



Quarterly Investment Update

January - March 2026

QUARTERLY MARKET COMMENTARY

1st Quarter 2026

SNAPSHOT

- Global stocks hit record highs before Iran conflict led to profit-taking.
- Value equities were mixed, as energy and chemicals took over leadership.
- Gold exceeded \$5,000/oz for the first time before profit-taking set in.

All percentages below are quarterly returns unless indicated otherwise

EQUITIES



BOND MARKETS

BONDS

Inflation optimism reverses, supply concerns grow

	UK GILTS	-1.9%
	US TREASURIES	0.0%
	GLOBAL CORPORATE BONDS	0.5%
	GLOBAL HIGH YIELD BONDS	0.5%



*Values represent bond index returns

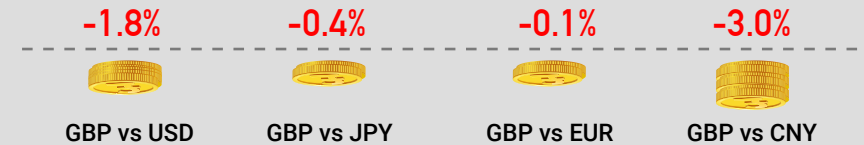
CURRENCIES

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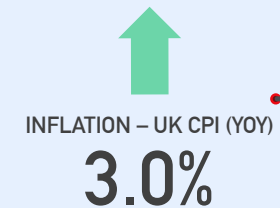
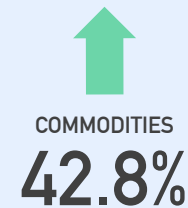
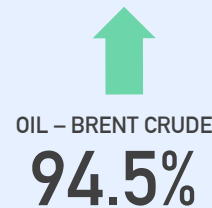
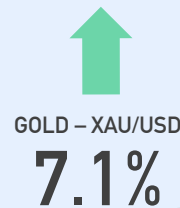
Pound off recent highs as dollar recovers poise



Pound vs Other Currencies



KEY INDICATORS



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GLOBAL MARKETS

Global markets hit new all-time highs before the Iran conflict undermined sentiment and drove profit-taking. FTSE All Share and Japan closed the quarter with gains.



US MARKETS

Underperformed global peers

US equities continued to underperform global peers through February, as economic growth fell short of estimates and concerns around the AI narrative intensified – driven by rising capital expenditure, uncertain profitability, and unclear eventual beneficiaries of the AI revolution. US Consumer Staples were strong, while Energy and Materials, which led even before the Iran conflict, cemented their gains and weighed more heavily on other sectors. Economic data was mixed with inflation easing to 2.4% in February, but consumer confidence continuing to decline.

-4.6%

US 500



UK MARKETS

Iran conflict undermined performance

The FTSE 100 surpassed the historic 10,000 level in February, with broad areas of the index – including miners and energy stocks – thriving. Inflation eased, and optimism grew around potential rate cuts. However, the Iran conflict undermined this narrative, raising the spectre of a fresh bout of inflation and interest rate hikes. The conflict has disrupted agricultural supplies, increasing the risk of higher food prices. Thereafter, large-cap stocks outperformed mid- and small-cap peers, aided by companies such as BP and Shell. Investors also grew concerned about the pressure that higher interest rates could place on already stretched government finances.

1.5%

UK All Share



EUROPEAN MARKETS

Impacted by energy dependence of region

European equities performed strongly before reacting sharply to the Iran conflict, with large parts of the region heavily dependent on imported energy. Performance varied significantly by country. Norway, for example, as an energy exporter, fared better than most, gaining 26%, while Germany's DAX fell by nearly 7.5%. Despite the downturn in March, broader European equities closed the quarter only 2.6% lower and remain around 3% higher over six months, supported by expectations of increased defence and infrastructure spending in Germany, with its debt-to-GDP ratio forecast to rise from 64% in 2025 to 68% in 2028.

-2.6%

Euro 600 Index ex UK



JAPAN MARKETS

Hit record highs in the quarter

Japanese equities reached record highs in late February, with the Nikkei 225 briefly hitting 59,332, following the election victory of Prime Minister Sanae Takaichi. However, sentiment was later undermined by developments in Iran, with Japan remaining highly dependent on energy imports. Japanese government bond yields had already been rising prior to the conflict, as the Bank of Japan signalled a move towards policy normalisation through higher interest rates. Ten-year bond prices fell, with yields rising by around 0.3%. Fiscal loosening promised by the prime minister also raised concerns about the state of public finances, even before the Iran conflict heightened the risk of a squeeze on consumer spending.

2.6%

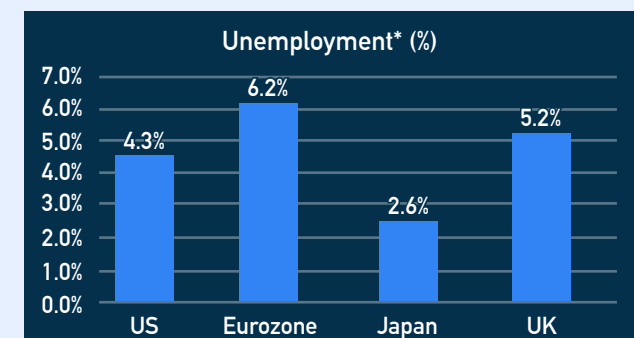
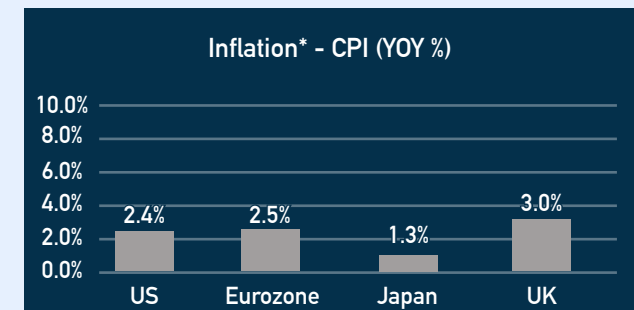
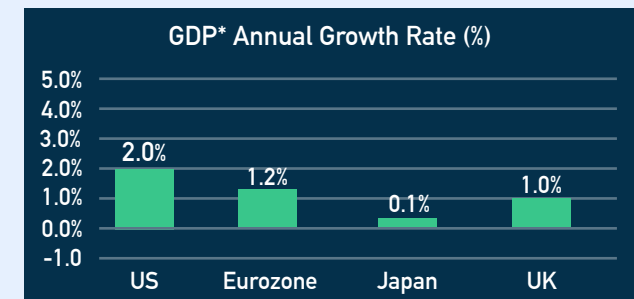
Emerging Markets



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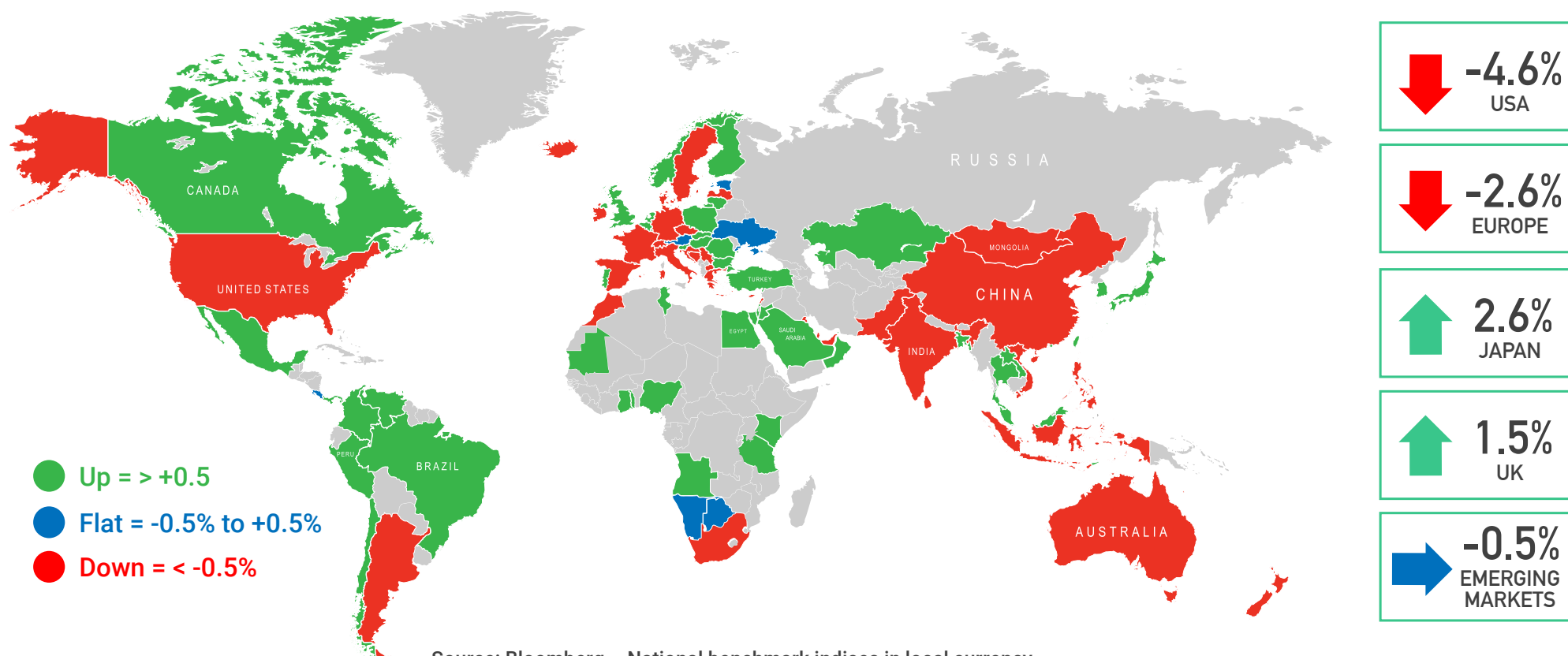
THE WORLD AT A GLANCE

	2026 Q1	2025	2024	2023	2022	2021
UK Cash	0.9	4.3	5.2	4.7	1.4	0.1
US Dollar	1.7	-9.4	7.1	-2.1	8.2	6.4
UK Gilts	-1.9	5.0	-3.3	3.7	-23.8	-5.2
US Treasuries	0.0	6.3	0.6	4.1	-12.5	-2.3
Global Corporate Bonds	0.5	2.7	2.8	4.0	-6.8	-1.9
Global High Yield Bonds	0.5	4.3	11.0	8.2	-2.3	2.0
US 500	-4.6	16.4	23.3	24.2	-19.4	26.9
UK ALL SHARES INDEX	1.5	19.8	5.6	3.9	-3.2	14.6
EURO 600 INDEX EX UK	-2.6	17.4	4.5	14.9	-15.0	22.5
JAPAN INDEX	2.6	22.4	17.7	25.1	-5.1	10.4
Asia Ex Japan	1.4	31.6	16.2	6.4	-15.4	-3.1
Emerging Markets	-0.5	30.6	5.1	7.0	-22.4	-4.6
Commodities	42.8	-0.3	11.2	-9.7	41.9	41.7
Gold	7.1	62.5	26.6	12.8	-0.7	-4.3
Hedge Funds	-0.6	7.1	5.3	3.1	-4.4	3.7



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WORLD EQUITY MARKETS

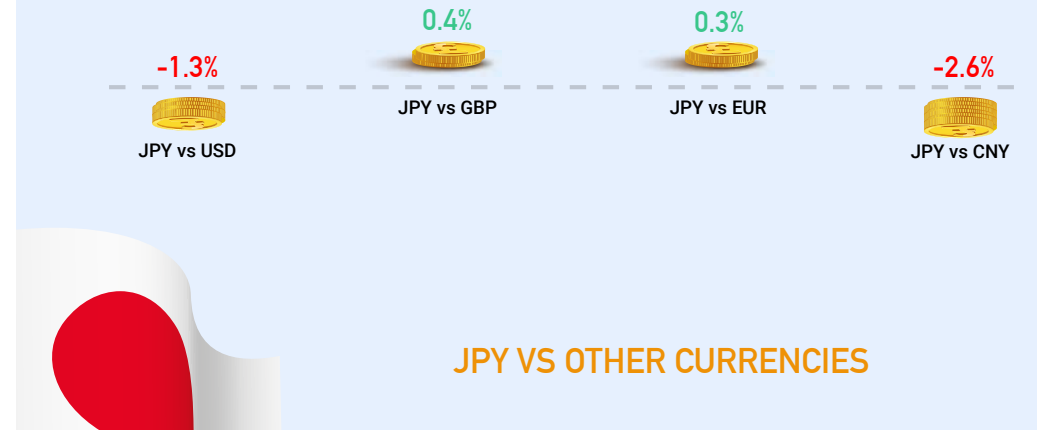
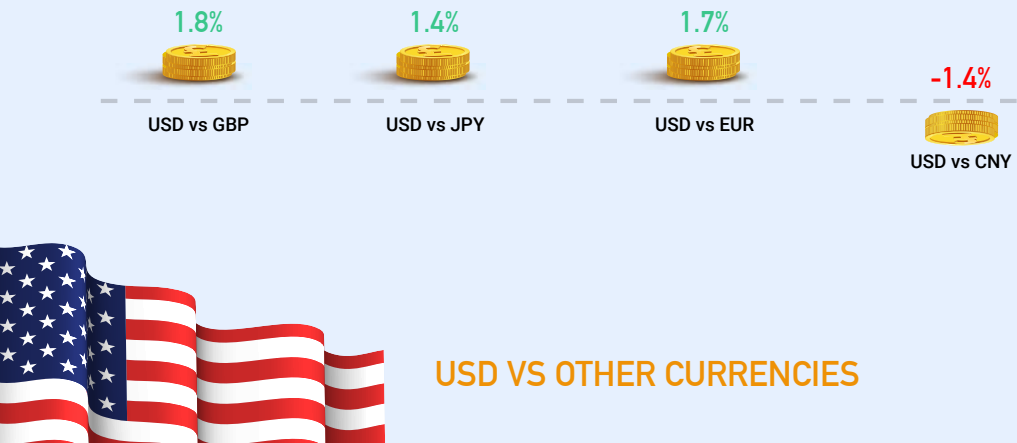
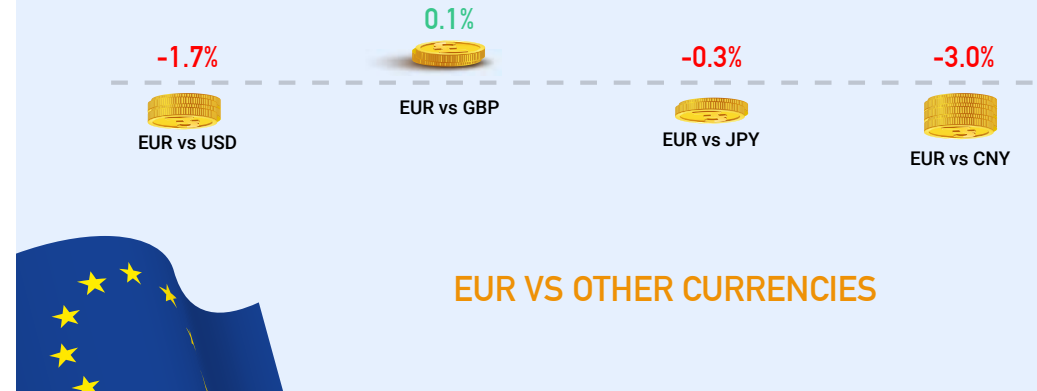
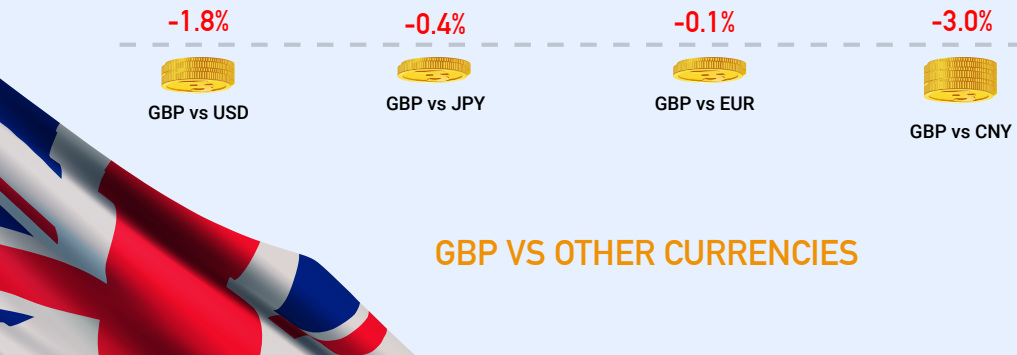


Key Points

- After a strong start to the quarter, global equities saw sharp declines as the Iran conflict threatened commodity supply shortages and a fresh bout of inflation just as the impact of the Ukraine War faded from CPI data.
- Consumer stocks lagged as sentiment softened, while energy equities were among the few that thrived.
- Gold miners came under pressure after the Iran conflict began, as gold prices weakened and higher energy costs squeezed margins, though they still ended the quarter with net gains.
- Emerging Market equities were mixed. China, which has accumulated energy reserves and a diverse energy mix, was relatively insulated. While India, far more dependent on imported energy, lagged.

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CURRENCIES



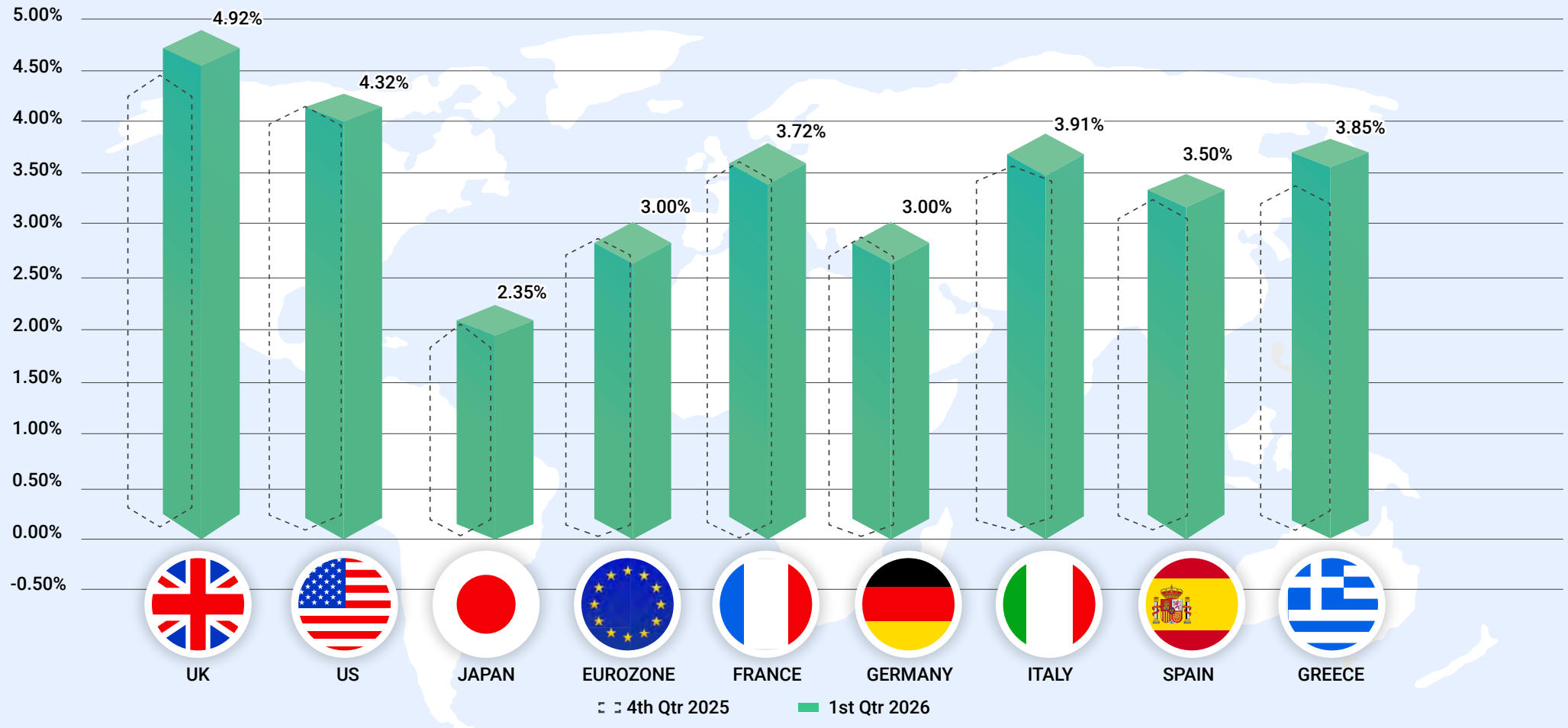
Key Points

- The US dollar regained some of its safe-haven status, aided by the US being a net energy exporter. However, gains remained modest, with the trade-weighted dollar index up around 2.2% as investors weighed the financial implications of the Iran war.
- Sterling softened amid growing concern over government finances, bringing the UK's debt position into sharper focus.
- The euro peaked versus the dollar in late January, easing even before the Iran conflict impacted much of the area's industries, which remain heavily dependent on imported energy.
- The Swiss franc, a traditional safe-haven, and the strongest major currency in recent years, gave back its 2026 gains against the dollar.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- US Treasury yields rose across the yield curve, short-dated yields more so. Longer dated bonds saw bigger price swings. Markets stopped pricing in rate cuts in 2026 and began pricing in as many as four rate hikes.
- Japanese government bond yields briefly outperformed, falling as others rose, before closing the quarter near their highs as fresh fiscal loosening threatened to widen an already elevated debt-to-GDP ratio.
- UK gilt yields rose sharply as the spectre of a fresh bout of inflation weighed on the economic growth and government borrowing outlook, with investors fearing an increased supply overhang and ever less “wobble room” for the UK Chancellor.
- Italian government bond yields came under pressure following the Iran conflict compared to Germany and France. Inflation and fiscal concerns weighed more heavily on peripheral markets, while France was relatively cushioned due to its energy mix.
- Credit spreads had already begun to widen ahead of the Iran conflict, as concerns grew around potential defaults in private credit markets.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK