BRUMMER & PARTNERS

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BRUMMER MULTI-STRATEGY

Commentary, August 2025

Summary

Amid disruptive policy shifts, fiscal concerns and fragile growth signals, 2025 to date has proven highly complex for markets. Brummer Multi-Strategy has navigated this backdrop with resilience, driven by stock-specific alpha in long/short equity while systematic strategies faced tariff-related reversals. In this commentary, the Portfolio Management team provides an overview of the shifting macro landscape, analyses performance drivers across strategies and outlines the latest developments in the platform and investment organisation. The team also reflects on the challenges and opportunities that lie ahead as markets adjust to an increasingly uncertain policy and economic environment.

Brummer Multi-Strategy

Generating alpha is, and always has been, our primary objective. Our multi-manager programme combines disciplined risk management with a diverse array of alpha sources which requires constant evolution in talent, technology and mindset. We aim for Brummer Multi-Strategy to be a cornerstone in any informed investor's portfolio where alpha counts.

Brief market overview

2025 to date has been shaped by disruptive policy shifts, geopolitical tensions and competing macroeconomic currents, resulting in heightened volatility and increased uncertainty across asset classes.

2025 IN BRIEF

The macro environment has been rather complex, marked by policy induced volatility, geopolitical tensions and contending macroeconomic crosscurrents creating sharp reversals across asset classes. Disruptive trade policies (escalating tariffs and protectionist measures) are reshaping the global economic order, introducing a new layer of uncertainty to an already highly uncertain and fragile macroeconomic environment. Concerns over fiscal sustainability and debt burdens increased globally but particularly in the US with the "One Big Beautiful Bill Act" (OBBBA).

GLOBAL GROWTH AND POLICY LANDSCAPE

Global growth slowed, though not as sharply as many had anticipated. Financial conditions eased, and both front-loading and transshipping may have obscured some of the underlying slowdown.

In Europe, growth remained sluggish despite monetary easing and the historic shift in Germany´s fiscal policies.

In the US, annualised growth decelerated in the first half of the year to below potential levels. It has been a rather bifurcated economy in the US with the AI boom driving growth and financial markets higher whereas the consumer seems to be hurting (weak real sales and spending data first half of the year), even before the full impact of new tariffs was felt.

Although central banks have broadly been dovish, there has been some divergence with e.g. the Fed on hold vs ECB and other major central banks in easing mode. Growing political pressure on the Fed has raised questions about central bank independence.

INFLATION

Inflation moderated across developed economies and has been rather mild. While tariffs are expected to exert a reflationary effect in the US, they may be disinflationary for much of the rest of the world. In the US, core services inflation continued its downtrend whereas core goods inflation picked up. Remains to be seen, but Fed chair Jay Powell suggested the tariff related price effects are likely to be one-off in nature. Were it not for the inflationary risks stemming from the fiscal bump with the OBBBA, and the tariffs, the Fed might have already begun lowering interest rates earlier this year. Labour market softening, as evidenced by the latest NFP data, including a net downward revision of 258k to May and June job growth (the largest two-month revision outside of recessions since 1968) has significantly raised the probability of a rate cut in September in the order of 25-50 bps. The NFP data is increasing concerns that the labour market is softening too much, raising potential recessionary risks. If labour market data continues to weaken, the Fed may look through the inflationary effects of tariffs. Asset prices remain highly sensitive to both inflation and labour market data.

EQUITY MARKETS

Equity performance has been bifurcated. US equity indices reached all-time high levels but gains were narrowly concentrated in mega-cap tech and AI related names. Beneath the surface, market breadth was narrow.

European and Asian equity indices outperformed the US. The DAX index in Germany hit new record high levels, buoyed by its aggressive fiscal policy shift with the new EUR 500bn infrastructure fund and tax relief bill.

CURRENCY MARKETS

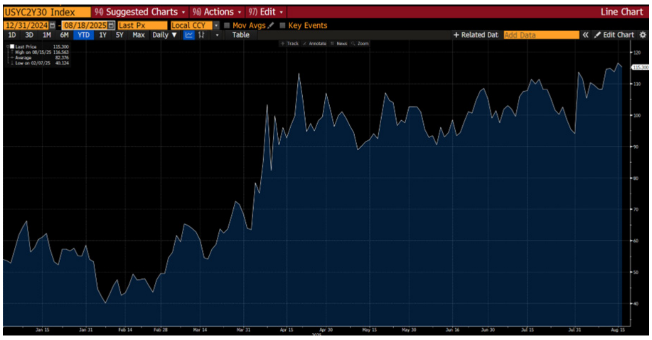
The USD has declined significantly YTD, particularly against the euro. Unlike previous cycles, rate differentials seem to have played a smaller role in driving currency moves this year. Instead, the most prominent reasons for the decline in the USD seem more due to shifts in global cross border capital flows and FX hedging ratios/flows among large institutions. This has been further compounded by rising fiscal concerns in the US, compressing growth and yield differentials (with further downside risks to US growth from tariffs), concerns related to the labour market and independence of the Fed.

USD-Index (DXY). Source: Bloomberg

FIXED INCOME

Bond markets have been somewhat range-bound trading within a wide range. Yield curves have steepened in both the US and Europe, but for different reasons. In the US, concerns about fiscal sustainability with the OBBBA and rising debt burdens have played an important role. It has been estimated by the CBO that OBBBA may add USD 3 trillion to US national debt and Moody´s downgraded the US referring to fiscal irresponsibility.

In Europe, yield curve steepening reflects easing of monetary conditions and increased issuance expectations keeping long end yields under pressure. Deficits have widened and continue to do so, particularly in Germany which sees net supply continuing to increase, structurally shifting supply/demand dynamics particularly on the long end of the curve.



US 2YR & 30 YR Bond Yield Spread. Source: Bloomberg

COMMODITIES

Gold prices continued their upward trajectory driven by sustained central bank demand as central banks are increasingly diversifying their reserves, de-dollarisation trends, geopolitical tensions and broad USD weakness.

Oil markets remained highly volatile and directionless, with price swings exacerbated by the 12 day conflict between Israel and Iran in June.

Gold Spot Price (USD per Troy Ounce). Source: Bloomberg

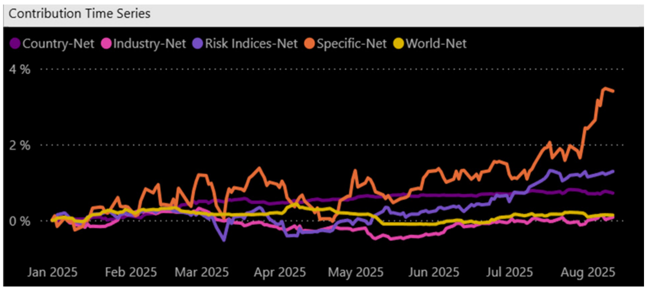
Performance analysis

BMS Cayman has generated 2.4 %[1] (USD) up until the mid month of August 2025. The following section gives more details on return drivers per sub-strategy type and the alpha contribution.

Strategy type	2025 YTD gross contribution[2]
L/S Equity	10.6 %
Systematic Trend	–5.3%
Systematic Macro	–0.9 %

LONG/SHORT EQUITY

Long/short equity represents the core of our portfolio, typically accounting for 60 % to 75 % of total risk and has also been the main positive contributor to Brummer Multi Strategy´s 2025 performance. We are pleased that the majority of the returns in our long/short equity book can be attributed to alpha, or stock-specific sources of risk. So far in 2025, short alpha has been the main driver of returns generating a P&L contribution of almost 4 % (unlevered), whereas long alpha generation has been almost flat. Please see performance attribution in the tables below.



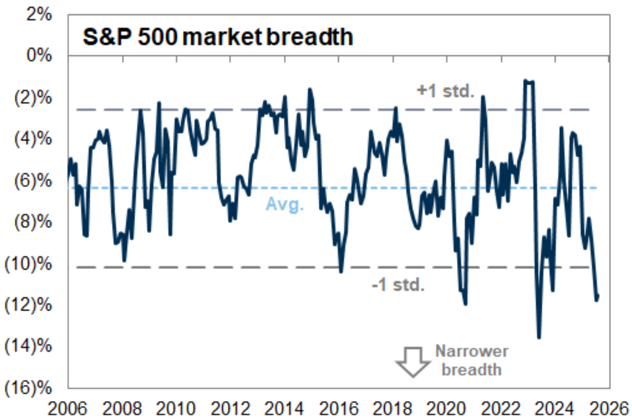
Mainly stock specific performance[3] (i.e. alpha) YTD.

Source: Brummer Multi-Strategy AB

Long and Short alpha contribution.[3] Source: Brummer Multi-Strategy AB

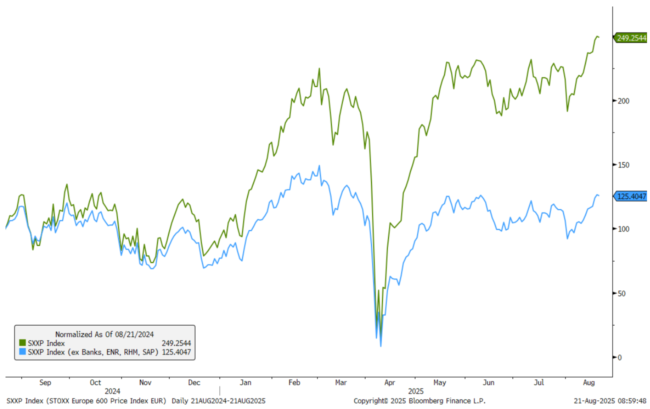
Overall, the long/short equity book has behaved as intended, proving to be relatively robust and consistently generating alpha throughout the year (as illustrated by the dark blue line above) despite poor market breadth YTD. It has contributed with positive returns every month except for a small drawdown of 1 % during March. It has been resilient during periods of more violent sector and factor rotations and deleveraging episodes following the US administration´s back and forth rhetoric around trade policies.

2025 has so far in general not been as conducive of an environment for stock-picking as last year, with market breadth having narrowed. AI/mega cap tech and banks have been driving the market up. Despite the narrow market breadth YTD, our L/S equity book has continued to generate strong returns, particularly the strategies focused on revisions to consensus earnings estimates around earnings seasons. Earnings seasons have been profitable periods YTD particularly on the short side, with earnings misses being punished more severely than on average historically and earnings days volatility continuing its upward trend. In Europe, we saw the worst reaction to earnings misses in 20 years.



Narrow market breadth in the US in 2025.

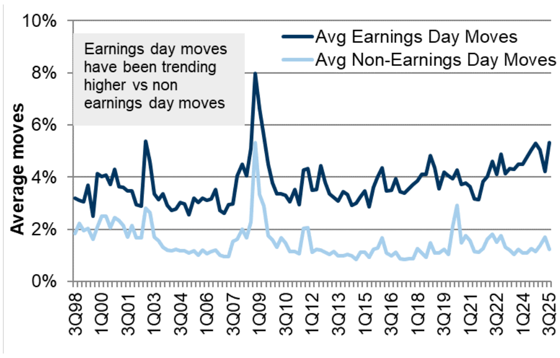
Source: Goldman Sachs Investment Research



Narrow market breadth in Europe 2025.

Source: Goldman Sachs Investment Research

1) Estimate per 15 August 2025.
2) The data refers to BMS Cayman per 15 August 2025.
3) Charts show performance data for BMS AIF (unlevered); commentary performance figures refer to BMS Cayman (levered).



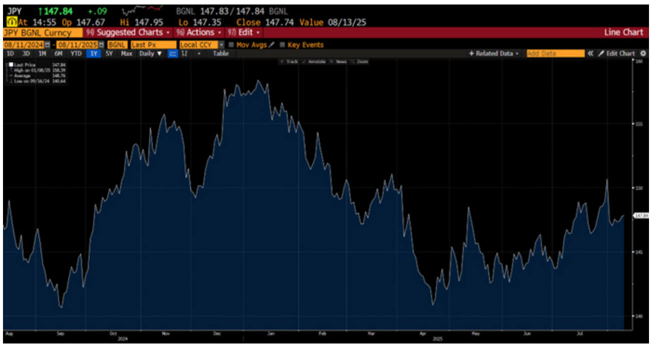
Earnings day volatility continuing its upward trend.
Source: Goldman Sachs Investment Research

SYSTEMATIC TREND-FOLLOWING

Systematic trend-following detracted from our returns. Trump´s back and forth rhetoric around trade policies and tariffs created a challenging set up for CTAs particularly around March-May time-frame with choppy market conditions across most asset classes. This has in the context of a market backdrop with few economic surprises, and macroeconomic conditions continuing to consolidate, created a challenging environment for CTAs with unusually weak trends in both developed as well as alternative markets. It has been one of the most difficult periods historically for the entire CTA space.

Our trend-followers typically run slightly faster models compared to peers and hence tend to be longer volatility and gamma on average, which we think is a desirable feature from a diversification and portfolio construction perspective. The relatively high speed provides positive convexity and improves adaptivity around regime shifts and crises, but can be costly in a choppy market environment like 2025 and 2024. We view these losses akin to paying insurance premia.

Looking at the major asset classes, the worst performing sectors were currencies, fixed income and power markets.



JPY/USD. Source: Bloomberg

CAD/USD. Source: Bloomberg

Brent crude oil. Source: Bloomberg

US 10-year yield. Source: Bloomberg

SYSTEMATIC MACRO

The systematic macro space is in relation to other strategies a more recent addition to our portfolio and thus represents the smallest part of our total risk. The strategy generated a return contribution of -0.4 %. It has been a challenging market environment for systematic macro strategies with the US administration´s on and off tariffs creating a lot of noise in both asset prices and macro data.

Business update

We continue to make meaningful investments in both our investment and operational infrastructure to ensure we can generate strong risk-adjusted and diversifying returns for our clients.

As noted in our last yearly commentary, combining our unique long-term partnership model with the efficiency of a managed account ("pod") structure, allows us to further broaden and diversify the range of strategies within Brummer Multi-Strategy. So far this year, we have signed two new teams that will begin managing capital later in the year: A Nordic-focused Fixed Income Relative Value and Macro strategy and one market neutral long/short equity strategy focusing on Financials.

The Fixed Income Relative Value strategy will be managed by a very experienced Stockholm-based team with three senior investment professionals, focusing on less crowded alpha sources in the Nordic region. This will be the second addition to the Fixed Income vertical, complementing the auctions-oriented strategy discussed in the latest annual commentary.

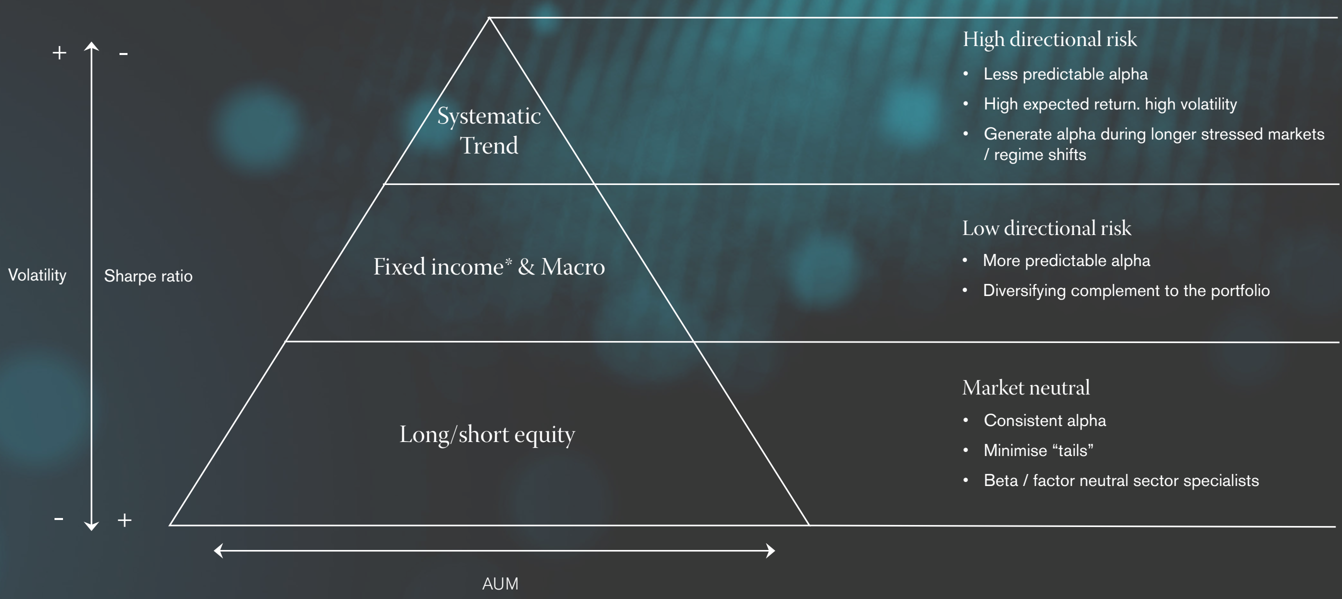
The market neutral L/S equity strategy focusing on the Financials sector will be structured as a pod in our London office. The strategy has a global mandate but will focus on European stocks.

In parallel with building out the portfolio with new strategies, we are continuing to make improvements to our operational set-up. One of the advantages of the multi-strategy model is that the size, breadth and diversification of the investment portfolio creates opportunities for more efficient use of the fund's balance sheet compared to what can be achieved by a portfolio of single-strategy hedge funds with separate portfolios. A further step in our efforts to get more "bang-for-the-buck" from our alpha sources has been the hiring of Rowan Crichton as Head of Treasury. Rowan has extensive experience setting up treasury functions for multi-strategy managers, including counterparty relationship management, repo trading and unencumbered cash and margin optimisation.

Our UK presence continues to expand. We have moved into new offices in Marylebone and opened a branch office in Abu Dhabi, which will partly host the Fixed Income auctions team.

Let us know if you travel through Stockholm, London, New York or Abu Dhabi – we would be happy to host you and give further colour on our business model, investment process and how we differ from other multi-strategy platforms.

PORTFOLIO STRUCTURE



*Fixed income strategies to be launched in the second half of 2025

Macro outlook

The future remains unusually opaque and at the same time prone to significant change. There is a wide range of different scenarios that can play out depending on the interaction between fiscal and monetary policy decisions, alongside the impact of AI and technological disruption. Our investment objective is to construct a portfolio that is all-weather and that can generate alpha consistently across a wide range of scenarios.

The macro picture is becoming increasingly complex with disruptive trade policies introducing another layer of complexity to an already highly uncertain macro environment. Both front-loading and trans-shipping may so far have obscured some of the underlying slowdown, but we are likely to see economic effects of the tariffs. There is increasing concern surrounding fiscal sustainability, rising debt burdens and central bank independence. Monitoring supply events (auctions), longer term yields, the USD and its knock-on effects on macroeconomic and corporate data and asset prices are becoming increasingly important in this environment.

There are growing uncertainties around the US growth outlook due to tariffs, a softening labour market and an expected weakness in consumer demand. US consumers seem a bit stretched, with real income growth slowing sharply. Consumer spending has been relatively weak, even before the impact of tariffs further eroding purchasing power. The macro environment points to a more challenging backdrop for marginal consumer demand. Whether the economic slowdown will accelerate remains to be seen and visibility is cloudy at best. On the flipside, further weakening in the labour market may make the Fed look through (likely temporary) price pressures via tariffs and switch to a more accommodative policy stance and even enter a more supportive stance. A dovish Fed chair is likely to be appointed in 2026.

In theory, tariffs should lead to one-off price increases. However, disruptions to supply chains can trigger a prolonged adjustment process.

Equity risk premiums are very moderate. Valuations for US stocks and long-term expected returns raise concern. The CAPE ratio (cyclically adjusted price/earnings) for US equities is currently at levels not seen since the peak of the dot-com bubble, suggesting the margin for error is small, making markets increasingly vulnerable to potential negative surprises in known unknown risk factors, as well as the unknown unknowns. Justifying current US asset price valuation requires a substantial productivity boom and boost to growth, factors that currently seem to hinge largely on the trajectory of AI and agentic AI development.

Hedge fund gross exposures remain near record highs, making markets increasingly vulnerable to deleveraging risks.

There is a long list of uncertainties and tail-risks to be aware of.

In light of these uncertainties and tail risks, we believe it is crucial to maintain a robust portfolio that is market-neutral and well-diversified across different strategies, sectors and geographies. Additionally, having a highly liquid and nimble portfolio while continuing to be long the tails remains essential.

We thank you for your continued trust and welcome any questions you may have at info@brummer.se.

The Portfolio Management team, Brummer Multi-Strategy

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