Lynx Capital Group Ltd

Disciplined Strategic Investment Management

http://www.lynxcap.com

Market outlook as of July 2025

"I can calculate the motion of heavenly bodies but not the madness of people (in crowds)"

Sir Isaac Newton – 1643 to March 1727 Newton is widely recognized as one of the greatest mathematicians, physicists, and most influential scientists of all time and is well known for his work on laws of motion, optics, gravity and calculus. In 1720, like many other wealthy men in Britain, Newton's investments in the South Sea Company evaporated when the company's shares skyrocketed, then crashed. Proving that even the most intelligent can be baffled by the stock market and the madness of crowds, Newton's problems started when he re-bought some of the volatile stocks that he'd sold at a profit, leading to a major loss.

Overview

Equity markets continued to rise in June despite the escalation of Middle East hostilities and the impending expiration of the administration's moratorium on reciprocal tariffs on July 8. The tech-heavy NASDAQ and the S&P 500 both ended the month at fresh all-time highs, making it a record-breaking month.

We are unresolved on our intermediate outlook as we have learned from experience the hard way to respect new market highs but also see a lot of complacency and speculation by inexperienced investors that will pay any price without any homework or thought given to valuation or "price discovery". This often does not end well but can expand for extended periods before finally correcting. In a perfect world, many of the other areas of the market are inexpensive and we would like to see them play catch-up such as Healthcare and Mid Cap stocks for example.

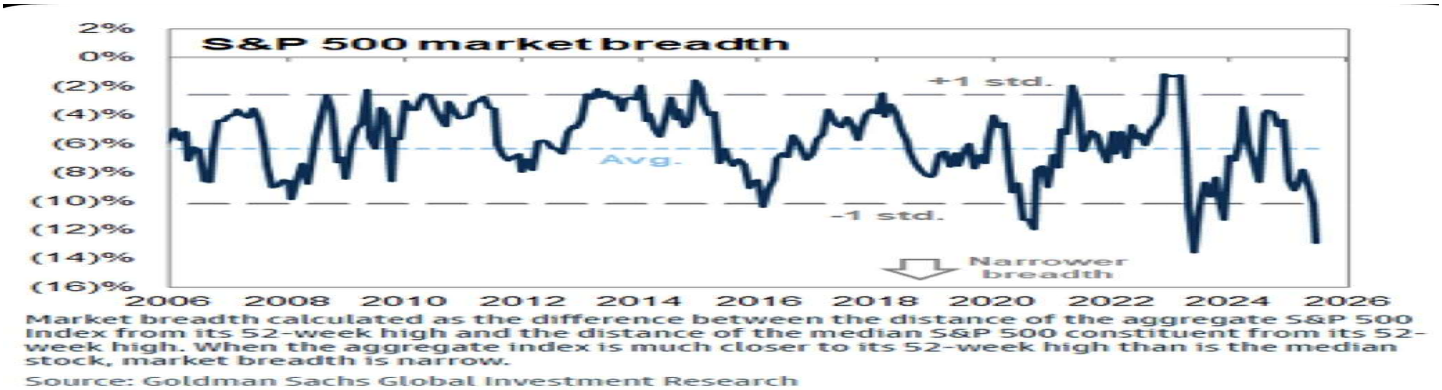
Areas of Concern: -

• Economic growth is slowing, but the near-term recession risk is low.

• Tariffs and policy uncertainty continue to dominate the outlook. Some uncertainty should be lifted in coming months.

• Tariffs present a downside risk to growth and an upside risk to inflation as there are still too many unknowns, especially what the inflationary effects will be.

• The markets have also gone back to a narrow band of Technology stocks relating to AI and Cloud computing. Valuations in these areas are priced for perfection. Below the chart shows we are back to record low market breadth (concentration).



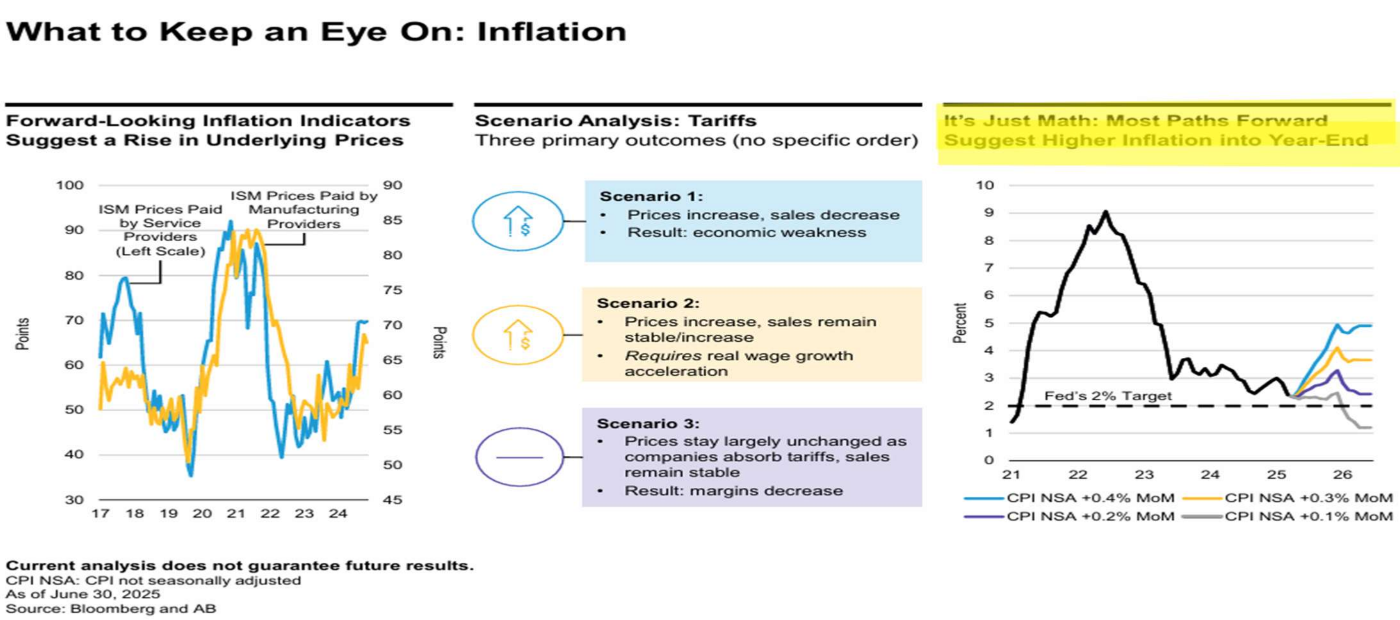
• Signs of an economic downturn grew because of weak housing data, further cooling of the labor market, and an unexpected decline in consumer spending. Even though lower oil prices have recently caused inflation to decline, **a weaker US Dollar and tariffs** are still expected to drive up prices in the months ahead.

The Federal Reserve (Fed) has been in a wait-and-see attitude due to the possibility of increased inflation, which we agree with as we are strongly in the camp that the "inflation fight" needs to be clearly won. With record low unemployment rates the Fed does have time on their side.

Jerome Powell – Fed Chair

> "We're simply taking some time... As long as the U.S. economy is in solid shape, we think that the prudent thing to do is to wait and learn more and see what [tariff] effects might be." "It's going to depend on the data... I wouldn't take any meeting off the table or put it directly on the table."

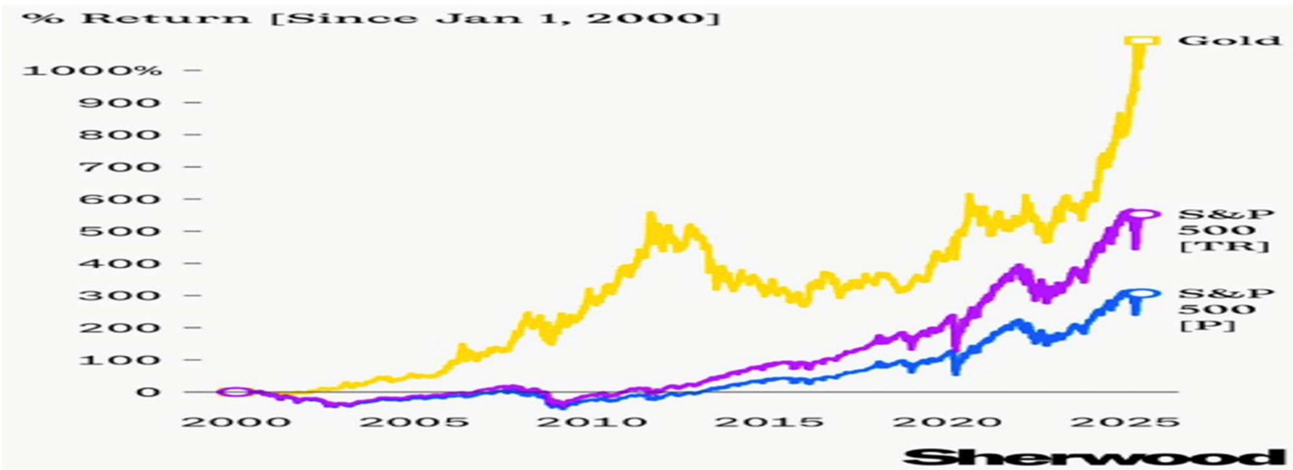
Future policy decisions will probably be more difficult since they will have to weigh the risks of slowing growth against a more uncertain inflation outlook. Two rate cuts are still anticipated (and priced in) by the market by year's end. Key will be the tariff effects on inflation in the next six months.



SECTORS IN FOCUS:

Wall Street's largest lenders boosted their dividends after passing this year's Federal Reserve stress tests, with payouts better-than-expected and JPMorgan's plan a standout, according to some analysts. Large banks are also expected to gain from increased M&A activity and eased banking regulations.

Gold: If we say so ourselves, we are one of the few managers that have held Gold in our ETF strategy. Most US based managers eschewed the investment due to lack of understanding of Golds "safe haven" statues amongst international investors in countries such as India and China. Gold has been one of the top performing asset classes in the last 25 years. We pride ourselves in independent thinking!

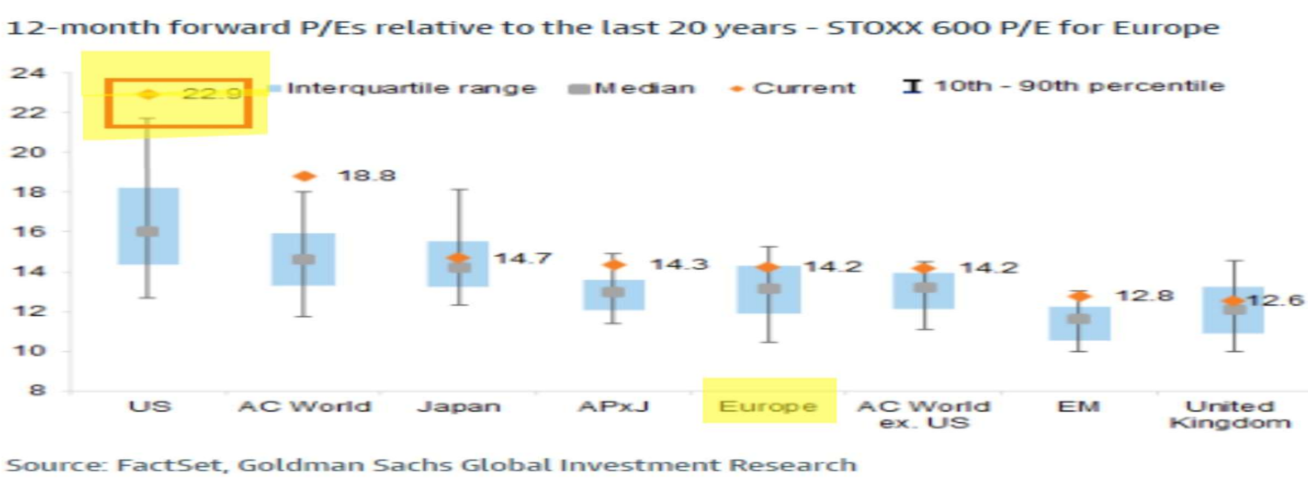


Equity Portfolio thoughts: -

Growth and AI-related stocks have continued their run, but dividend-paying sectors like utilities, REITs, and staples saw mixed performance due to rising yields. -

Markets are attempting to reconcile resilient economic data with the long-term effects of tighter monetary policy. In this uncertain environment, we remain focused on quality, cash flow, and income durability.

Our portfolios are structured with a long-term dividend bias, but that doesn't mean they're static. Here's how we're tilting tactically in today's environment: 1. Favoring Dividend Growth Over High Yield: In a higher-for-longer rate world, companies that can grow dividends consistently (rather than those offering the highest yield today) tend to outperform. 2. Tilting Toward Value-Blend ETFs: We're adding to diversified value-blend ETFs and recently added exposure to Europe due to its cheaper relative valuation to the USA and is also benefiting from a weakening US $.



REITs and Infrastructure: Selectively Attractive: We're gradually reentering these spaces where balance sheets are strong and assets are inflation-linked.

Avoiding Stretch for Yield: We continue to avoid ultra-high dividend payers with unsustainable payout ratios or weak balance sheets. This remains a classic "dividend trap" environment. Why Dividends Still Matter In a world focused on AI momentum trades and rapid market rotations, it's worth reiterating the enduring value of dividend investing:- Consistent Cash Flow: Dividends provide tangible, recurring income-especially valuable in uncertain or sideways markets.- Compounding Power: Reinvested dividends can account for 30-40% of total long-term returns in equities.- Risk Mitigation: Dividend payers tend to be more mature, profitable companies with lower volatility and stronger financial discipline.- Inflation Defense: Many or most dividend growers have pricing power and can outpace inflation over time.

We believe our approach-balancing core dividend exposure with tactical shifts based on macro conditions-continues to offer both resilience and upside.

It is always advisable to review one's individual circumstances and tolerance for risk. If any of your financial circumstances have changed, or you want to adjust your portfolios risk profile we always encourage you to contact us should you want to make any changes to your portfolio allocation.

As always, please feel free to contact us with any questions or concerns.

Brian

Brian Chait

President, July 14th, 2025