

# MONTHLY NEWSLETTER

## MIRABAUD WEALTH MANAGEMENT



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### INTERNATIONAL

#### OPPA DRAM STYLE

In 2012, the Western world discovered K-pop with the famous song Gangnam style. K-pop was not mainstream at all in Western culture at the time and yet, the clip was the first to hit 1 billion views on YouTube. Some loved the song, others hated it, but it did not leave people indifferent to its melody that one can still remember today. Aside from the virality of the song and everyone's musical taste, the phenomena allowed Western people to interest themselves in Korean culture that was (and remains) unknown to the public.

14 years later, Koreans surprised again the rest of the world. This time, the surprise had nothing to

do with music, but with financial markets. Very few market participants follow Korean stocks, except maybe Samsung, the country's giant company. This may explain why between 2015 and 2024, the average performance of the index was as low as 4.26% per year. Yet, in the last twelve months, the story has changed for investors of the Korean equity market: the Kospi index grew by an incredible 220%. In May, the index continued to grow with a 28.5% positive performance. This impressive gain allowed Emerging equities to grow by 9.7% in May as Korean stocks now represent almost a quarter of the MSCI EM index.

Overall, May was a very good month for equities thanks to an excellent earnings season for US companies. More than 80% of the S&P500 companies beat EPS estimates and EPS growth reached more than 29% year-over-year, which is well above the initial consensus expectation of 11%. Brent Crude Oil's price dropped by 19% in May thanks to expectations of an end for the conflict between the US and

Iran. The published results and the fall in oil's price together helped market participants to overlook stagflation fears. Europe performed positively, but not as good as the US since it lacks technological exposure. With a conflict still going on, the dollar debasement trade remains on pause which allowed the US dollar to strengthen further.

### Performance of the main financial indices since 2022:

	May.	May \$	2026	2026 \$	2025	2025 \$	2024	2024 \$	2023	2023 \$	2022	2022 \$
S&P 500	5.3		11.2		17.9		25.0		26.3		-18.1	
Stoxx 50	3.9	3.4	6.7	5.9	22.1	38.5	11.9	4.7	23.2	27.3	-8.5	-14.0
MSCI EM	9.7		25.7		34.3		8.0		10.1		-19.9	
SMI	3.4	3.5	5.1	6.4	18.0	35.0	7.5	-0.3	7.1	17.6	-14.3	-15.0
Euro - USD	-0.6		-0.7		13.4		-6.2		3.1		-5.8	
US Dollar Index	0.9		0.6		-9.4		7.1		-2.1		8.2	
Gold Spot - USD	-1.7		5.1		64.6		27.2		13.1		-0.3	
CHF - USD	0.0		1.5		14.5		-7.3		9.9		-1.3	
Brent	-19.3		51.3		-18.5		-3.1		-10.3		10.5	
Bitcoin	-3.7		-16.0		-6.5		120.5		157.0		-64.3	
Global Agg.	0.3		0.5		8.2		-1.7		5.7		-16.2	
US Agg.	0.3		0.4		7.3		1.3		5.5		-13.0	
US Treasury	0.1		0.0		6.3		0.6		4.1		-12.5	
US T Bills	0.3		1.5		4.3		5.3		5.1		1.3	
Global HY	0.7		1.9		12.1		9.2		14.0		-12.7	
Euro Agg.	1.1	0.4	0.9		1.2		2.6	-2.7	7.2	11.0	-17.2	-22.0

The outperformance of Korean stocks is mainly due to two stocks: Samsung and SK Hynix that grew by 43% and 82% respectively in May only. These two stocks have been outperforming for some time now and their prices increased by 477% and 1054% in the last twelve months. The movements are so strong that their concentration in the Korean index is now enormous. In May

of last year, both companies represented approximately a quarter of the index together, but now, with their stratospheric performance, they currently represent almost 40% of the index.

**« ... IT IS VERY DIFFICULT FOR ANY INVESTOR TO BE BEARISH ON SEMICONDUCTORS. IN OUR CASE, WE REMAIN POSITIVE ABOUT THE SUB-SECTOR DESPITE HIGH VALUATIONS.»**

One could easily make a shortcut and warn about a bubble for these stocks, but their fundamentals could actually explain their share prices trajectory. Samsung's net income is expected to be multiplied by 7x and SK Hynix' by 8x in 2026 if we compare with the 2025 numbers.

How can it be? The answer is simple: AI. Once again, AI is responsible for another spectacular rally in semiconductors stocks. Nvidia used to be seen as the king of chips with its best-performing GPUs that every major player in AI is willing to get for improving its LLM. Then, the ASICs chips stole the show which allowed Alphabet and Broadcom to outperform in 2025. In our November's newsletter last year, we highlighted the difference between the two kind of chips. Now, another type of chip is responsible for Samsung's and Sk Hynix' rise: DRAM.

DRAM, or Dynamic RAM, may be familiar to you as it is a very important component of personal computers. It is the main memory storing data that the processor uses whilst the computer is on. The application may not seem revolutionary as these kind of chips exist for a long time. Yet, DRAM has

declined in a more specific chip: HBM (High-Bandwidth memory). HBM is a specialized form of dedicated DRAM that is placed next to the GPU and permits to drastically improve the speed at which an LLM searches for information. This means that the LLM, be it ChatGPT, Claude, Grok or any other, can gather and select the relevant data to a query more quickly to be able to handle the query as efficiently as possible. The chip is also very important for AI accelerators that are used intensively for AI training.

The demand for HBM skyrocketed because of the AI race as each LLM developer is working to improve the efficiency of the models. The movement was so strong that it caused an important disruption for HBM at the production level; there are currently more HBM requested than produced. The main producers, Samsung and Sk Hynix, who own approximately 90% of the market share, are thus not only able to fill out the order book, but also to expand their margins by increasing their selling price.

SK Hynix's CEO recently said that the memory shortage could last until 2030 and that the company is now looking for doubling its production capacity for satisfying the enormous demand. Samsung's union took the opportunity given by the shortage to negotiate bonuses for employees by entering on strike. Given the circumstances at stake, the company was willing to avoid a halt in production at all costs and agreed to deliver a bonus of \$26.6 billion to chip division employees for 2026. This represents around 12% of the expected operation profit of the unit and an average bonus of around \$340'000 per employee. Despite these incredible amounts, investors welcomed the news as the company avoided a halt that would have cost a lot.

The incredible story around memory chips is a clear consequence of the AI race. On one side, there are the Magnificent Seven that used to sit on a huge pile of cash after many very profitable years. On the other side, there are the AI start-ups like xAI, OpenAI and Anthropic that are raising enormous amounts of capital and that carry valuations of several hundred billions each. Both types of companies are

rushing into AI by committing tremendous amounts of capital expenditure; those flows are coming all the way down the supply chain and benefiting the chips makers and their shareholders.

These investments are far from being over. This year will be the best year for IPOs since a long time ago. On June 12th, SpaceX, who now owns xAI, is expected to raise \$75 billion at a \$1.75 trillion valuation. This is, by far, the biggest IPO ever made. SpaceX is now a company with different sub-entities: SpaceX itself, Starlink and xAI. Therefore, we cannot expect that all the money raised will be invested in AI, but surely part of it will be. SpaceX is not the only company going public: Anthropic and OpenAI are expected to IPO this year as well. Whilst the newsletter was being written, Anthropic formalized its willingness to go public by confidentially filling in for an IPO. The latest valuations of the companies are of \$900 billion for Anthropic and \$730 billion for OpenAI which demonstrates how the year 2026 will be unique for IPOs.

One can expect that the money raised thanks to the IPOs will serve to finance the enormous amounts of capital expenditures required by the race for AI, especially for OpenAI and Anthropic that are pure-players. This will allow the demand for chips to continue to grow as every player in AI aims to improve its LLM model to gain market share and be the ultimate winner of the AI race.

In this context, it is very difficult for any investor to be bearish on semiconductors. In our case, we remain positive about the sub-sector despite high valuations. Nonetheless, we continue to adopt a cautious approach related with the conflict between Iran and the US. Neither party has found an agreement yet and this could spark stagflation fears again among market participants. For this reason, we decided to profit from a low volatility environment to implement a partial hedge for equities and remain underweight fixed income.



**Eric Hatisuka**

CIO Mirabaud Brazil

## BRAZIL

### A tale of two cities: what do the Ibovespa and SMLL tell us about Brazilian economy?

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair" (Charles Dickens)

The excerpt above, the opening paragraph of Charles Dickens' historical novel "A Tale of Two Cities", could also be used to summarise with particular accuracy the dichotomy present in the Ibovespa and SMLL indices of the Brazilian stock exchange (B3).

The Ibovespa, B3's main share index, comprising the shares of Brazil's largest listed companies, reached a record high of 198,657 points on 14 April 2026, sparking widespread euphoria among investors and the specialist media in Brazil.

Meanwhile, the SMLL, the index tracking the shares of companies with the lowest market capitalisation on B3, also known in financial market jargon

as 'small caps', remains stuck at around 2,300 points, well below the high of 3,224 points reached on 21 June 2021.

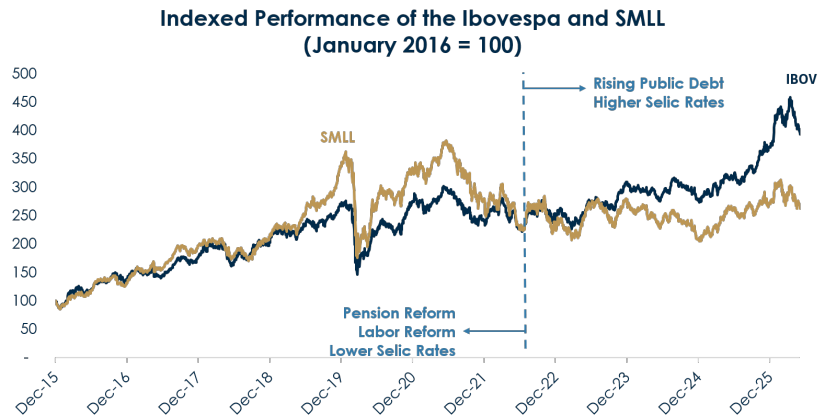
But why has the SMLL not kept pace with the Ibovespa's performance in this recent rally? And what does this mean?

First of all, it is important to remember that share prices are directly influenced by a company's ability to grow its profits over time. Thus, the more a company manages to increase its profits, the higher its share price tends to be, and vice versa.

It is also important to remember that what drives a share price is always an imbalance between supply and demand for that specific share among investors and market participants.

In other words, if the market believes that a particular company will benefit from the macroeconomy and see an increase in profits, there will be increased buying of that company's shares, and its price will rise, and vice versa.

The chart below shows the performance of the Ibovespa and SMLL indices over more than 10 years, since 1 January 2016, and what this chart reveals is the story of a country that has stood still, economically speaking.



Source: Bloomberg

As we can see from the graph, from early 2016 onwards, both indices began a clear upward trend, reflecting the general and widespread improvement expected for the economy, resulting from the shift in economic policy towards reducing the size of the state and increasing economic freedom.

It is also possible to see from the graph that, from 2018 onwards, a slow divergence began to emerge between the indices' performance, with the SMLL beginning to pull away from the Ibovespa, rising significantly more during the period.

Following the shock of the pandemic, the SMLL continues

to outperform, until reaching its peak in June 2021.

From 2022 onwards, however, a reversal in the trend of the two indices begins to emerge, with the Ibovespa now starting to outperform and the SMLL gradually falling behind, unable to break out of the same price range.

Finally, at the end of this period, the Ibovespa reaches its all-time high in April 2026, whilst the SMLL has not shaken off its recent pattern of complete stagnation.

The truth is that, upon closer examination of the composition of each index, we see that, in addition to the difference in the market capitalisation of the

companies comprising each index, there is another fundamental difference: the companies with the greatest weighting in the Ibovespa are linked to the commodities sector (oil, mining and steel), whilst the dominant companies in the SMLL are linked to the domestic economy (primarily retail and services).

In other words, as well as differing in that they contain shares of companies with varying market capitalisations, the indices also differ in terms of the economic sectors to which the constituent companies are exposed.

Whilst the commodities sector is characterised by prices set on international markets, low labour requirements and great flexibility for rapid adjustments to production; the retail and services sectors are known for having the prices of their products and services determined by the balance of the domestic market, high labour dependency and significant operational rigidity, which prevents faster adjustments to supply capacity.

This means that the commodities sector is less affected by the so-called 'Brazil cost', that is, high interest rates, a heavy tax

burden, and expensive, unproductive labour, whilst for almost all other sectors of the domestic economy, it is practically impossible to escape this fate.

What we can see is that in the period beginning in the final days of the Dilma government, in January 2016, up to the post-pandemic period in July 2022, the SMLL outperformed the Ibovespa in virtually every period, mainly due to the effect of the Temer government's liberalising reforms, which reduced the overall cost of labour (Labour Reform) and reduced the burden of pensioners and the economically inactive on the federal budget (Pension Reform).

These reforms enabled a more pronounced fall in interest rates without the risk of missing inflation targets, and this brought great prosperity to smaller firms exposed to the domestic economic cycle, which were able to pay lower interest costs on capital, whilst expanding their workforce without compromising productivity or profit margins.

On the other hand, from 2022 onwards, with the implementation of policies that

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have gradually reversed the gains previously achieved, in particular by expanding the size of the state and financing this increase in spending through higher taxes, interest rates have had to rise to avoid the inflationary repercussions of these same policies.

burdens and interest rates – has had no chance whatsoever to prosper; and in this sense, the rise in the Ibovespa, unaccompanied by a rise in the SMLL, should be a cause for concern rather than celebration.

As a result, the domestic economy suffered and government spending became the main driver of GDP, with the public sector taking over the economic momentum that had previously favoured the private sector.

The Ibovespa, on the other hand, benefited from the rise in oil prices following the Iran War and its impact on Petrobras shares, as well as the rise in bank shares, which are responding positively to the highest interest rates in a decade in Brazil.

The rise in the Ibovespa, unaccompanied by a rise in the SMLL, should serve as a warning to show us that the recent rise in the Brazilian stock market is circumstantial, caused by external factors and entirely beyond our control.

The truth is that the SMLL, comprising companies from the real Brazil – which employ staff and must survive rising tax

## PERFORMANCE OF THE MAIN FINANCIAL INDICES:

Renda Fixa		29/05/26	MTD	3M	YTD	
CDI	-	103,83	1,07%	3,47%	5,66%	
IMA-B	-	11.504,41	0,31%	2,16%	5,18%	
IMA-B 5	-	11.305,27	0,97%	3,81%	6,25%	
IMA-B 5+	-	12.635,10	(0,20%)	0,90%	4,34%	
IRF-M	-	22.542,28	0,68%	1,21%	4,33%	
IMA-S	-	8.602,49	1,09%	3,55%	5,76%	
Índices Globais		País	29/05/26	MTD	3M	YTD
Ibovespa	BRL	173.787,49	(7,22%)	(9,01%)	7,86%	
Dow Jones	USD	51.032,46	2,78%	3,10%	6,18%	
S&P 500	USD	7.580,06	5,15%	9,72%	10,73%	
NASDAQ	USD	30.333,18	10,49%	21,17%	20,13%	
Euro Stoxx 50	EUR	6.050,54	2,87%	(1,80%)	4,47%	
FTSE 100	GBP	10.409,28	0,29%	(4,03%)	4,81%	
MSCI Emerging	EM	68,60	7,20%	9,39%	25,39%	
MSCI World	World	4.864,59	4,37%	6,54%	9,80%	
Moedas		País	29/05/26	MTD	3M	YTD
Real/Dólar	USD	5,04	(1,62%)	1,99%	8,02%	
Euro	EUR	1,17	(0,61%)	(1,17%)	(0,74%)	
Franco Suíço	CHF	0,78	0,05%	(0,87%)	1,49%	
Libra Esterlina	GBP	1,35	(1,09%)	(0,19%)	(0,14%)	
Bitcoin	BTC	73.581,98	(3,77%)	9,07%	(16,05%)	
Hedge Funds		País	29/05/26	MTD	3M	YTD
Ind. de Hedge Funds	BRL	6.289,98	0,62%	(1,22%)	2,73%	



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