risk of overcapacity and disappointment if the technology or its adoption falls short of expectations.
Market impact	• Equities decline as earnings expectations are revised down and valuation multiples compress, although the "Fed put" limits the depth of the correction once policy turns easier. • Credit underperforms as spreads widen from historically tight levels and investors demand more compensation for risk. • High-quality sovereign debt rallies on "flight to quality" flows and the prospect of lower policy rates; cyclical and commodity-linked assets lag. • The US dollar tends to appreciate in risk-off phases and if the Fed remains relatively hawkish, but could weaken if the US slowdown leads the global cycle and rate cuts become more aggressive.	• Equities are supported by healthy earnings growth and broadly constructive policy, with leadership gradually broadening beyond mega-cap technology. • Credit performs well: default rates stay low and spreads remain contained, allowing carry to dominate returns. • High-quality and sovereign debt deliver solid income and some potential price upside if long-term yields drift lower as policy rates are cut. • Commodity prices firm on economic strength; the US dollar remains broadly stable, supported by growth and positive real rate differentials versus most peers.	• Over time, it is hard to ignore AI's positive impact on earnings and margins across many sectors, which can "lift all boats" and justify higher valuations, especially for AI leaders. • At the same time, high expectations and crowded positioning increase the risk of sharp corrections when earnings, regulation or technology outcomes disappoint, leading to boom-and-bust episodes in AI-linked assets (with spillovers to the broader market). • The effect on interest rates and inflation is non-linear: a capex boom may keep demand and real rates elevated in the transition, while productivity gains could become disinflationary only with a lag, making the path for policy rates harder to read.
Probability	25% (+5%)	60% (-5%)	15%

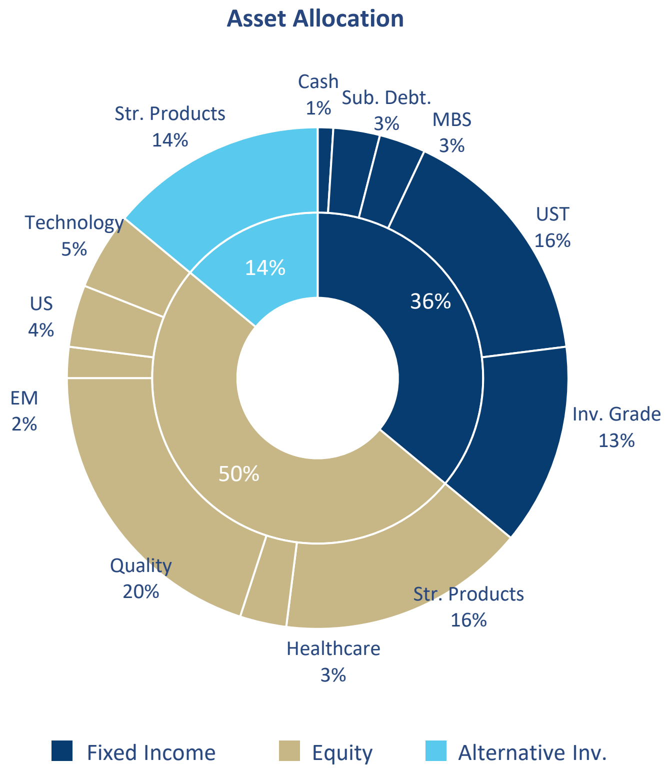
Short-term catalyzers

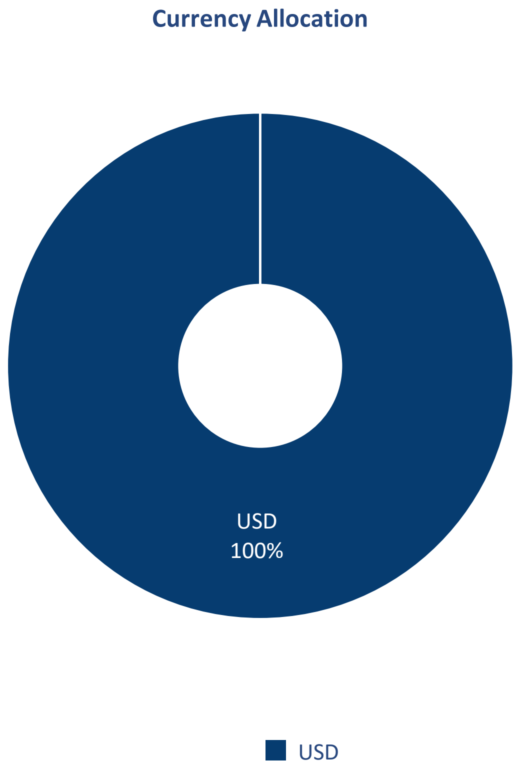
AI-driven productivity boost, De-escalation in Ukraine/Middle East conflicts drives down energy prices, Further slowdown in core inflation

Other risks

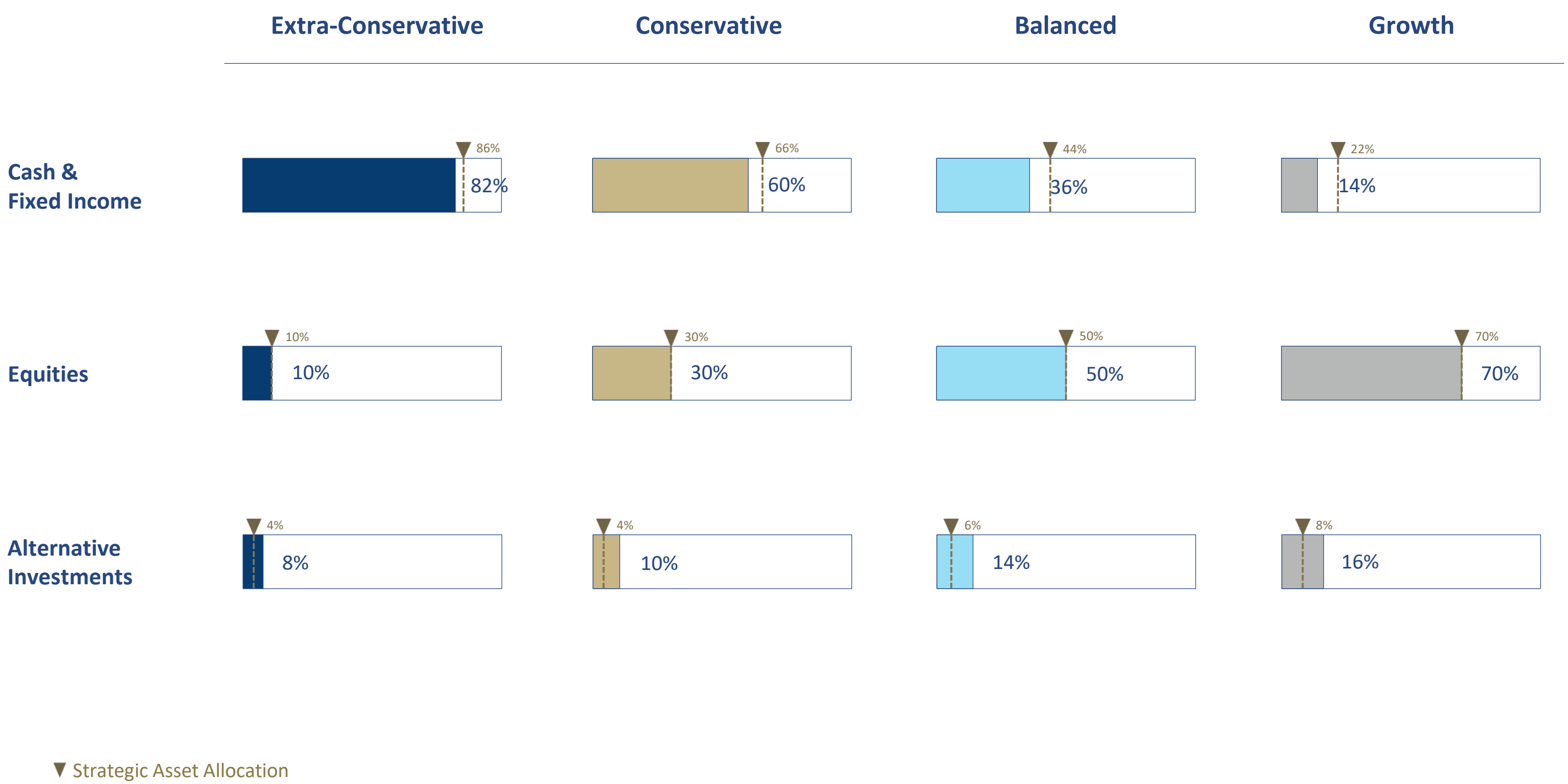
Crypto bubble, Cybersecurity, Debt ceiling, Geopolitical risks escalation, China/Europe slowdown, Housing market correction

Mora Capital Management Balanced Portfolio USD

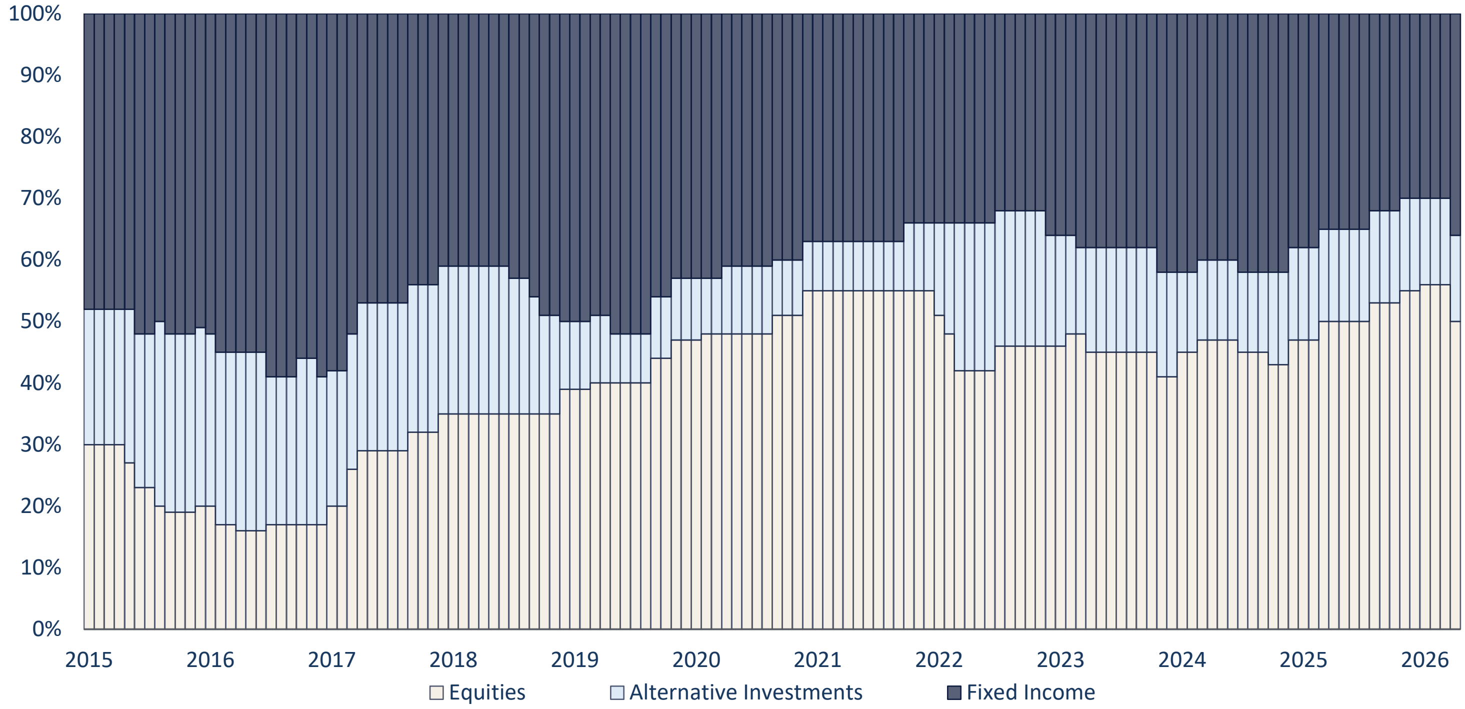




Investment Profiles



Asset Allocation evolution



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MORA CAPITAL MANAGEMENT

ZÜRICH
Talstrasse 82
8001 Zürich
+41 44 256 8050

MIAMI
1450 Brickell Avenue
Suite 2900 Miami
FL 33131 Florida
(305) 459 5400

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