THE LYNX PROGRAM

2025

MIDYEAR REVIEW

Performance Summary

The Lynx Program ended the first half of 2025 down 6.49% net of fees as losses in global bonds, currencies, energies, and equities overshadowed gains in agricultural commodities, metals and short-term interest rates.[1] The period was marked by significant macroeconomic crosscurrents, unexpected policy reversals, and escalating geopolitical conflict. These factors combined to create a difficult trading environment for the program, and trend-following strategies in general.

Through the first half of the year, medium-term time frames were the worst performers, both in the trend-following and diversifying components of the portfolio. Conversely, short and long-term trend models were profitable, as were short-term diversifying models. While disappointing, the program outperformed the Société Générale CTA Index which ended the first six months of the year down 7.61%. Meanwhile, traditional investments were generally positive as the MSCI World NDTR Index (local currency) ended up 6.59%, while the JPM Global Government Bond Total Return Index (local currency) closed up 1.80%.[2] The result brings annualized performance since inception to 8.63% net of fees with an annualized standard deviation of 14.70%.[1]

PERFORMANCE BY ASSET CLASS[3]

Equity-related investments		-0.4%
Commodity-related investments		-1.2%
Of which	*-Agriculturals*	*1.3%*
	-Metals	*0.4%*
	-Energies	*-2.9%*
Fixed income-related investments		-2.7%
Of which	*-Interest rates (STIR)*	*0.1%*
	-Bonds	*-2.8%*
Currency-related investments		-3.5%
Other (management fees, interest etc.)		1.3%
TOTAL NET PERFORMANCE		**-6.5%**

PERFORMANCE BY MODEL TYPE[3]

Trend following models		-7.7%
Of which	*-Short-term*	*0.1%*
	-Medium-term	*-8.3%*
	-Long-term	*0.5%*
Diversifying models		-0.1%
Of which	*-Short-term*	*0.9%*
	-Medium-term	*-0.7%*
	-Long-term	*-0.3%*
Other (management fees, interest etc.)		1.3%
TOTAL NET PERFORMANCE		**-6.5%**

PROGRAM ASSETS UNDER MANAGEMENT

USD 5 517M

[1] The net performance figures include interest, costs and fees and reflect the standard leverage Lynx Program with a 1% management fee and a 18% (20% up until 1 July 2018) performance fee for a USD investment. For the period 1 May 2000 up until 31 March 2004 numbers have been calculated based on a SEK investment and thereafter an equivalent investment in USD.
[2] Index-figures are based on available data at the time of publication and are subject to revision. The Société Générale CTA Index, MSCI World NDTR Index (local currency) and JP Morgan Global Government Bond Index (local currency) figures represents the period 31 December 2024 to 30 June 2025.
[4] Gross return includes commissions and trading expenses, but excludes management fee, performance fee and interest income.

Market Developments

The year began in anticipation of the second presidential term of Donald Trump, whose reelection in November 2024 catalyzed a sharp pivot in expectations of US economic, geopolitical and trade policy. Market participants were forced to rapidly reassess expectations around fiscal expansion, regulatory oversight, and geopolitical alignment. The prospect of large-scale tax cuts, increased tariffs, and expansive deficit-funded spending drove a rally in risk assets immediately following the election. Entering the new year, US indices continued to climb, bolstered by hopes for business-friendly policies and cheaper financing.

However, this optimism was tempered by concerns about fiscal sustainability and central bank independence. The "One Big Beautiful Bill," a sweeping tax-and-spending proposal floated by the Trump administration early in the term, triggered volatility in US Treasuries and the dollar. Additionally, uncertainty about the trajectory of policy implementation and the risk of legislative gridlock created some unwelcomed market volatility.

On April 2nd, Trump's proclamation of blanket tariffs on all trading partners rattled markets globally. Framed by the administration as a comprehensive effort to "reassert trade fairness and industrial independence," the move triggered an immediate repricing across asset classes as investors grappled with the economic and geopolitical ramifications of such a sweeping policy shift. Market focus quickly turned to retaliatory measures, possible carve-outs, and the likelihood of near-term policy reversal or escalation. In an unexpected turnaround, Trump announced a 90-day moratorium on most tariffs on April 9th, ostensibly to allow for bilateral trade negotiations, although the resulting relief rally was immediate.

Meanwhile, the Federal Reserve maintained a data-dependent stance throughout the first half, holding policy rates steady due in large part to the uncertainty regarding the potential impact of tariffs on inflation. While signaling a potential rate cut in the second half of the year, Fed Chairman Powell indicated it would be contingent on labor market softness and disinflation trends. In contrast,

the European Central Bank cut its deposit rate to 2% in June, marking the eighth rate cut since mid-2024. ECB President Christine Lagarde emphasized growing inflation volatility and the need for a more agile monetary policy framework. Global central banks broadly tilted dovish, citing geopolitical risks and tightening financial conditions as justifications for accommodation. Rate differentials and shifting rate expectations led to large – and in many cases unanticipated – moves in G10 and emerging market currencies.

On the geopolitical front, Israel launched a surprise airstrike on Iranian nuclear and military facilities on June 13th. The resulting 12-day conflict caused a temporary spike in oil prices and a global flight to safety. Risk assets sold off in the immediate aftermath but quickly rebounded, despite US involvement in the conflict, after a ceasefire was reached on June 24th. The rapid reversal was notable given the circumstances of the war and the potentially disastrous outcome should it have escalated into a broader conflict.

While the U.S. economy continued to show resilience, supported by consumer strength and reasonably robust employment, other regions exhibited more uneven performance. Europe's growth remained sluggish despite monetary easing and fiscal stimulus, and China struggled to gain traction amid structural property sector headwinds and soft external demand. These divergences created asymmetries in global bond and equity markets which lasted throughout the period.

GLOBAL EQUITIES

Despite macroeconomic uncertainties, major US equity indices hit record highs in June, with the S&P 500 closing above 6,200 and the Nasdaq Composite exceeding 20,000. The rally was concentrated in mega-cap technology and AI-linked stocks, with Nvidia, Microsoft, and Alphabet continuing to outperform on strong earnings and investor optimism. However, beneath the surface, equity breadth was relatively weak as many cyclical and rate-sensitive sectors underperformed.

While US markets drew headlines, European and select Asian indices outperformed in relative terms. Germany's DAX index hit a record high in early June driven by a historic shift in the country's fiscal policy, including an amendment of Germany's debt brake rules to exempt military expenditures, a EUR 500 billion infrastructure fund and a significant tax relief bill. The DAX ended the first half of the year up over 20% despite softening as the second quarter drew to a close. The rotation into industrials, luxury goods, and defense-related stocks was driven by both fiscal and monetary support and the pledge by nations across the continent to increase military spending to mitigate dependence on the US. In Asia, the Hang Seng and Chinese H-shares rallied strongly as did the KOSPI index

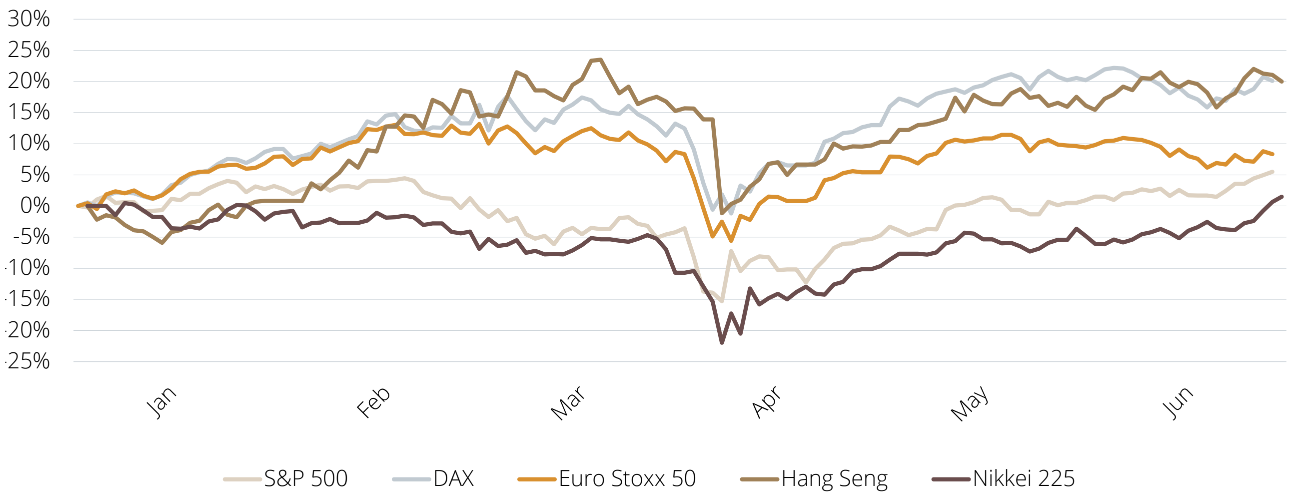

Chart 1 Global Stock Index Performance during first six months of 2025. Source: Bloomberg.

in Korea. Rising foreign inflows and a weakening dollar contributed to the rise, as did demand for technology and AI-related companies.

Our active approach struggled at times with periodic volatility surrounding macroeconomic and geopolitical events. The weeks following the announcement of "Liberation Day" at the beginning of April were particularly challenging. The immediate market response to the surprisingly broad and punitive tariffs resulted in a sharp loss as the program's models maintained long equity index positions which sold off precipitously. While markets largely recovered after Trump announced a 90-day moratorium on the tariffs, only some of the earlier losses were recouped.

Ultimately, the asset class generated a modest loss of 0.4% gross of fees, although performance was mixed within and between different regions.[5] For example, the largest gain during the period was the Russell 2000 index which the models successfully traded particularly well in falling markets, while the NASDAQ index was the worst performer. Similarly in Europe, the DAX, MIB 30 and EuroStoxx Banks indices were all profitable, while losses accrued in the more diversified EuroStoxx 50 index, as well as the SMI and the FTSE indices. Interestingly, Short- and long-term trend-following models were both profitable, with shorter timeframes performing particularly well. Long-term diversifying models were also positive, although other timeframes were challenged. As was the case with the overall portfolio, medium-term models were the worst performing timeframe in both the trend and diversifying components.

FIXED INCOME

Global fixed income markets were a significant drag on performance during the period, costing the portfolio 2.7% gross of fees.[5] As interest rate expectations fluctuated, so too did bond yields and term structure dynamics, disrupting emerging trends and creating a rather challenging trading environment. Government bond markets defied consensus expectations. Instead of a gradual normalization, yield curves steepened in the US and Europe, although for markedly different reasons as monetary policy paths diverged. Unexpectedly resilient inflation in certain economies and volatility in short-term funding markets exacerbated already difficult conditions.

During the first quarter, disinflationary signals and indications of a deteriorating US labor market led investors to anticipate a pivot toward easing by the Federal Reserve. Global sovereign bonds rallied, with the US 10-year Treasury yield falling from near 4.5% to around 4% by mid-March. However, sentiment shifted sharply in the second quarter as sticky core inflation prints, hawkish rhetoric from some Fed governors, and a surprising rebound in wage growth revived fears that rate cuts could be delayed. The 10-year yield briefly breached 4.7% in April before falling back below 4.2% by the end of June as a dovish tone from the Fed took hold. Meanwhile, political risk around the US debt ceiling and fiscal expansion proposals added to the volatility in yields, as did a short-lived spike in risk aversion during the Israel-Iran conflict late in the period.

European bonds were similarly affected as markets interpreted the accompanying guidance as more cautious than expected. Bond markets rallied in the first quarter on falling inflation prints and ECB rate cuts, but gains were curtailed by renewed fiscal concerns in Southern Europe and increased risk aversion tied to geopolitical tensions. In Japan, JGB yields rose sharply in May following speculation that the Bank of Japan would end its yield curve control policy. This triggered a sharp repricing in global rates markets, contributing to elevated volatility in global bonds.

As was the case with equities, different macroeconomic influences resulted in decidedly different performance, particularly on the shorter end of yield curves. While short-term interest rates generated a modest gain of 0.1% gross of fees in aggregate, the most profitable and unprofitable individual markets across fixed income were SOFR and Euribor, respectively.[5] Longer-term tenors were generally more challenging universally, with only Canadian 10-year government bonds generating a gain over 10 basis points.

[5] Gross return includes commissions and trading expenses, but excludes management fee, performance fee and interest income. When reviewing gross return figures please compare with the total performance figures presented net of fees on page 2.

Despite profits in long-term timeframes, trend-following models were responsible for the loss, led by medium-term models which found the environment particularly difficult. Meanwhile, diversifying models contributed positively, particularly with the shorter-term timeframes.

FOREIGN EXCHANGE

One of the most significant market moves so far this year has been the sharp decline in the US dollar. After rising early in the year in a continuation of the post-US election rally, the DXY index, a measure of the value of the US dollar relative to a basket of six major foreign currencies, reversed spectacularly. Despite a modest rebound late in the period on the Middle East ceasefire and a more measured tone from Fed officials, the currency was down 10.8% year-to-date through the end of June. This result marks the worst first-half performance for the US currency since the post-Bretton Woods transition in 1973. Rising fiscal concerns, narrowing yield differentials, fears of central bank politicization and diminishing Fed independence all contributed to the decline.

The dollar's weakness was most pronounced against the euro, which surged over 13% against the greenback in the first half of the year. Uncertainty regarding US policy and the perception that the ECB was moving toward a more balanced policy stance were the prime contributors to the move. The strength of the euro, however, introduced new headwinds for Europe's export sector, and companies in Germany and France began issuing earnings warnings tied to currency translation effects.

Interestingly, the rapid depreciation of the dollar challenged long-held assumptions about the dollar's safe-haven status and introduced uncertainty regarding future exchange rate movements in general. Correlations between currency pairs – as well as to other asset classes – experienced a rather significant shift, specifically during risk-off events. Safe-haven flows into the Japanese yen and Swiss franc were inconsistent, while commodity-linked currencies like the Australian and Canadian dollar traded more on idiosyncratic domestic policy signals than global risk appetite. It will be interesting to see whether this structural development persists or is only a transient change based on US policy uncertainty.

Currencies were the worst performing asset class in the portfolio in the first six months of the year, ending the period down 3.5% gross of fees.[6] Largest losses accrued in US positions against the Canadian dollar, Swiss franc and Japanese yen, while largest gains were realized in long positions in the British pound and euro. Outside of the G7, trading gains in the Polish zloty and Hungarian forint were

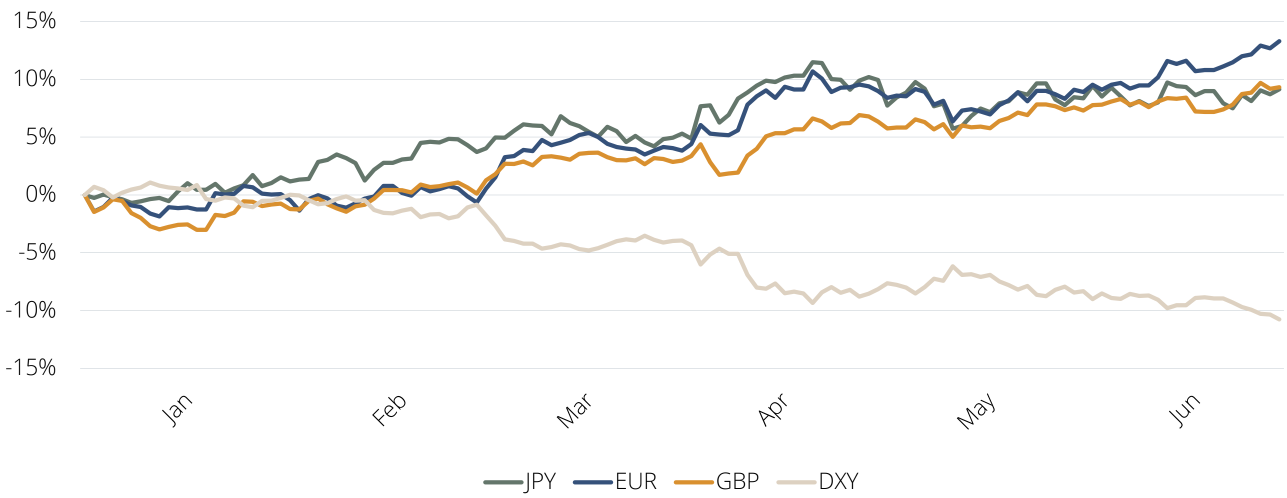

Chart 2. Foreign exchange rates during first six months of 2025 against the US dollar. Source: Bloomberg

[6] Gross return includes commissions and trading expenses, but excludes management fee, performance fee and interest income. When reviewing gross return figures please compare with the total performance figures presented net of fees on page 2.

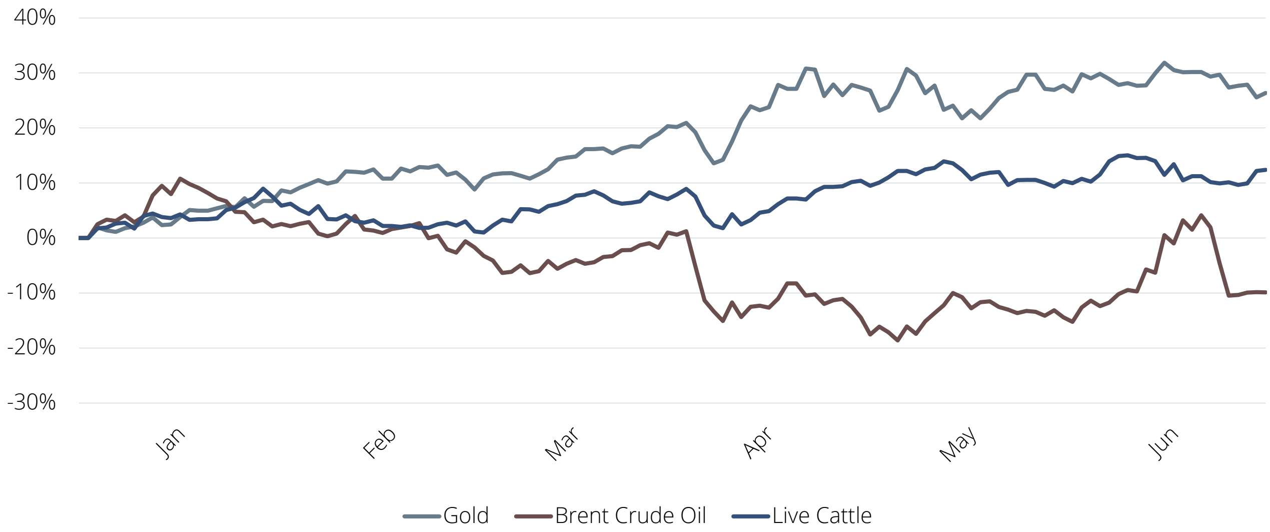

Chart 3. Gold, brent crude oil and coffee price developments during first six months of 2025. Source: Bloomberg.

overshadowed by losses in the Swedish krona, New Zealand dollar and Taiwanese dollar. Both the trend-following and diversifying components of the portfolio had difficulty in the asset class, with only short-term diversifiers generating a small gain. Notably, long-term trend-following models underperformed other timeframes as they were the last to reverse a long US dollar position.

COMMODITIES

In the commodities, gold once again asserted its dominance as a key defensive asset, rallying approximately 25% through the end of June and reaching all-time highs above $3,450 per ounce late in the period. A combination of central bank reserve diversification, geopolitical unease (particularly in the Middle East), and a depreciation in the US dollar drove investor flows into gold. Silver and platinum followed suit, further supported by industrial demand and speculative flows. Gold was the most positive market in the entire portfolio in the first half of the year.

High grade copper prices similarly rose nearly 25% during the period. While increased AI and electrification infrastructure spending and supply constraints contributed to the price moves, President Trump's announcement of a sweeping 50% tax on imported copper was the primary catalyst. In a clear illustration of the direct inflationary impact of tariffs, in this case on commodities rather than manufactured goods, the anticipated supply disruption once the policy is implemented at the beginning of August had consumers scrambling to secure physical supply. Interestingly, while US copper futures soared, London Metal Exchange markets were more subdued, with copper trading there climbing by approximately 10%. Despite the rally in copper, industrial metals were considerably more challenging to trade than precious, and a modest loss was realized.

In the first half of 2025, grains and agricultural commodities were marked by weather volatility, shifting fertilizer costs, and trade tensions. Wheat and corn markets were particularly sensitive to growing conditions and global trade developments. In the US, a wet and relatively cold spring delayed planting in several key regions of the Midwest, which sparked a short-lived rally in corn and soybean futures in April and May. At the same time, drought conditions in parts of Eastern Europe and the Black Sea region raised concerns about wheat yields. However, increasingly favorable weather in North America as the second quarter progressed helped cap upside moves by late June. The rangebound market action was somewhat difficult to navigate, although modest gains in corn and wheat ultimately outweighed a loss in the soybean complex. Meanwhile, cattle prices experienced a significant surge, reaching record highs, driven by historically low inventories and strong consumer demand. Solid gains were generated in both live and feeder cattle futures.

In the soft commodities, cocoa remained in the spotlight, especially after heavy rains and disease outbreaks in West Africa raised fears of tighter global supply. Futures hit a 60-year high in January before consolidating later in the period as weather conditions in Côte d'Ivoire (Ivory

Coast) and Ghana improved. Coffee prices, particularly in Arabica, remained volatile but lacked sustained direction, caught between weather-related supply risks in Brazil and mixed demand trends. Sugar markets were similarly rangebound, with Indian export policy and ethanol-related demand being the primary swing factors. By the end of June, trading losses in cocoa and sugar slightly outweighed a gain in coffee.

Finally, energy prices were highly volatile during the period. Crude oil markets were rocked by the Israel-Iran conflict in June. The initial spike following the outbreak of hostilities resulted in substantial gains, particularly in the US where the program maintained a long position entering the month. However, the rapid de-escalation and subsequent price reversal generated sharp losses as exposures had grown during the month. By the end of the period, Brent crude was the worst performing market in the portfolio. Natural gas markets were similarly whipsawed by weather volatility and shifting inventory data. Prices initially trended higher in 2025 but then dropped by over 30% between mid-March and late-April. While gains were generated in Henry Hub gas in the US, losses in European contracts – particularly Dutch TTF natural gas – overshadowed them.

Although, commodities as an asset class generated a loss of 1.2% gross of fees, this was due largely to energy markets which cost the program 2.9% gross of fees. Agricultural commodities contributed a positive 1.3% gross of fees, while metals gained 0.4% gross of fees.[7] Performance was mixed by model type with diversifiers producing a gain and trend-following models generating a loss. Medium-term trend models were particularly challenged, while long-term counterparts generated a solid gain and short-term models only a modest decline. Amongst the diversifying models, gains in short- and medium-term timeframes outweighed losses in long-term models.

As alluded to throughout this report, medium-term models were particularly challenged by the market environment in the first half of 2025, specifically since the inauguration of Donald Trump on January 20th. While the results stand out, especially when compared to the other timeframes, they remain within expectations when compared to historical results. We have analyzed the distribution of expected performance and would be happy to share our conclusions. Please contact us at ir@lynxhedge.se for more information.

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Research Developments

At Lynx, research is divided into separate groups based on expertise, although all teams work closely together to develop new models and improve our strategies. The mandate for the research department is to develop and maintain models, and the tools which aid the Investment Committee as they budget risk between these models, which help us achieve the dual objective of the program: generating attractive risk adjusted returns while attempting to have a conditional negative correlation to equities in extended down markets. Using a broad set of key metrics measuring performance and other characteristics, models are evaluated, and ultimately allocated to, based on the value they add to the overall portfolio.

The model lineup and risk allocations are thoroughly reevaluated twice a year by the Investment Committee in June and December. In addition to these formal revisions, risk allocations are adjusted monthly as new market and model data becomes available. During the first half of 2025, six new models were added to the portfolio while five models were retired.

Of the six new models, two are characterized as trend-following and four as diversifiers. The new models, all short- or medium-term in holding period, leverage intraday concepts, mean reversion, timely economic survey data, sector specific approaches and machine learning techniques. Meanwhile, one trend-following and four diversifying models were retired in the first half of the year.

Additionally, the Execution Algorithm and Statistical Model Research teams implemented an improvement to the short-term price prediction in our execution algorithms and continue to work closely together on further refining the approach and developing other short-term alpha prediction models. The portfolio research team also made some enhancements to the key performance metrics utilized in the portfolio optimization process. Finally, we continue to explore the potential of adding interest rate swaps to the portfolio, perhaps as early as the fourth quarter of this year.

Firm Developments

Lynx celebrated the 25th anniversary of the Lynx Program in May 2025. Launched soon after the firm was founded, we are honored and deeply thankful to have been managing money for our investors for over a quarter of a century. While this is an important milestone to look back upon with gratitude and humility, we are also focusing on the future. Research, innovation and continuous evolution have been at our core from the beginning, and we remain focused on delivering value to our investors for decades to come.

Outlook

The first half of 2025 presented a challenging environment for most trend-followers, including Lynx. The speed and scale of market moves, many of which were driven by policy uncertainty and geopolitical shocks, defied traditional frameworks and expectations. While our performance was disappointing, we see opportunities on the horizon which could make for a more attractive landscape in the second half of the year. Below are some key themes that could dominate investor focus and shape market behavior in the months ahead.

DONALD TRUMP

The Trump administration's policy decisions will remain a critical driver of asset prices. As investors weigh the inflationary and growth implications of the "One Big Beautiful Bill Act" and consider the policy response from the Federal Reserve, consensus should begin to build. The interaction between fiscal expansion and monetary caution will be central to moves across financial markets and currencies. Further, restrictive immigration policies and the implementation of tariffs on global trading partners could result in higher-than-expected inflation across the globe, particularly if an extended trade war develops. With growth expectations declining, the resulting environment could create challenges for long-only stock and bond investors.

CENTRAL BANK DIVERGENCE

The global policy landscape is diverging. While the Fed remains on hold, the ECB and other major central banks have already shifted into easing mode. This divergence could generate new currency dislocations, especially if inflation in Europe decelerates more rapidly than expected. Emerging markets may benefit from the global liquidity environment, although local political risks could create challenges in some areas of the world.

GEOPOLITICS

The ceasefire between Israel and Iran is tenuous, and the potential for renewed conflict remains high. As the spike in oil prices in mid-June illustrated, any indication of declining Middle Eastern production could have a significant impact on the supply/demand balance. Broader regional tensions and shifting alliances between global powers are likely to keep risk premiums elevated. Taiwan and the South China Sea remain geopolitical flashpoints, and any escalation could have profound implications for supply chains and asset flows.

ARTIFICIAL INTELLIGENCE

AI investment, reshoring of supply chains, and decarbonization are transforming the macro landscape. While these are often viewed as equity themes, they also carry implications for global capital flows, commodity demand, labor market dynamics, and productivity assumptions. Investors should increasingly incorporate a thematic lens to avoid missing large secular shifts.

CONCLUSION

The divergence in global monetary and fiscal policies, the uncertain trajectory of the US dollar, and shifting geopolitical alliances suggest an environment ripe for a change in market equilibrium. While the road ahead is uncertain, we believe that our ability to manage risk responsibly and tactically should enable us to capitalize on emerging opportunities. We remain optimistic that performance will improve as those opportunities materialize in the second half of the year.

As always, Lynx is dedicated to managing your capital responsibly and profitably. We are invested alongside our clients in every program we manage, aligning our interests directly with yours. We look forward to providing positive, differentiated returns in the years to come. Thank you for your trust in us.

Lynx Asset Management

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