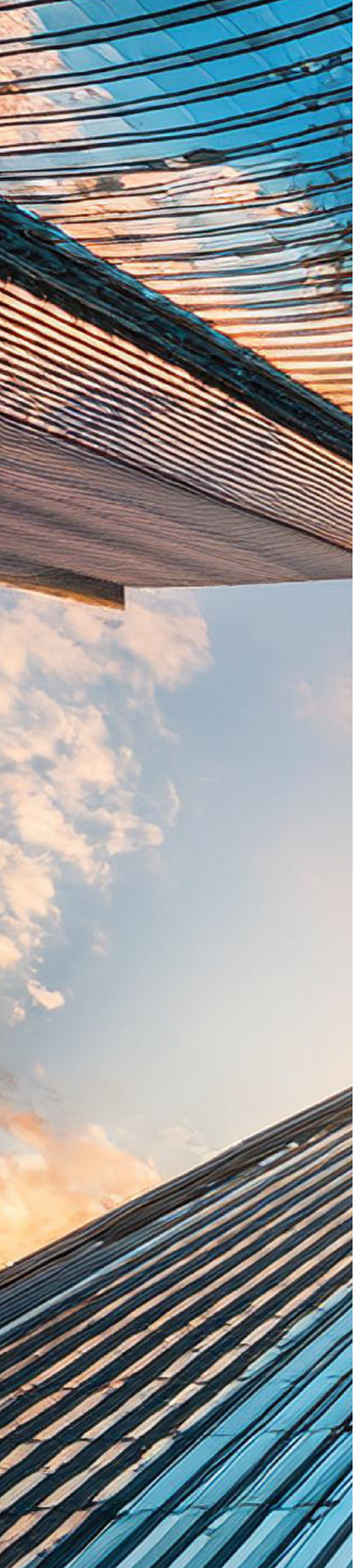
FOR PROFESSIONAL ADVISERS ONLY

Asset *Allocation* Overview

Q2 2026



Staying humbly optimistic amid market resilience

Markets proved more resilient than the headlines suggested. Despite heightened uncertainty and sharp periods of volatility, stronger-than-expected economic data and resilient corporate earnings helped support risk assets.

Central banks remained cautious as inflation concerns persisted. The ECB raised interest rates in June as inflation proved more persistent than anticipated, while policymakers on both sides of the Atlantic adopted a more hawkish tone, highlighting the uncertain path for monetary policy.

The geopolitical risk premium faded, and oil prices returned to pre-conflict levels by the end of June. Nevertheless, the situation remains fluid and geopolitical risks continue to warrant close attention.

Outlook summary

Views correct as of 30 June 2026

Global technology sector earnings forecasts went vertical in the last few months, hauling the global equity market with them. Stock investors enjoyed a quarter to remember as a result. The upgrades were particularly focused in companies benefitting from the hyperscaler capital expenditure splurge. Supply in various key subcomponents, particularly memory chips, has been overwhelmed by this FOMO spurred demand. Pricing power and talk of super-cycles powered technology sector shares higher across the US and Asia in particular.

Meanwhile, the conflict in the Middle East cooled a little. That in turn took some heat out of concerns that central bankers would be forced to turn hostile to combat the energy price shock. The ECB broke cover, raising rates during the quarter. However, central banks in the US and UK were alive to the possibility of policy rates rising in the quarters ahead. This was more jarring for investors in the US given the change in Federal Reserve chair during the quarter.

There was certainly a sense of vertigo in markets given some of the parabolic moves on display in stocks. However, the signs of a precise repeat of the 2000 bubble are still overstated. Certainly, there are some eye watering valuations scattered about – there usually are. We continue to see merit in active management in navigating these. However, as of yet, the economic and financial excesses that characterised the late 1990s appear substantially absent. That does not mean that the coast is clear of course. That is never true. However, diversification, not disinvestment, remains the most sensible answer given the continuing underlying momentum in the global economy.

Our top three investment risks

- **Policy tightening risk.** Inflation has remained more persistent than anticipated, prompting central banks to maintain a cautious stance. If price pressures continue to surprise on the upside, policy rates may remain restrictive for longer than markets expect, weighing on both economic activity and asset valuations.
- **Geopolitical escalation risk.** While energy prices retraced much of their conflict-driven surge by quarter-end, tensions in the Middle East remain unresolved. Any renewed disruption to energy supply chains or global trade routes could reignite inflation concerns and increase market volatility.
- **Valuation and earnings risk.** Equity market resilience has been supported by a narrow group of technology companies and continued optimism around AI-related investment. With valuations elevated and expectations high, any disappointment in corporate earnings or capital spending trends could trigger a broader market correction.

Asset class	Outlook	Change since previous quarter	Rationale
Equities			
UK	●	No change	UK equities remain supported by their attractive valuation backdrop and strong income characteristics. The FTSE 100 continues to trade at a meaningful discount to US equities while offering a dividend yield comfortably above global market averages. Performance has been resilient, aided by improving sentiment towards the UK economy and market. Combined with ongoing share buybacks and historically undemanding valuations, UK equities continue to offer a compelling blend of income, value and diversification within multi-asset portfolios.
US	●	No change	US equities have continued to reach new highs, underpinned by resilient earnings growth, ongoing AI-related investment and solid corporate fundamentals. Importantly, market leadership broadened during June, reducing concerns that returns were being driven solely by a narrow group of mega-cap technology stocks. However, valuations remain elevated relative to both history and other regions, leaving future returns increasingly dependent on earnings delivery rather than further multiple expansion. While the fundamental backdrop remains supportive, elevated valuations leave the market more sensitive to policy uncertainty and any disappointment in growth expectations, reinforcing the case for a selective approach.
Developed Europe (excluding UK)	●	No change	European equities continue to offer a more attractive valuation starting point than the US, supported by reasonable earnings expectations and healthy dividend yields. While fiscal support and structural investment themes remain supportive over the medium term, the outlook has become more complicated as policymakers balance growth concerns against renewed inflationary pressures. Against this backdrop, European equities remain attractive from a valuation perspective, although exposure to global trade and geopolitical developments may lead to a less straightforward return path.
Japan	●	No change	Japanese equities remain supported by ongoing corporate governance reforms and improving capital discipline. Share buybacks continue to provide meaningful support, while earnings growth has benefited from improved operational efficiency across many sectors. However, policy normalisation and persistent currency weakness are creating a more complex backdrop for investors. While the structural investment case remains compelling, periods of increased volatility should be expected as markets adjust to a less accommodative policy environment.
Asia Pacific (excluding Japan)	●	No change	Asia Pacific ex Japan continues to provide exposure to some of the world's most attractive long-term growth opportunities, particularly in Korea and Taiwan, given their importance to the global technology supply chain, and in parts of Southeast Asia where domestic demand and infrastructure spending remain supportive. However, regional performance remains uneven. Chinese growth concerns, ongoing property market weakness and trade-related uncertainty continue to weigh on investor sentiment, while currency fluctuations add a further source of volatility. Valuations remain broadly reasonable, but near-term returns are likely to remain sensitive to both global growth expectations and developments in geopolitics.
Emerging markets	●	No change	Emerging market equities continue to offer attractive relative valuations and a diverse set of return drivers. India remains one of the strongest structural growth stories globally, while commodity-linked opportunities across parts of Latin America provide additional sources of potential upside. That said, the asset class remains highly sensitive to shifts in global risk appetite, US policy developments and movements in the US dollar. Emerging markets therefore continue to play an important diversification role within portfolios, although conviction remains stronger in selected countries and sectors than across the asset class as a whole.

● POSITIVE ● NEUTRAL ● NEGATIVE

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Equity Themes			
Technology	●	No change	With a focus on profitable, cash generative technology exposures, we see long-term growth from technology's ability to identify, enter and disrupt new markets, creating new revenue streams and barriers to entry. More recently, AI has catalysed revenue and earnings forecasts for the sector as companies seek to lift their productivity. Across our technology exposures, we are mindful of concentration risks given 'megacap' stock dominance.
Healthcare	●	No change	Western healthcare systems are geared towards elective care which can be more profitable for companies compared to non-elective procedures. Coupled with favourable demographic tailwinds, recent growth in appetite-suppressant drugs is the latest example of product innovation. Highlighting the overlap between our Healthcare and Technology themes, generative AI has the potential to improve drug discovery outcomes, clinical trial design, and patient engagement.
Fixed Income			
UK sovereign	●	No change	Gilt yields moved higher and remained volatile, reflecting a still-restrictive interest rate environment and heightened global uncertainty. While elevated yields enhance the role of UK sovereign bonds in portfolio construction, uncertainty around interest rate trajectory, alongside concerns over government borrowing, argues for caution. As such, we continue to favour shorterdated gilts to help manage interestrate sensitivity amid an unsettled geopolitical backdrop.
UK Credit	●	No change	Our positive view on UK corporate debt remains supported by attractive absolute yields, which continue to exceed those available in many other regions. Credit markets proved resilient despite heightened geopolitical risks, though dispersion increased. Within the asset class, we maintain a preference for investment grade over high yield, as the latter is more exposed to any deterioration in economic momentum, tighter financing conditions, and episodes of market stress.
International sovereign	●	No change	Our neutral stance reflects divergent dynamics across global government bond markets. In the US, longdated Treasuries faced ongoing pressure amid concerns over fiscal sustainability, and shifting Federal Reserve policy expectations. Against a backdrop of geopolitical uncertainty and lingering inflation risks, we retain a constructive view on US Treasury InflationProtected Securities (TIPS) as a useful portfolio diversifier.
International credit	●	No change	Credit spreads remained tight, offering limited compensation for escalating geopolitical risks and the prospect of a more subdued growth environment later in the cycle. While corporate balance sheets remain broadly robust, refinancing conditions are becoming more challenging. Given this backdrop, we continue to favour investment grade credit over high yield, where sensitivity to economic softening and liquidity stress is higher.

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Alternatives			
Alternatives	●	No change	Within alternatives, allocations continue to vary by risk profile and include Directional MultiAsset strategies, Alternative Income, and Uncorrelated Assets. These holdings performed broadly as expected in a volatile first quarter, helping to offset more directional exposures elsewhere in portfolios. In an environment shaped by geopolitical uncertainty and uneven market leadership, these strategies remain an important source of diversification.
Property	●	No change	The inflation and interest rate outlook has generally continued to moderate, lifting sentiment, though central bank policy is still in restrictive territory. Longer-term, the sector offers both generalist and specialist investment opportunities, while valuation discounts to net asset value provide some cushion against any downward estimate revisions.
Structured investments	●	No change	While structured investments have at times historically provided relatively attractive returns, performance can become more correlated with equities if markets suffer a significant correction. In addition, pricing of structured return products can vary at times, in part given issuer appetite as well as expected market volatility levels going forward.

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Important information

All data provided as of 30 June 2026 unless otherwise stated.

Past performance is not a reliable indicator of future results. Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse effect on the value, price, or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it.

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