KFH Capital Monthly Insights

Capital Market Outlook & Updates

February 2026

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Capital Markets Insights

Market Analysis & Outlook

- The geopolitical theme mentioned in our 2026 outlook report is already into play. The month witnessed the change in the Venezuela president, rising political risks in the middle-east as Iran struggles with mass protests and we had the escalation of transatlantic tensions over Greenland.
- The impact of the first two events was the Brent Crude trading at USD 70 per barrel which is a 16% increase on Year to Date (YTD) basis. While the transatlantic tensions brought back the tariff uncertainty, most recent announcements include 10% tariff on economies who oppose the idea with the rates going as high as 25% by June 2026.
- Capital market performance has been volatile and the outlook going forward continues to be so as geopolitical risks rise. In the case of Fixed Income, yields continue to rise indicating lack of demand from investors. While Equities which have managed to close the month with gains, however, as we write, they remain volatile. Commodities as a group have rallied and will remain elevated in the near term as current developments lead to supply concerns, front loading and flight to safe-haven assets like precious metals.
- **Outlook:** The risks in near term remain to the downside. A drag of the middle-east events or further escalation can result further rise in commodity prices amid supply concerns. The impact would disrupt the disinflation process which would further complicate the monetary policy action. Secondly, further escalation of transatlantic tensions over Greenland can have a serious negative impact on the global macro dynamics and financial flows. It can lead to sharp repricing of US Assets i.e. higher bond yields, correction in equities and downward pressure on the USD.

KFH Private Wealth Insight – Chart of the Month

- ***Artificial Intelligence (AI): Are we in a Bubble:*** *Evidence from historical data indicates that at current levels, we are not in Bubble territory. Though we have seen a rapid increase in asset prices, speculative buying and Herd Behavior (all features of market bubble cycles), valuations show that the aggregate P/Ex for the Magnificent 7 trades at 27x earnings, which can be termed as reasonable, when compared to the aggregate valuations of the 2000 Tech Bubble Leaders (52x).*
- For comparison purposes, we compare the AI related surge in equity markets with the “Technology-Media-Telecommunications (TMT)” or Tech Bubble of the 1990s. The reason for the comparison is it is the most talk over comparison.
- <u>Artificial Intelligence (AI) v/s Tech Bubble of 1990 (TMT): Key Differences</u>
- **Valuations** - Substantially higher historic valuations during the Tech Bubble, especially compared with today. Note in particular Microsoft, which features in both lists, is valued at circa 25X (24-month earnings) versus 53X in 1999.
- **Stronger Fundamentals** – Free cash flow margin a measure of a business’s ability to generate free cash from operations. The average margins during 1990-2000 period was 4% while the average free cash flow margin during the 2020-2025 is 23%
- We explore above topic more in depth in our upcoming ***Wealth Insights: Q12026 Outlook*** report which will be out in sometime

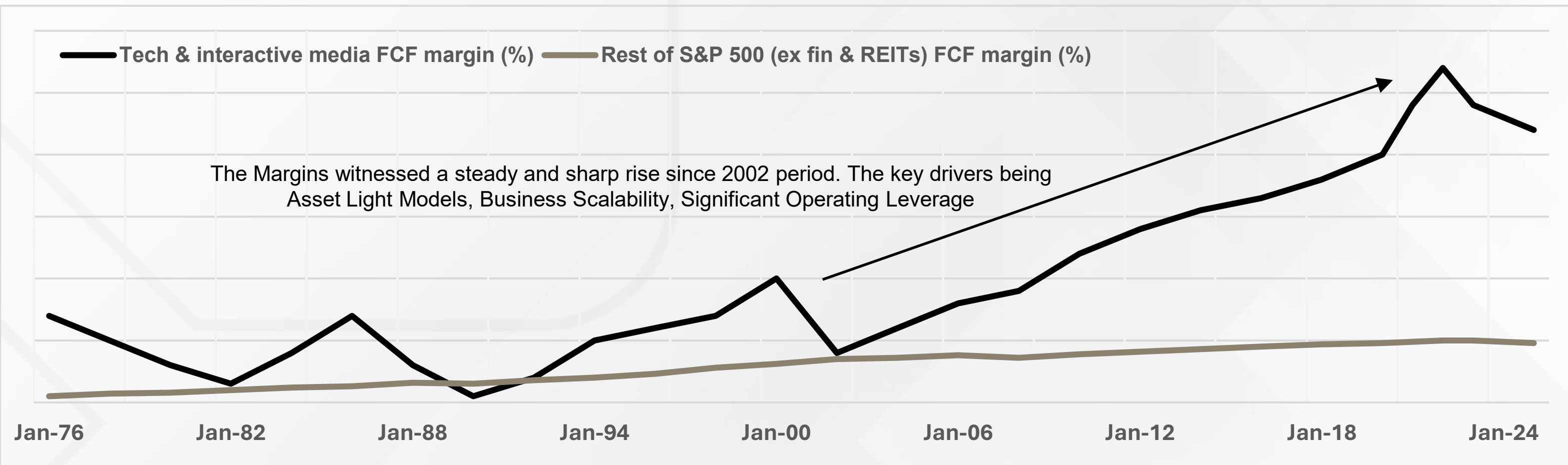
Artificial Intelligence (AI): Are we in a Bubble?

Though we have seen a rapid increase in asset prices, speculative buying and Herd Behavior (all features of market bubble cycles), prevailing evidence from historical data indicates otherwise

Comparative Valuations Current v/s Tech Bubble Leaders and S&P500 Free Cash Flow Margins

Company Name	Index Weight (%)	Market Capitalisation (USD Billion)	24m Forward P/Ex
NVIDIA	7.8%	4509	26.1
Microsoft	6.8%	3929	27.2
Apple	6.6%	3809	29.1
Alphabet	4.9%	2822	20.8
Amazon	4.1%	2356	24.9
Meta Platform	2.7%	1552	21.2
Tesla	2.6%	1507	135.2
Magnificent 7 (2025) Aggregate	**35.6%**	**20485**	**26.8**

Company Name	Index Weight (%)	Market Capitalisation (USD Billion)	24m Forward P/Ex
Microsoft	4.5%	581	53.2
Cisco Systems	4.2%	543	101.7
Intel	3.6%	465	42.1
Oracle	1.9%	245	84.6
IBM	1.7%	218	23.5
Lucent	1.6%	206	37.9
Nortel Networks	1.5%	199	86.4
Tech Bubble Leaders (2000) Aggregate	**19.0%**	**2457**	**52.0**



S&P500 Free Cash Flow Margins:

This indicates how much actual cash a company keeps after paying operating expenses and capital expenditures.

Source: Bloomberg; *Empirical Research Partners, December 2025.*

Equity Markets Update

Global Equities rise amid full-year earning announcements during the month, however, expect an increase in volatility as geopolitical risks rise

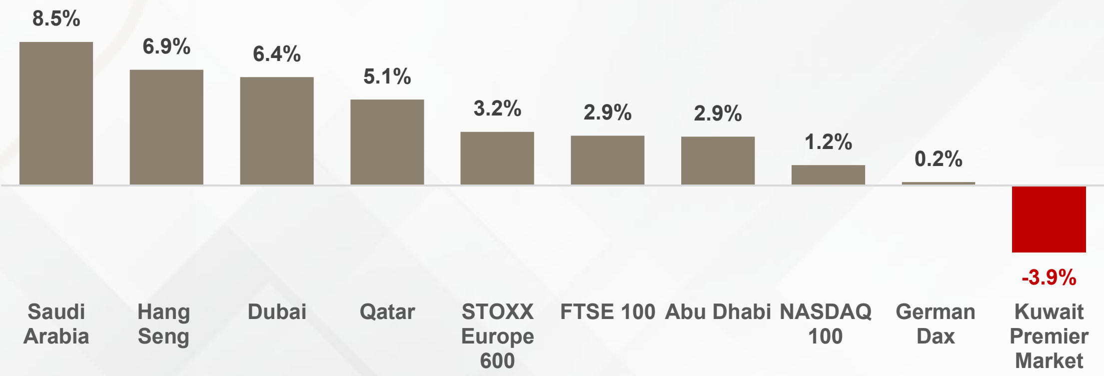
The VIX Index is up 20.6% on YTD basis:

- As we write, the VIX Index trades at 18.0 level after recording a high of 20.0 during the month. The VIX Index is a leading indicator of expected volatility in the market.
- The S&P Financial Services sector recorded full-year earnings for 2025 and as expected earnings have been above expectations and growth in double digits. Key drivers being higher fee income from Investment Banking and Asset & Wealth Management segments.

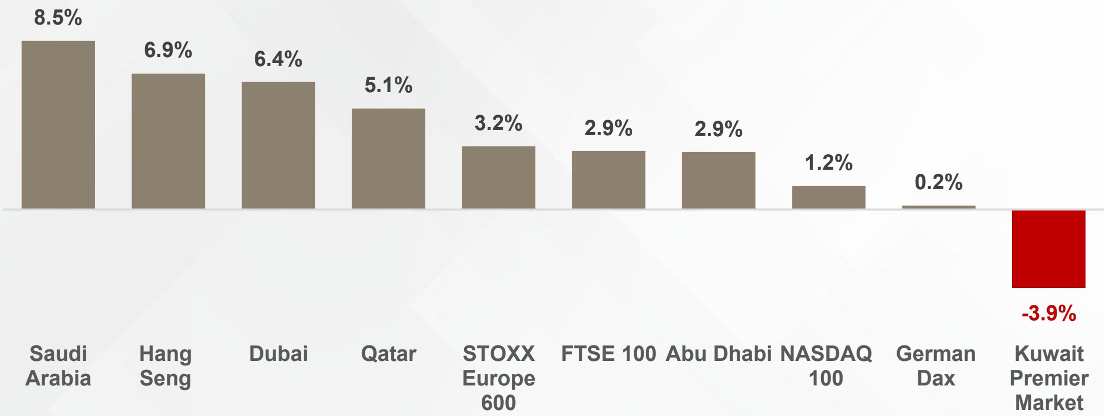
Among the GCC Saudi Outperforms:

- Saudi Arabian market discounts the impact of major market liberalization for foreign investments. The announcement should lead to increased liquidity and increased capital flows.
- **Earnings:** Kuwait banking sector highlights include single digit earnings growth impacted due to higher Taxation costs due to the implementation of the Minimum Domestic Top-up Tax. Strong double digit loan growth, financing margins remained flat or declining with the outlook for 2026 to the downside in the case of margins. UAE banks reported strong earnings growth on higher non-operating income and lower provisions as margins continued to remain under pressure. Loan growth was healthy high teens for 2025 with guidance of similar growth during 2026.

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*

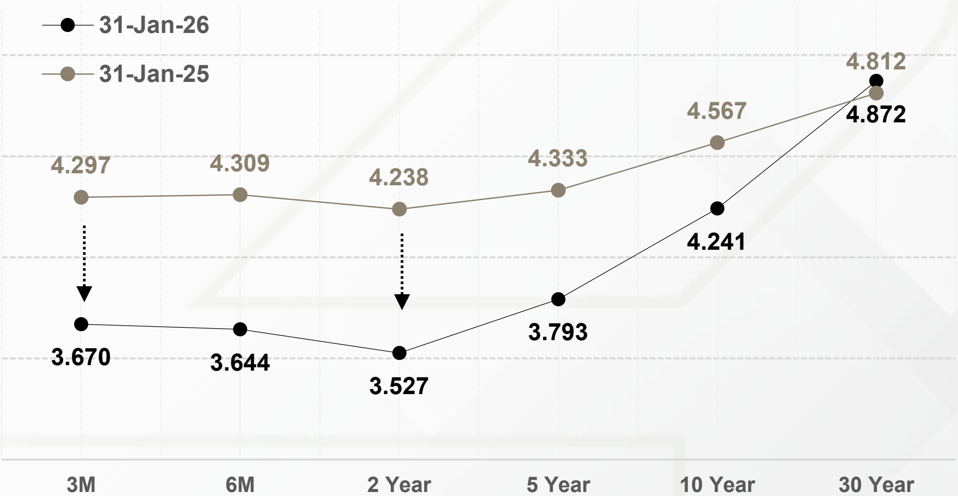


Source: Refinitiv; *Index Closing as of January 31, 2026

Global Benchmark Yields

US Treasury Yields trade in a narrow range on monthly basis

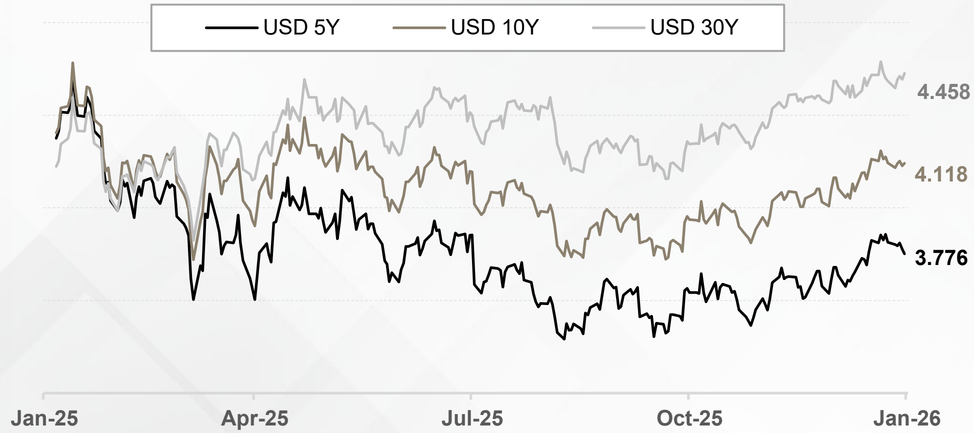
US Treasury Yield Curve (%)



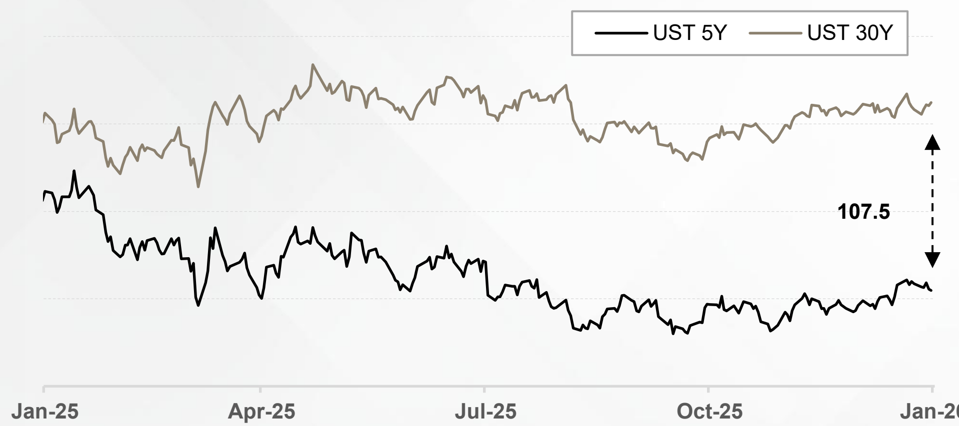
- The 2Y US Treasury yield closed the month at 3.527% which is 6bps increase when compared to the December 2025 close of 3.469%. While the 5Y and 10Y yields were up 9bps during the same period.
- On a Year-on-Year basis the Yield Curve movement continues to be of bullish steepening as markets anticipate rate cuts in the near term - a reason for the debt investor to focus on short tenor bonds. Long tenor lack demand amid rising debt loads on government balance sheets and policy uncertainty. The succession of the US Federal Reserve has been priced in as we write.

Source: Refinitiv, Year-to-Date (YTD) as of January 31, 2026

US Mid-Swaps Yield (%)



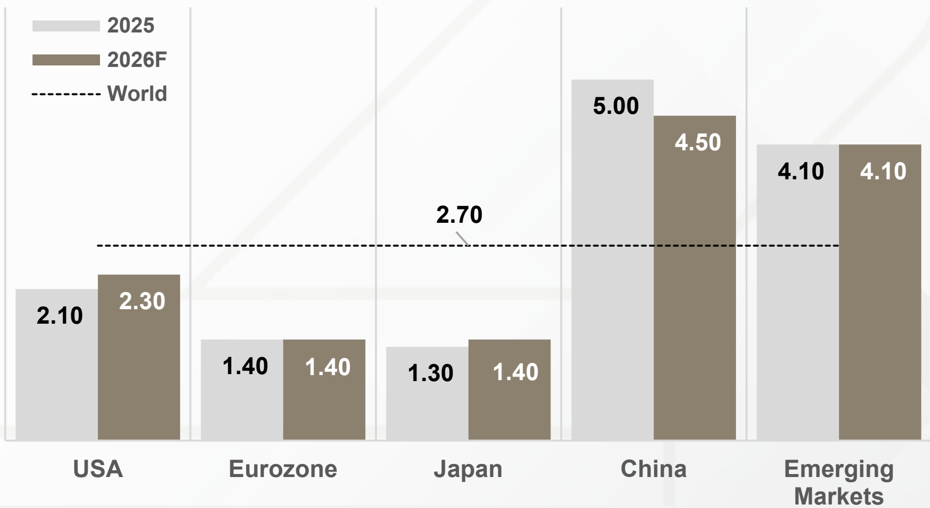
30Y-5Y Spread (bps)



Macroeconomic Overview

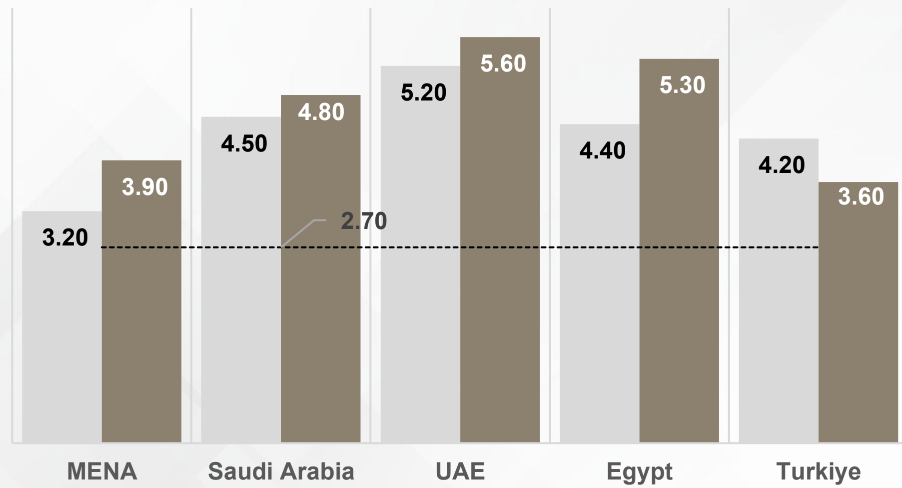
Global GDP growth to remain resilient; tailwinds include monetary and fiscal support, lower interest rates coupled with strong earnings to sustain and drive growth investments

Real GDP Growth (%) - Global



- International Monetary Fund (IMF) in its recently released economic outlook, forecasts global GDP growth at 3.3% for 2026. The forecasts are on the higher end when compared to Fitch which expects GDP growth at 2.7%. However, growth drivers stated above remain the same in both forecasts.
- As stated in the IMF report, risks to the outlook remain to the downside, key headwinds include trade tension flare ups. Pause and reflection on gains from massive AI related investments can trigger volatility in financial markets. Rising geopolitical tensions can also act a drag on growth.

Real GDP Growth (%) – MENA Region



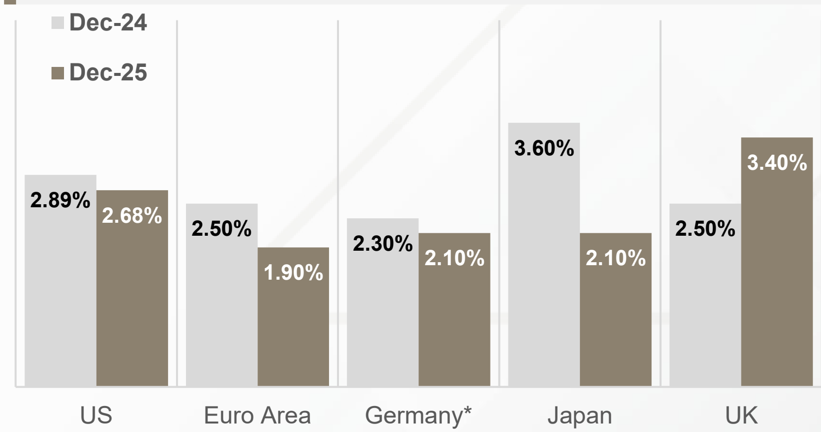
- Both IMF and Fitch forecast a deceleration in economic activity in China to 4.5% during 2026. Key rationale being weak consumer spending, weak housing markets and unpredictable export demand amid trade policy uncertainty.
- As per IMF, growth in the MENA region is expected to be 3.7%, which is marginally lower to Fitch forecasts. Key drivers being diversification-related investments, increase in carbon related exports and lower borrowing costs to drive private CAPEX.

Source: Fitch Solutions, f=forecasted, e=expected

Consumer Price Inflation & Central Banks Rates Monitor

The US left interest unchanged amid elevated inflation levels, European Central Banks to meet during February as expectations are of a slower or cautious cutting cycle

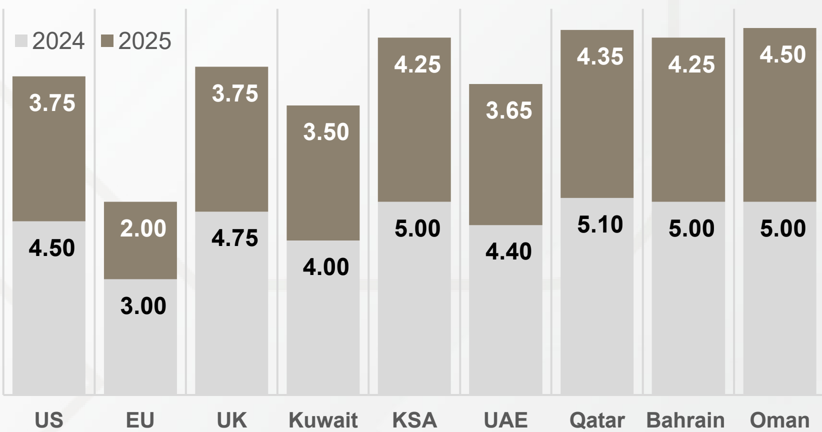
Consumer Price Index (CPI)



- The US Federal Reserve (Fed) left interest rates unchanged in the recently concluded Fed Meeting, maintaining the target range at 3.50-3.75%. Key drivers being steady economic pointers suggesting economic activity expansion and elevated inflation. Inflation continues to remain sticky and above central bank target rates. The global headline inflation for 2026 is estimated to be elevated at 3.8% and we believe there is potential upside risks amid the recent surge in commodities.
- The US President has nominated Kevin Warsh who will replace Jerome Powell in May 2026 as the next Chairman of the Federal Reserve. Kevin Warsh is an established economist and has served as the Federal Reserve Board of Governors during 2006-2011 when Ben Bernanke was the Fed Chairman. He has a reputation of being Hawkish with focus on inflation.

*Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of January 2026;*

Central Banks Rates



Economic Calendar

February 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
1	2	3	4	5	6	7

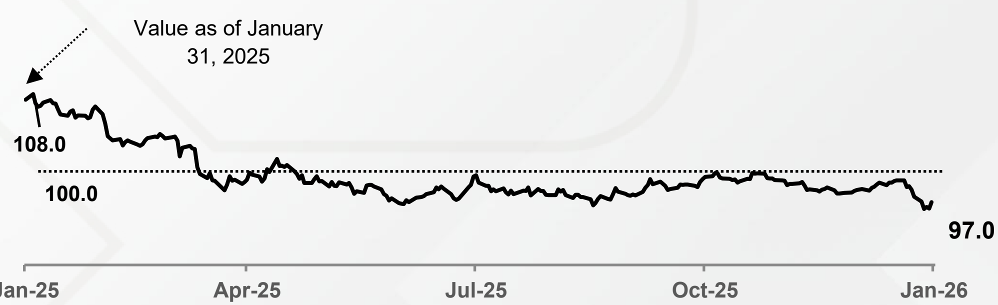
Feb 03: Turkey CPI Data
Feb 04: Eurozone CPI data
Feb 05: Bank of England (BOE) - Meeting
Feb 05: European Central Bank - Meeting
Feb 06: Non-Farm Payroll - US
Feb 11: Consumer Price Inflation - China
Feb 11: Consumer Price Inflation - US
Feb 18: Consumer Price Inflation - UK
Feb 20: Consumer Price Inflation - Japan

Commodities and Forex Overview

Increased Geopolitical, Supply Risks and Front Loading in response to tariff policy uncertainties fueled commodity price increase during January

- Brent Crude prices were up 16.17% on a month-on-month basis impacted by geopolitical risks. Downside risks on the price remain, driven by excess supply. The Q12026 demand is expected to be 103.4 million barrels per day (mbpd) while supply is expected to be in excess of demand at 106.90.
- Precious metals rallied amid heightened geopolitical risks. Gold prices were up by 8.9% as it recorded all time high as it crossed the USD 5,000 per ounce mark towards the end of the month. While Silver closed with gains of 11.63% during the same period. The outlook for previous metals remains neutral to bullish driven by geopolitical uncertainty involving Iran, Venezuela and Greenland.
- However, as we write, silver prices are down 25.3% from the month high of USD 115 per ounce. While Gold prices are down 7.8% from its monthly high.
- The sharp increase in Natural Gas prices amid elevated demand due to cold weather and limited supply opportunities. Base metals prices have been up despite sluggish demand as supply restrictions drive prices.

US Dollar Index is down 10.5% on a Year-on-Year basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	65.21	13.57%	6.94%	13.57%
Brent Crude (USD Per Barrel)	70.69	16.17%	8.64%	16.17%
DME Oman Crude (USD Per Barrel)	67.42	9.75%	-0.43%	9.75%
Natural Gas (USD MMBTU)	4.35	18.12%	5.58%	18.12%
LNG - ASIA (USD MMBTU)	11.60	20.83%	4.50%	20.83%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	4,713.90	8.98%	18.37%	8.98%
Silver (USD Ozs)	78.29	11.63%	63.12%	11.63%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,218.5	7.44%	11.60%	7.44%
Alu Alloy (USD/Tonne)	2,509.0	0.00%	0.00%	0.00%
Copper (USD/Tonne)	13,618.0	9.62%	25.08%	9.62%
Tin (USD/Tonne)	55,084.0	35.82%	52.65%	35.82%
Zinc (USD/Tonne)	3,412.0	9.45%	11.67%	9.45%
Lead (USD/Tonne)	2,014.0	0.15%	-0.15%	0.15%
Nickel (USD/Tonne)	18,369.0	10.35%	20.64%	10.35%
Rolled Steel (CNY/Tonne)	3,088.9	-0.21%	-0.26%	-0.21%

Source: Refinitiv, YTD as of January 31, 2026

Key Contacts

KFH Capital Investment Company

P.O. Box: 3946 Safat,13040 Kuwait
Tel.(+965) 2298 7000
Company: www.kfhcapital.com.kw

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