

Marketing Material

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Hello and welcome to our latest portfolio update. We are entering the final straight for 2026, and it has been quite a ride so far! From regional conflicts to rising inflation, there has been no shortage of hurdles, but they have failed to bridle market returns. Moreover, our portfolios have been successful in capturing these strong returns, while our active decisions have helped smooth the journey¹. And now, it is once again that time of year where we ask: what's next?

Looking at the world today, we anticipate three key themes driving markets over the next 6 – 12 months. It is around these three trends that we are currently positioning portfolios².

Our first, and newest, theme is: fundamentals remain strong. After a strong rally at the start of the year we had anticipated that lighter trading might lead to some market jitters over the summer, so we reduced our stock market exposure in June. Those expectations were proven correct, as the market has moved sideways for the past few months. Interestingly however, these subdued returns occurred against a backdrop of strong corporate results. Companies delivered expectation-beating earnings, with profits growing more than 50% year-on-year³.

That suggests that those strong company profits haven't yet been reflected in their price which creates an opportunity for us. As such, we have dialled up our holdings in stocks. We have balanced this by increasing our holding in gold. The precious metal stumbled at the start of the year, but we think that amidst ongoing geopolitical uncertainty it makes increasing sense as a portfolio holding.

The second theme is: beyond artificial intelligence. To be clear, we don't think that AI⁴ is going anywhere, it has powered market returns over the past few years, and we think that is going to continue. What is likely to change however, is where the best performance comes from. Our view is that returns can start to broaden beyond the handful of AI winners we have seen so far. Increasingly the companies that support and benefit from the roll-out of AI can start to outperform.

To this end, we retain our tilt towards Infrastructure companies, which we expect to benefit from the significant amount of energy infrastructure investment needed to support AI. In September we introduced a tilt towards Value companies, broadening our exposure into sectors that have underperformed over the past few years which we expect to rebound. Finally, we have removed our preference for Emerging Market stocks, taking profits after the strong performance of our position.

The third theme is: inflation concerns. The closure of the Strait of Hormuz has been disrupting supply chains since early this year. There is still no clear path forward for its reopening, and demand for energy is likely to rise going into winter. This is likely to keep upward pressure on inflation.

In light of this, we remain selective with the types of bonds we hold. Most notably, we continue to have a preference for shorter dated and inflation-linked government bonds, which we expect to outperform as prices rise. Additionally, we are holding Chinese government bonds which have proven a good diversifier during previous inflation spikes.

¹ The comments relate to past performance. Past performance is not a reliable indicator of current or future results.

² There can be no guarantee that the investment strategy can be successful and the value of investments may go down as well as up.

³ Factset analysis of S&P 500 Q2 earnings, 30/09/2026

⁴ AI = Artificial intelligence

If you'd like more detail on our outlook, portfolio changes, or performance, check out the latest Quarterly Update. Thanks for watching!

Risk Warnings

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