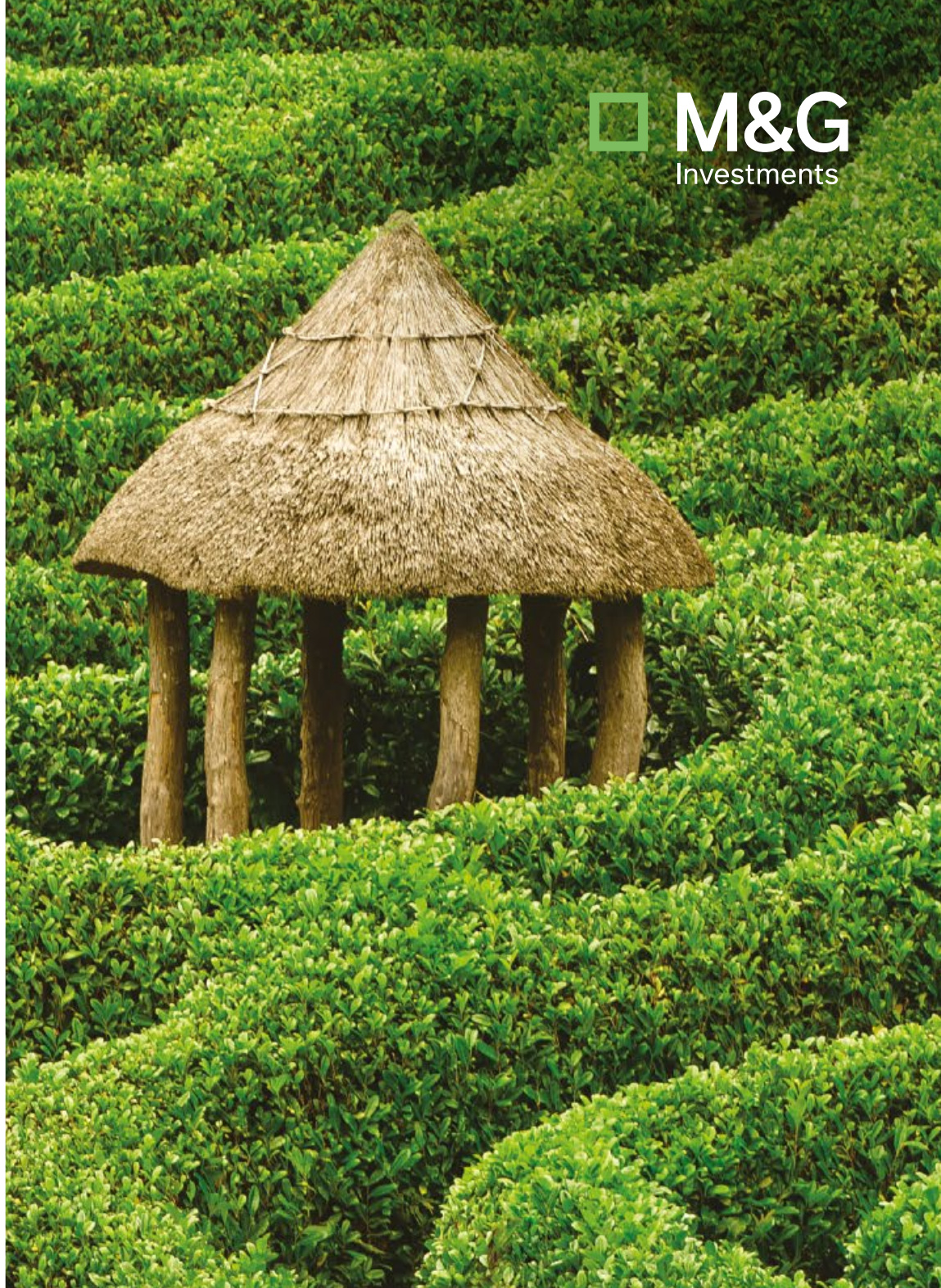


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Quarterly Equities and Multi Asset Outlook Navigating narratives

Facts or fads

Q2 2026

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Navigating narratives

Within the last year the pace of change in market narratives has been relentless. These narratives can be powerful and convincing, but are not all equally rooted in reality. Managing portfolios on the basis of an ever-more erratic daily newsflow is not a strategy we subscribe to. Our job as investors is to understand where to draw the line between facts and fads.

In the current environment, we avoid broad directional macroeconomic bets, focus on selection, diversification and what is being discounted in markets. We assess whether valuations look sensible relative to current facts, historical context, and plausible medium-term outcomes.

In equities, we have found opportunities among the perceived 'AI losers', a number of which are more likely to benefit than be negatively impacted by AI. We have trimmed our energy and memory positions. In multi asset, we have taken long positions in 5-year UK gilts.

We continue to like long-term themes such as energy security and the low-carbon ecosystem, infrastructure and innovation. These are all areas where capital will necessarily continue to flow, and the current geopolitical events have raised the stakes.

Powerful narratives are not always rooted in reality

Of late, I feel that I am sounding ever more like my grandmother, pointing out how things have changed from the past, 'in my day...etc'. In my (and her) defence, markets have evolved. Within the last year the pace of change in market narratives has been relentless. The pace and pervasiveness of information flow means that narratives can be as powerful as they are transient. Within the space of one year we went from tariffs to lower rates to the 'SaaSpocalypse' to the tragic images of the Iranian conflict, and a few other narratives in between.

These narratives can be – at the time – highly convincing, but they are not all equally rooted in reality. Our job as investors is to understand where to draw the line between facts and fads.

The ability of markets to respond has also been exponentially amplified, and even prior to the onset of the conflict, we have been seeing greater market velocity and breadth of moves.

In the past, a large market movement was a signal that something was going wrong from a fundamental standpoint. Nowadays, it may just be a short-term move created by the significant level of technology and quantitative strategies involved in trading. This makes it ever more difficult to distinguish signal from noise.

As we often discuss with clients, geopolitics may create short-term volatility, but lasting effects on risk markets only occur when earnings and/or credit conditions are affected at a broad level.

The closure of the Strait of Hormuz and longer-lasting damage to energy facilities have the potential to keep energy prices elevated for a longer period of time – even after the war ends – and, hence, have the potential to affect the drivers of risk markets.

For now, with the exception of some momentary bouts, equity markets appear relatively calm, and currencies have weakened against the US dollar less than we would have expected in the past.

At the time of writing, the MSCI World Index is down 8% since the start of the war, and down 6% year to date, with a number of markets, such as the UK, Korea, Japan and Brazil, showing a positive print since the beginning of 2026¹.

We have seen more volatility in government bond yields, and credit spreads have widened, but it is difficult to say how much of the latter is due to concerns about energy prices and how much is due to private credit woes.

These market movements have also confirmed what we had already started to witness: 'rules of thumb' – particularly when it comes to perceived risk, safe havens and flight to safety – have not been working as in the past. Risk markets are calmer than we would have expected in similar circumstances in the past, the US dollar has strengthened but significantly less than an old-style 'flight to safety' would have implied, developed market bond yields are up, and gold is down.

While investors are not appearing to panic, there is no room to be complacent: we don't have any way of knowing when this conflict, and the impact on energy prices, will really end. As we've seen, ceasefire discussions can stall, prolonging the uncertainty, but a near-term resolution should also not be discounted.

Look for what's already discounted

Short-term trading of this market is not easy. Following the ever-more erratic daily newsflow could have disastrous consequences for portfolios. And, in a market where the direction of macroeconomic (macro) conditions is difficult to predict, it is next to impossible to take broad directional trades based on macro considerations.

We take a different approach. Our starting point is to focus on what is being discounted in markets and ask whether valuations look sensible relative to current facts, historical context, and plausible medium-term outcomes. Because different assets will have different risk-reward based on their starting point (ie, what is being discounted in the valuation), we are discerning in our selection.

¹Source: Bloomberg, 9 April 2026, total returns in USD currency.

We don't rotate an entire portfolio to follow one macro trend. For us, careful selection, sticking to fundamentals and having a diversified set of holdings is the best course of action to maintain resilient portfolios.

For example, in the current market, we prefer not to take positions based on where we think oil prices will go in the near term. A confirmed 'peace' could drive energy prices down. Conversely, the longer the conflict lasts, the more extensive and lasting the damage to energy facilities will be.

Our Senior Energy Analyst, Neil Millar, reminds us that, while we do not have the full picture of the state of Middle East energy infrastructure, the damage we know of at refineries, petrochemicals and gas facilities is such that Brent crude is likely to stay above US\$80/barrel through 2026, even in the rosier scenario of a near-term return to friction-free transit in the Strait of Hormuz.

Downstream derivatives are likely to be even more affected, implying that the prices for the likes of jet fuel and diesel are likely to remain relatively elevated compared to oil.

Gas supply is also likely to be more impacted than oil. The longer that Qatari liquefied natural gas (LNG) is unable to pass through the Strait, the more likely that gas prices stay above their pre-conflict levels, and the more likely that gas is susceptible to the price spikes we saw in 2022, as the European winter demand season approaches.

Accordingly, we have taken a fresh look at our portfolios to make sure that our positions are sufficiently resilient to energy price fluctuations.

Equities: the 'AI losers' bounty

We continue to find opportunities in equities, despite the conflict and the concerns about energy prices. Times like these are often the ones that offer the most rewarding opportunities, as price dislocations arise from fear, hubris and generalised positioning. We have rotated holdings in technology as we believe some companies caught in the so-called 'SaaS apocalypse' are unlikely to be displaced by artificial intelligence (AI),

but rather be enhanced by it. We have financed some of these positions by trimming our investments in memory names across the US and Asia. We believe that we are witnessing a 'memory super-cycle' with an exceptional shift in DRAM (dynamic random-access memory) makers' profitability. However, it now feels as though a lot of that strength is priced in.

The perceived 'AI losers', those stocks that the market has punished in the belief that AI will vastly disrupt their business models, are flagging some significant investment opportunities, in our view, also beyond the technology sector.

For example, in consumer staples, we saw rising share prices in February that subsequently reversed when oil price gains raised concerns around higher input costs and pressure on consumers' purchasing power. While near-term market moves have been driven by the shifting narratives, we believe the underlying consumer landscape continues to be shaped by a number of durable, long-term trends.

Spending is steadily rotating away from goods towards experiences, benefiting companies exposed to leisure and travel. Consumers are also increasingly focused on value and convenience, while health and wellness considerations continue to influence purchasing decisions.

Not all companies will benefit from such structural shifts. Many, in fact, will see a deterioration in their businesses. However, history shows that periods of volatility often create attractive entry points into high-quality companies that are able to adapt to a changing environment.

The past experience of legacy retailers such as Next and Walmart illustrates this dynamic. A decade ago, they were viewed as casualties of the so-called 'retail apocalypse', with large store estates seen as structural disadvantages as spending shifted online. Today, those same store networks are increasingly recognised as strategic assets, supporting fulfilment, faster delivery and more efficient returns.

While not all companies have successfully navigated this transition, Next and Walmart shares have delivered total returns of close to 240% and 580% respectively over the past ten years, underscoring the value of identifying the winners². Among the consumer staples stocks caught up in the recent sell off there may well be the winners of tomorrow.

Across our equities portfolios we have also increased our cash balances, taken some money off the table from areas that had responded strongly to the conflict, such as energy, ready to redeploy whenever we see babies being thrown out with the bathwater.

Multi Asset: Opportunities in government bonds

The sell off in developed market government bonds in March appears to have been driven by a recency bias with memories of 2022 front and centre. It's possible that central bankers fall into this same trap and prescribe rate hikes. However, the current monetary and macro backdrop differs meaningfully from 2022.

Firstly, central bank policy rates are starting from a neutral to restrictive level across Europe, the UK and the US, whereas they were deeply accommodative in February 2022.

Secondly, while there were numerous contributors to the post-pandemic inflation, demand-side factors from government stimulus and pent-up savings had a significant part to play³.

The current spike in oil prices, on the other hand, is purely a supply-side shock, with potential to cause demand destruction by displacing consumption. As such, central banks are likely to tread a fine line between addressing the potential for both inflation and weakening growth; raising interest rates against the backdrop of a fragile labour market has the potential to cause meaningful economic damage without the desired impact on containing inflation.

Hence, with the market having rapidly shifted from pricing in rate cuts to rate hikes, we viewed the recent sell off in government bonds as offering compelling value across a multitude of scenarios, including one in which policy rates rise in the near term.

This is particularly the case for the UK, where government bonds (gilts) have stood out as the worst performing government bonds in developed markets,

with memories of the 2022 blanket energy subsidies driving concerns around another increase in government borrowing to address rising energy prices. The rapid rise in bond yields appeared to discount far more than the range of possible monetary and fiscal outcomes. As a result, we have responded across our most tactical strategies by initiating long positions in 5-year UK gilts.

A number of our Multi Asset strategies also took advantage of the rise in Emerging Market (EM) local currency bond yields to add to positions that were arguably already attractive from a medium-term valuation perspective.

Across our Multi Asset strategies, our focus remains on reinforcing diversification across multiple return drivers, asset classes and regions.

Structural themes for long-term resilience

We continue to like long-term themes such as energy security and the low-carbon ecosystem, infrastructure and innovation (in technology, as well as in other areas such as healthcare). These are all areas where capital will necessarily continue to flow.

We think that energy security will climb back to the top of the list of priorities for investors, corporates and countries alike, and the resilience of energy-related infrastructure will be a high priority across the globe.

The current conflict in the Middle East exposes the economic reliance on fossil fuels, highlighting how regional disruptions can have outsized implications for the health of the global economy. The longer-term solution for countries will be to diversify energy supply, likely increasing investments in renewable energy that can provide better price and supply security – as well as environmental benefits.

Of course, as Carl Vine, our Co-Head of Asia Pacific Equities, points out, if global growth expectations are revised down, even strong long-term themes may not be immune to near-term pressure. This is a clear risk and one we are alert to. However, history has taught us that over the longer term, the compounding effect of staying invested – versus trying to time our exits from, and entries into, markets – can offer the best opportunity for superior returns. You can read more of our thoughts on this in our **Q1 2026 Equities and Multi Asset Outlook: Polarisation: Hype and Hesitation**.

²Source: Bloomberg, 9 April 2026. Total returns in local currency terms.

³Hajdini, Ina, Adam Shapiro, A. Lee Smith, and Daniel Villar (2025). "Inflation since the Pandemic: Lessons and Challenges," Finance and Economics Discussion Series 2025-070.

Over the following pages, our investment teams will discuss how they are navigating the ever-changing narratives in their respective investment universes, the steps they have taken and where they are currently finding investment opportunities.

As Dave Perrett, our other Co-Head of Asia Pacific Equities, states, our approach to such situations is to acknowledge the power of narratives without being captured by them. Narratives help us identify areas of genuine structural change, but should not be exempt from questions of what is being priced in, and how today's valuation compares with current facts and reasonable medium-term scenarios.

Rather than pretend we can see five years into the future with precision, we try to separate what is knowable from what is conjecture, and to allocate capital where the balance of evidence and valuation remains on our side. Such an approach offers a strong fighting chance of avoiding falling foul to passing fads.

And, as our Head of UK Equities, Michael Stiasny, notes: "distinguishing 'facts' from 'fads' is rarely simple, but evolving narratives can create opportunities for active managers".

We wish you an enjoyable and – hopefully – interesting read.

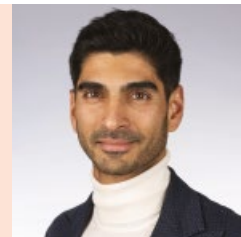


Fabiana Fedeli
Chief Investment Officer, Equities,
Multi Asset and Sustainability



Multi asset

Gautam Samarth
Fund Manager, Multi Asset



Heuristics have their limitations

The AI pivot: From euphoria to the ‘SaaSocalypse’

Financial markets have undergone a whiplash-inducing transition over the first quarter of 2026. A multiyear re-rating left most equity markets neutral-to-richly priced, with pockets of outright exuberance embedded in some AI-related stocks at the start of the year.

However, as with technological progress, narratives appear to be evolving at ever-increasing speeds. The launch of Anthropic's Claude Cowork model alerted the market to the potential scale of disruption that AI could cause to business models. Cue – ‘SaaSocalypse’ – a near US\$1 trillion decline in the market cap of global software companies deemed at risk from such agentic AI models.

Geopolitical echoes: Why the Middle East conflict differs from 2022

Just as the AI narrative shifted tone, the market was confronted with an altogether different source of risk. The re-emergence of geopolitical tensions with the Iran conflict mirrors events surrounding Russia's 2022 invasion of Ukraine. Viewed through a behavioural finance lens, it should come as no surprise that the market's initial response has been similar to that phase. Fearing central bank action to counter another inflation flare up, government bonds as well as equities have sold off.

Without wading into a debate around the length and magnitude of disruptions caused by the conflict in the Middle East, there are two distinct ways in which the current economic backdrop differs from 2022:

- First, central bank policy rates are starting from a neutral to restrictive level across Europe and the US, whereas they were deeply accommodative in February 2022. Central banks are certainly not ‘behind the curve’.
- Secondly, while there were numerous contributors to the post-pandemic inflation, demand-side factors from government stimulus and pent-up savings had a significant part to play⁴. The current spike in oil prices, on the other hand, is purely a supply-side shock, with potential to cause demand destruction by displacing consumption. As such, raising interest rates against a backdrop of a fragile labour market has the potential to cause meaningful economic damage without the desired impact on containing inflation.

Exploiting recency bias: The case for government bonds

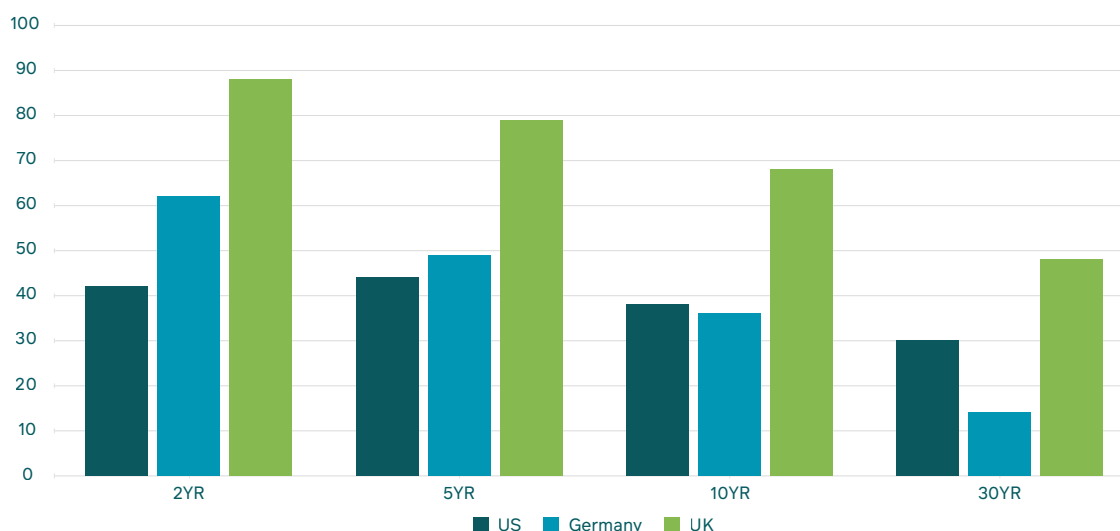
When confronted with complexity, investors often rely on heuristics. When such responses trigger price action that reinforces behavioural errors, it can lead to the kind of mispricing we seek to exploit across our global macro strategies.

The sell off in developed market government bonds in March appears to have been driven by a recency bias with memories of 2022 front and centre. It's possible that central bankers fall into this same trap and prescribe rate hikes that, in our opinion, would be a policy error.

⁴Hajdini, Ina, Adam Shapiro, A. Lee Smith, and Daniel Villar (2025). "Inflation since the Pandemic: Lessons and Challenges," Finance and Economics Discussion Series 2025-070

However, with the market having rapidly shifted from pricing in rate cuts to rate hikes, we believe government bond yields now offer compelling value across a multitude of scenarios including one in which policy rates rise near term.

Change in government bond yields (bps), March '26



Source: M&G Investments, Bloomberg, Month to date to 27 March 2026.

Our response to recent volatility

Much of the weakness across risk assets in March can be associated with a reversal of strength witnessed earlier in the quarter, leaving total returns and associated valuations across assets largely unchanged since the start of the year.

However, two parts of the market stand out in this respect – the energy-related complex and shorter-dated government bonds which have seen a rapid rise in price and yields respectively.

While supply disruptions caused by the war are real, energy prices into the medium term will be determined not just by the nature and duration of any resolution to the war, but also by how market forces adjust to higher prices – matters too complex for us to reliably have an edge on. However, we do think the sell off in short-dated government bonds is more behavioural in nature, as highlighted earlier.

As a result, we have responded across the most tactical strategies by initiating long positions in 5-year UK government bonds (gilts), to take advantage of the rapid shift in expected policy rates. Across the broader range, some strategies took advantage of the back up in Emerging Market (EM) local currency bond yields to add to positions that were already attractive from a medium-term valuation perspective – including Colombian, Mexican, South African and Indonesian 10-year government bonds.

Overall, positioning across the range is largely unchanged reflecting neutral net equity exposures (with a preference for non-US equity), positive duration, underweight credit and a general preference for EM assets.

“ ...raising interest rates [with] a fragile labour market has the potential to cause meaningful economic damage without the desired impact on containing inflation ”



Global technology

Jeffrey Lin

Head of Global Technology Equities



AI narratives in constant flux, but the multi-year investment cycle continues

The narrative around AI infrastructure spending remains firmly intact as we enter the second quarter of 2026. Despite persistent investor concerns around circular financing structures, uncertain return on investment timelines, and the potential commoditisation of foundational models, there has been little evidence of a meaningful slowdown in capital deployment.

Hyperscalers and large enterprises continue to prioritise AI capacity buildouts, reinforcing the view that we are still in the early innings of a multi-year investment cycle rather than approaching a peak.

Scepticism, however, has become more nuanced. The debate is no longer about whether AI infrastructure spend will continue, but rather about the quality and durability of returns generated from this spending.

Questions around monetisation remain front of mind, particularly as foundational models show signs of converging in capability. This raises concerns that value may shift away from model developers toward other parts of the ecosystem.

Where are we seeing interest pick up?

In that context, adjacent areas within the AI value chain are emerging as clearer near-term beneficiaries. Memory, for instance, continues to see strong demand driven by higher compute intensity and data throughput requirements.

Similarly, optical networking has recently come into sharper focus. Companies providing this technology are benefiting from increased demand for high-speed connectivity solutions that enable the scaling of AI data centers. As workloads become more distributed and bandwidth-intensive, the importance of optical interconnects is rising, positioning this segment as a critical enabler of AI infrastructure.

Software still plagued by monetisation concerns

On the other hand, the software layer remains a key area of debate. While the long-term potential is widely acknowledged, the path to sustainable monetisation is far less clear. One of the central challenges is the pressure on terminal values. As AI capabilities become more accessible and competition intensifies, the durability of high-margin software business models is being questioned. This dynamic makes it increasingly difficult to underwrite long-term growth assumptions with confidence.

Recent developments such as OpenClaw⁵ are beginning to validate the practical utility of AI agents, marking an important step forward in real-world applications. However, they also underscore how disruptive the software landscape is becoming.

As agent-based systems evolve, they have the potential to reshape workflows and redefine value capture across industries. This creates both opportunity and uncertainty, as incumbents and new entrants alike compete in a rapidly-shifting environment.

⁵OpenClaw is a personal AI assistant platform that allows users to automate tasks, manage files, interact with applications, and control services like Gmail, WhatsApp, Discord, Slack, and Teams directly from their own devices, rather than relying on cloud-based SaaS solutions. Unlike traditional AI chatbots, OpenClaw can execute real-world tasks autonomously, such as scheduling meetings, sending messages, scanning calendars, or even browsing the internet for information.

While infrastructure spending continues to provide a strong foundation for the AI ecosystem, the distribution of value remains in flux. Investors are likely to remain focused on identifying the segments where demand is most durable and monetisation pathways are the clearest, particularly as the market moves beyond the initial buildout phase.

The impact of the Iran war and energy price volatility

We view recent market declines as an attractive entry point to find good long-term opportunities with more favourable risk/reward dynamics.

We increased our weighting in energy modestly prior to start of the Iran war, believing that energy is becoming an increasingly important enabler for AI data centres and that AI is playing a growing role in energy exploration.

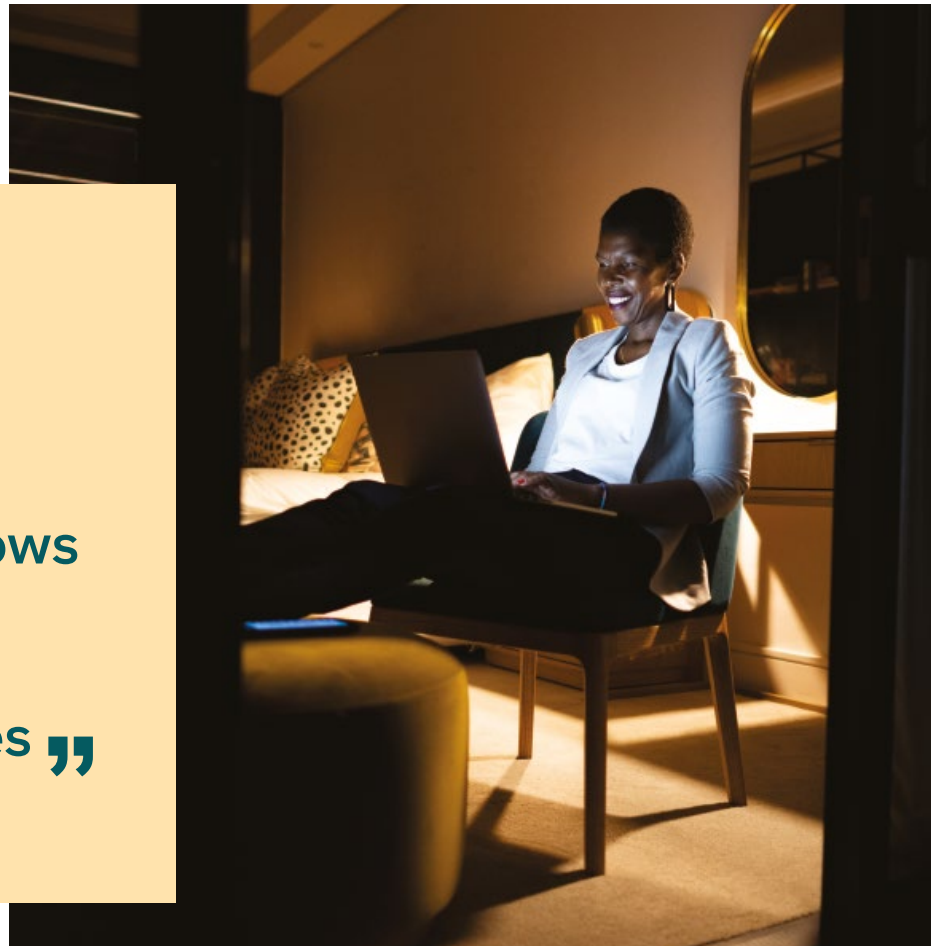
In our view, the war and resultant higher oil prices will create a near-term negative hit to the global economy. The longer-term impacts remain less certain, but we anticipate a resolution at some point.

AI data centres do depend on energy (often times natural gas), so AI data centres will not be immune to enduring energy supply bottlenecks, but AI is also being used to improve operational efficiency. In an inflationary environment, better technology can mitigate the impact of inflation.

Long-term, we believe energy prices will moderate and demand for AI products and services will remain strong. Nonetheless, the situation in the Middle East has caused uncertainty and that is being reflected in higher cost of capital for the global equity market. The ensuing market volatility is providing a good opportunity for active investors poised to take advantage of valuation dislocations.

Prior to the recent sell off, we trimmed materially our positions in memory while selectively adding to security software where the companies are growing nicely and have enhanced their products with AI.

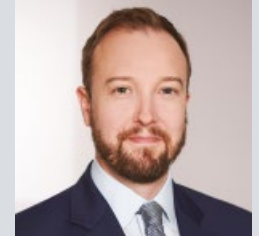
“ [Agent-based systems] have the potential to reshape workflows and redefine value capture across industries ”





Global

Michael Rae
Fund Manager, Global Equities



Plus ça change, plus c'est la même chose⁶

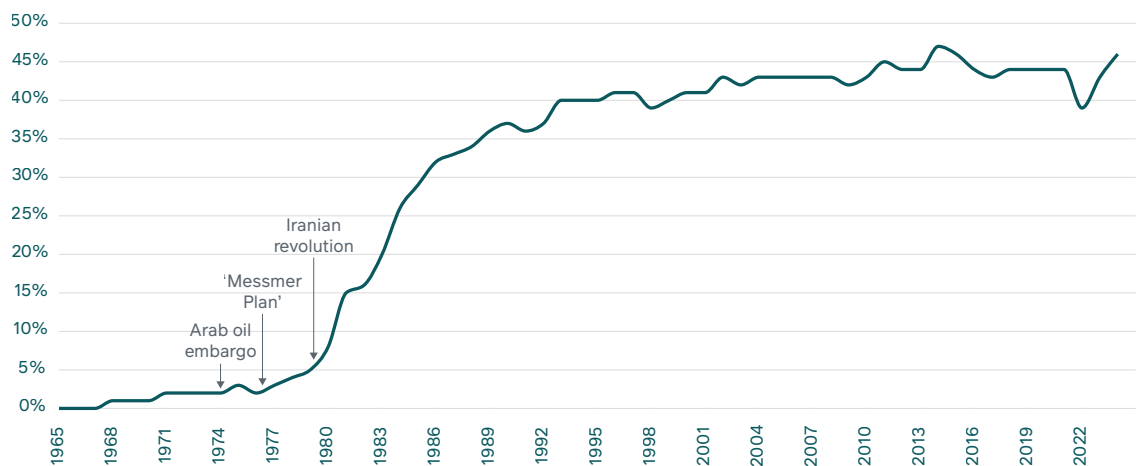
The technology-led excitement of January, which was dominated by discussions of data centres operating from space and humanoid robots displacing physical labour, now seems a distant memory. Such narratives have lost prominence with attention pivoting to the conflict in the Middle East and the inconvenient truth that, even in today's modern world, energy is not immediately and abundantly available at all times, to all people. At a high level, it seemed like artificial intelligence (AI) was raising hopes that the global economy was entering a deflationary boom, helped by falling costs and rising productivity. Now unprecedented disruption to energy, petrochemical and fertiliser flows introduces the probability of resurgent inflation and possibility of recession.

Taking a step back, even prior to the developments in Iran, several global events were signalling that we were in a period of growing resource nationalism: In January, India designated coking coal a critical and strategic material, to help stimulate private investment in the commodity. In February, Indonesia ordered a sharp production cut at the world's biggest nickel mine. Perhaps most notably, throughout the year-to-date, the US has shown several signs of resource assertiveness, from Venezuela to Greenland and now Iran.

Whilst it is dangerous, and likely fruitless, to try to guess the short-term sequence of events in the Middle East, we can look to history to assess what some of the longer-term effects on capital flows and company behaviour may be.

We are reminded of the fact that disruption to global oil supplies in the 1970s, first because of the Arab oil embargo and later the Iranian revolution, led directly to the development of the French nuclear power industry. Under the slogan "In France, we do not have oil, but we have ideas", Pierre Messmer's ambitious development wave saw 56 nuclear reactors installed over a period of 15 years, which materially ate into the oil-fired power generation of the time.

Contribution of nuclear power to French primary energy consumption, 1965-2024



Source: Energy Institute Statistical Review of World Energy, 2025.

⁶EN: 'The more things change, the more they stay the same'.

“...even prior to the developments in Iran, several global events were signalling that we were in a period of growing resource nationalism”



The analogous outcome today may well be a revived focus on the development of renewables and storage in energy-importing countries. We can look to many investible companies to access this theme, but, as an illustration, it is notable that since the conflict in Iran started, the share prices of Chinese electrical equipment companies, for example CATL (batteries), have outperformed oil and gas producers such as ExxonMobil, Chevron, Shell and TotalEnergies.

In the shorter term, and perhaps most obviously, a ‘safety premium’ should be applied to energy and related infrastructure in large consuming economies. Upstream (oil and gas production), midstream (movement of molecules) and downstream (refining) assets are among the first to come to mind, but petrochemical assets (which upgrade oil or gas into plastics and other useful products) also deserve some thought.

The petrochemical industry has suffered years of chronic over-supply and lacklustre demand. Assets in Europe were effectively marginalised over the past decade, first by cheap feedstock from US shale, and more recently by Chinese producers importing Middle Eastern naphtha. In the latter half of 2025, profitability in some petrochemical chains was weaker than levels seen at the depths of the global financial crisis. With roughly 10% of global petrochemical capacity located in the Middle East⁷, and much of the growth in supply relying on Middle Eastern raw materials – could this be a structural event that finally re-balances supply and demand in a more meaningful way?

Some of these answers will take months or even years to emerge but, as we parse through the effects of the second major energy crisis of the decade, in the energy and materials sectors at least, we have once again been reminded that ‘the more things change, the more they stay the same’. Our current focus has been on adding exposure to US petrochemicals and existing positions in developed market energy infrastructure, along with Chinese electrical equipment companies, which will likely benefit from the push for more renewables.

⁷Source: Resilience in the petrochemical industry in Saudi Arabia and Kuwait | Maersk.



UK

Michael Stiasny
Head of UK Equities



Fundamental changes meet shifting narratives

The first quarter of 2026 illustrated how market performance can be driven by shifts in market narratives. While earnings expectations, discount rates and cash flow durability determine long-term outcomes, short-term price moves often reflect whichever theme dominates investor attention.

Early in the quarter, one such theme was the emergence of perceived 'AI losers'. The pattern seen across global equity markets was evident in the UK, where investors reassessed companies whose business models appeared exposed to generative AI. This led to notable weakness in data and analytics businesses such as LSEG, Relx and Experian – firms previously valued highly for recurring revenues, strong margins and durable competitive advantages.

The UK experience stood out because the companies affected occupied the market's highest valuation tiers. These businesses had long been viewed as 'quality compounders': capital light, structurally growing and relatively insulated from economic cycles. As providers of data and analytics with high returns on capital and predictable earnings growth, they had attracted premium multiples and significant ownership. The AI narrative, therefore, led not only to stock specific weakness but to multiple compression among some of the market's most highly-valued companies, challenging a long standing leadership group.

The share price declines came as markets priced uncertainty into a group of stocks where there had been little to none previously, with investors demanding a higher risk premium until the implications of AI disruption became clearer. In many cases, share price moves outpaced any tangible evidence.

As the quarter progressed, however, the narrative shifted. The outbreak of the Middle East conflict, and the resulting energy market volatility, redirected attention toward geopolitical risk, inflation sensitivity and commodity exposure. UK domestic cyclicals were affected as gilt yields rose, while the energy sector – led by BP and Shell – saw sharp gains as higher oil and gas prices were reflected in share prices. This was a clear example of facts changing and the markets responding. At the same time, concerns around AI disruption receded as investors focused on energy price sensitivity and broader macroeconomic uncertainty.

The UK portfolios have been able to take advantage of lower prices across the piece to pick up new positions in companies where we feel the fundamentals are robust – for instance in the banking sector where interest rates staying higher for longer will provide a boost to earnings.

There is a more nuanced question to consider: not why a new narrative emerged, but why the earlier one appeared to fade. Valuations of companies such as Relx and Experian may have adjusted sufficiently to reflect perceived risks; investors' attention may simply have been diverted by more immediate developments; or initial fears may have been overstated. Alternatively, the narrative may only be paused, ready to re emerge as technological developments accelerate. In practice, markets are rarely fully efficient in the short term and often reflect the narrative that is most immediate and visible.

For long-term investors, such dynamics can create opportunities where businesses become temporarily mispriced as sentiment shifts. Narrative driven volatility can compress valuation premia even when fundamentals remain intact. During the first quarter we saw numerous opportunities to initiate positions in some of the 'AI losers' where we could see long-term value emerging as a consequence of the indiscriminate sell off – with share prices falling to levels of valuation we've not seen in a long time.

More broadly, the UK valuation backdrop remains relevant. The market has performed strongly over the past two years, supported by starting valuations, earnings resilience and favourable sector composition, yet still trades at a discount to many developed markets, particularly the US.

Importantly, the UK market is less dependent on domestic growth than often assumed, with a significant share of revenues generated overseas. This global earnings exposure, combined with modest valuations, provides resilience across a range of macroeconomic and geopolitical scenarios.

Distinguishing 'facts' from 'fads' is rarely simple, but evolving narratives can create opportunities for active managers, particularly in businesses whose long term fundamentals remain sound.

With undemanding valuations, globally diversified earnings and a market composition less tied to domestic growth, UK equities still appear well positioned for relative outperformance.



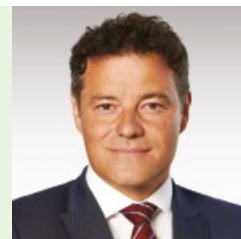
“ Distinguishing ‘facts’ from ‘fads’ is rarely simple, but evolving narratives can create opportunities for active managers ”



Japan

Carl Vine

Co-Head of Asia Pacific Equities



Japan: Facts, fads and shocks

We leave the first quarter in a radically different mood to the one we began with.

Geopolitical developments in the Middle East have, in short order, altered the trajectory of the global economy. With energy and supply-chain disruption now increasingly likely, it would not be dramatic to suggest that the world economy has been steered onto a collision course with an economic iceberg. Even if peace is forthcoming in the coming days or weeks, it may already be too late to avoid impact. The question now seems to be less about whether there is a growth shock, and more about how deep it proves to be and how long it lasts.

In this context, portfolio construction needs to adapt accordingly. We are approaching this environment with what can best be described as our 'crisis playbook.' When a crisis is unfolding, in either fundamentals or price action, the first question we ask ourselves is whether we have a genuinely differentiated perspective on what is unfolding, or not. The second question we ask is whether current market pricing offers asymmetric returns relative to a likely range of prospective outcomes. In other words, if we do have a differentiated perspective, are we being paid asymmetrically to back it with portfolio positioning?

In the absence of clear affirmative answers to both questions, in our experience it is prudent to avoid excessive levels of risk versus the benchmark and instead ensure the portfolio is robust to a range of outcomes, rather than implicitly reliant on a single narrative or factor continuing uninterrupted. As style- and largely sector-agnostic investors, we have come into this situation with limited sector and style exposures in the first instance. That said, portfolio construction is as much art as it is science, so we continue to stress the portfolio as the facts evolve, in an attempt

to identify any hidden, unintentionally-correlated bets. We still have single-stock, idiosyncratic risk in the portfolio, and we are not currently adjusting those heavily in view of current events.

Back to the questions at hand. Do we have a differentiated perspective on the current trajectory of the Middle East-driven supply chain shock? Honestly, no. Whilst we note that there are various ways global demand could very soon be meaningfully interrupted, we do not feel we have an earned-right to out-forecast the consensus on how things unfold from here.

Is there asymmetry in market pricing? Here the answer is slightly different: potentially, yes. Equity market pricing has been notably benign relative to what is widely described as the most significant supply-side shock since the 1970s. Why? Is this a usual 'markets are slow to overreact' scenario?

“ If global growth expectations are revised down, even strong long-term themes may not be immune to pressure ”



Perhaps market participants lack the muscle memory of the 1970s, leaving them unnecessarily passive? Or perhaps recent experience (where doing nothing in the face of volatile geopolitics has been rewarded) has conditioned behaviour? Whatever the answer, at the time of writing, markets are still pricing continuity in a world that appears perilously close to meaningful growth disruption, as supply chains across multiple industries begin to tighten.

In this context, recent market leadership warrants scrutiny. AI-linked semiconductors, in particular, are a clear case in point. The market's enthusiasm for AI is well founded at a technological level, but its translation into equity performance has been highly concentrated. A relatively narrow group of AI-linked hardware and supply-chain companies has driven a disproportionate share of gains across major indices in recent years.

In Japan, while the overall market has been less exposed than in the US, Taiwan or Korea, similar dynamics are evident beneath the surface. Many of the stocks that have driven market performance were once seen as cyclical businesses, but have recently been re-rated to elevated levels of cyclically-adjusted earnings in the face of structural tailwinds. We suspect a traditional demand shock will bring into focus the boundary between what is truly structural and what is, at least in part, cyclical. If global growth expectations are revised down, even strong long-term themes may not be immune to pressure, particularly where valuations have already capitalised a high degree of future optimism. This is a clear risk and one we are alert to.



Asia Pacific ex Japan

David Perrett

Co-Head of Asia Pacific Equities



Avoid falling foul of passing fads

Everyone loves a good story, and financial markets are no exception. Investors, however, have a very strong preference for non-fiction narratives, especially those that promise strong structural growth. Over time, Asian markets have cycled through dominant macroeconomic stories: the Chinese consumer, then the Indian consumer, the renewable energy wave, the digital economy, more recently all things AI, robotics, and, in the most recent quarter, the DRAM (dynamic random-access memory) super cycle. These narratives can be powerful and all-encompassing, but they can also risk blurring the line between facts and fads.

At the macroeconomic level, such narratives can be a useful way to frame long-term change. Where it gets interesting for stock pickers is translating the macro into the micro: turning big-picture themes into individual company positions. One approach is to buy the one or two companies most directly exposed to a theme, or even a basket of names, and try to add value this way. This can work well if one is early in identifying the next big story and valuations are still reasonable. The difficulty arises once a theme is widely recognised as 'the' next big thing, because by then a great deal is already being discounted in prices.

A recent case in point is the 'Indian consumer' story. India remains a compelling structural growth market, but Indian consumer stocks have significantly lagged Asian regional markets over the last couple of years as valuations had run ahead of earnings during the 2022 to 2024 period. It was a positive outlook, but investors priced stocks for perfection.

A current example is the 'memory super-cycle'. In terms of DRAM makers' profitability, something genuinely exceptional is happening versus history. However, it now feels as though a lot of that strength is priced in. We were happy to be overweight earlier in 2025 when market enthusiasm was dampened by tariff and Deep Seek concerns, but with expectations now elevated, a more neutral stance feels appropriate.

Both the Indian consumer and memory examples illustrate how we prefer to navigate mega-trends: not by assuming that a long-term theme will automatically deliver great returns, but by focusing on what is being discounted and asking whether valuations look sensible relative to current facts, historical context, and plausible medium-term outcomes.

As with any story, there are recurring hero and villain characters. In thematic investing, one of the most persistent villains is extrapolation: the tendency to project recent success too far and for too long.

“...acknowledge the power of narratives without being captured by them”

A recent example is Pop Mart, a very successful Chinese company whose Labubu doll became a worldwide hit and drove a dramatic rise in the share price through 2024 and early 2025. Labubu was an extremely profitable product, but at a market capitalisation of more than US\$50 billion, the market was implicitly assuming that the company would keep producing comparable smash hits. While such an outcome was possible, it seemed unlikely, and the distribution of outcomes made the risk–reward unattractive.

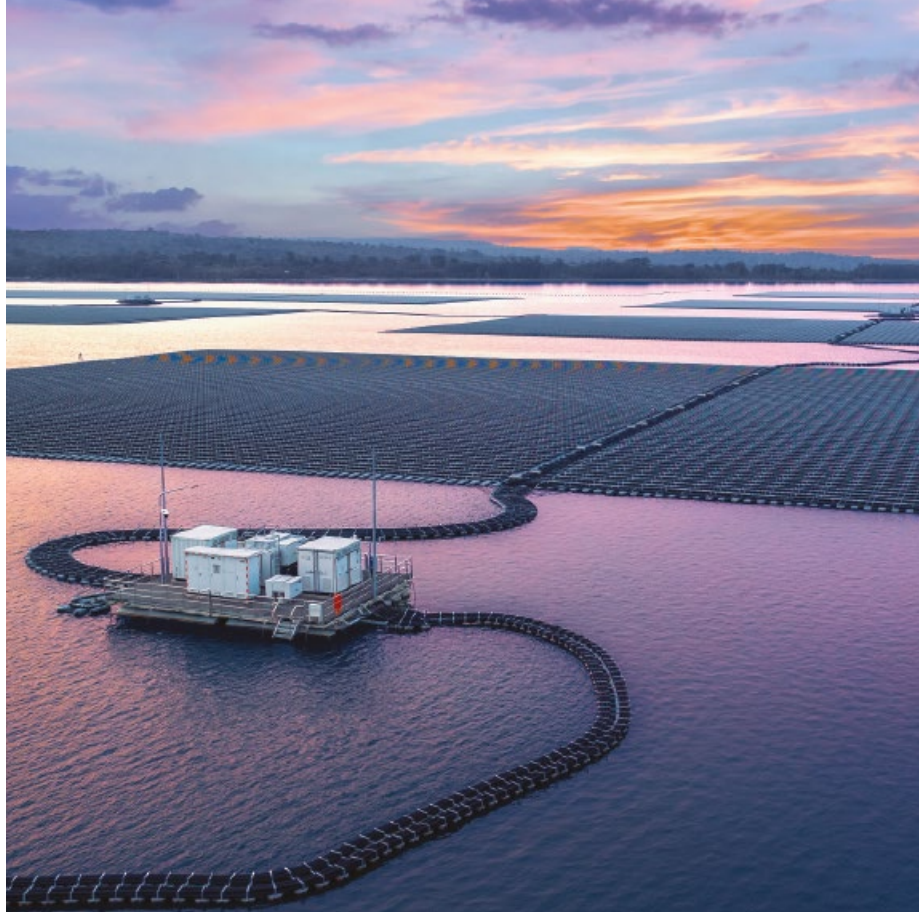
Pop Mart's subsequent share price setback as investors questioned the sustainability of Labubu-driven growth shows how dangerous extrapolation can be when a single product dominates the narrative.

Alongside extrapolation, another villain is the fast follower or opportunistic imitator. When a theme is hot, it is tempting for companies to associate themselves with it to secure a higher valuation, or for new businesses to list claiming adjacency to the fashionable narrative. The experience of many thematic booms suggests that a long tail of such imitators ultimately fares poorly, as they fail to live up to heightened expectations once the initial excitement fades and investors focus on specific company fundamentals.

Our approach to such situations is to acknowledge the power of narratives without being captured by them. Narratives help us identify areas of genuine structural change but should not be exempt from questions of what is being priced in, and how today's valuation compares with current facts and reasonable medium-term scenarios. Rather than pretend we can see five years into the future with precision, we try to separate what is knowable from what is conjecture and to allocate capital where the balance of evidence and valuation remains on our side. Such an approach offers a strong fighting chance of avoiding falling foul to passing fads.

Recently, we've been trimming in areas that have held up well and, in some cases, where we thought risk was being mispriced. These included a number of banks in South East and North Asia, some technology names and also defensives.

In March, we marginally raised cash levels and used this additional buffer, along with the proceeds from the above trims, to take advantage of investment opportunities in the current environment. We've added to China-specific consumer stocks, an Indian bank holding, and some more interest-rate sensitive names like Australian real estate that have sold off on higher rate concerns and had pulled back materially.





Emerging markets

Michael Bourke

Head of Emerging Market Equities



Narratives obscuring rather than illuminating the opportunity

Overview

Emerging market (EM) equities entered 2026 on the back of a decisive regime change in 2025, when the MSCI EM Index outperformed developed markets by roughly 10 percentage points and delivered c.34% returns in USD terms. The asset class extended those gains early in the first quarter of 2026, with EM equities up about 15% in USD terms by late February, and ahead of global benchmarks. The war in the Middle East took its toll over March, with the index fading 11% from the February peak. Against this backdrop, naturally it's worth asking whether the recent EM renaissance was a fad or whether fundamentals are durable enough to withstand this latest challenge⁸.

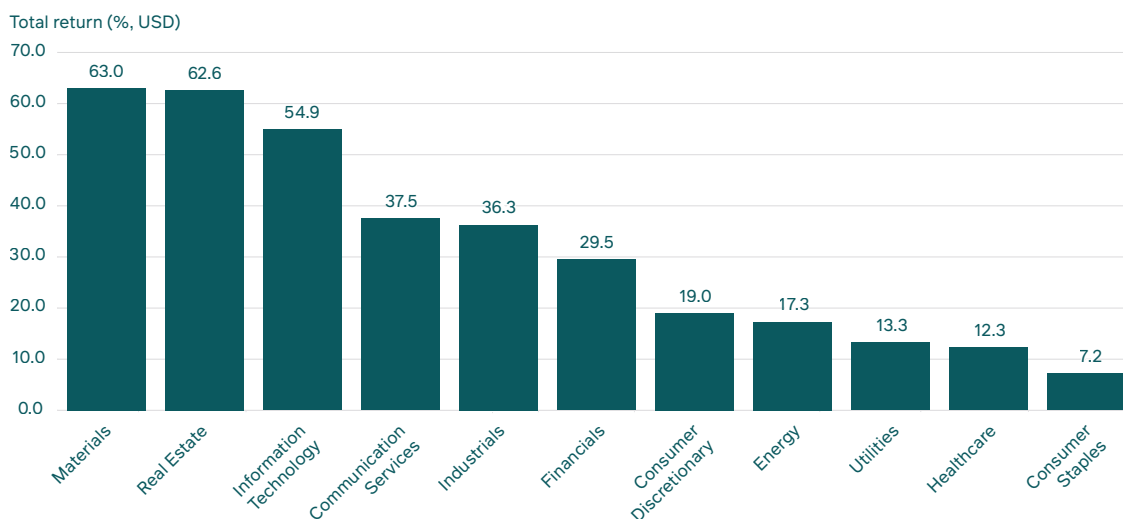
Momentum with rotation beneath the surface

Performance in 2025 was broad based but far from uniform across regions and sectors.

At a country level, we saw a remarkable rebound in Korea (up over 100%) and a strong recovery in China (c.31%), while India (c.4%) lagged materially⁹.

At a sector level, information technology and industrials were among the strongest contributors to EM returns, while consumer staples underperformed, underlining how different today's EM beta is from the old commodity-heavy construct.

2025 total returns (% in USD)



Source: LSEG Refinitiv, 6 April 2026, MSCI Emerging Markets Index (total returns in USD for calendar year 2025). Past performance is not a guide to future performance. Investors cannot invest directly into an index.

Flows and positioning remain supportive with ETF vehicles experiencing sizeable EM inflows in 2025 and into early 2026. Aggregate global allocations remain relatively underweight. That under-ownership, combined with improving earnings and profitability metrics, has allowed the positive price action in the first quarter to occur without obvious signs of late-cycle excess.

⁸Source: LSEG Refinitiv, 6 April 2026, MSCI Emerging Markets Index. Total returns in USD.

¹⁰Source: LSEG Refinitiv, 6 April 2026, MSCI indices. Total returns in USD for calendar year 2025.

“ For active allocators, the task [is] about separating durable earnings drivers from transient narratives ”

Facts: fundamentals are improving

The fundamental backdrop has clearly shifted in EM's favour. Consensus expects EM earnings-per-share (EPS) growth in the high-teens to low-20s range for 2026, comfortably ahead of developed markets and building on an estimated mid-teens EPS expansion in 2025. Return on equity has been grinding higher in large Asian markets such as China, Korea and Taiwan, helped by better capital discipline and a growing focus on shareholder value. Many EM central banks are also ahead of developed peers in the monetary cycle, with inflation largely contained and scope for further rate cuts to support domestic demand.

Valuations, while no longer distressed, still look reasonable in aggregate. After the rally, EM trades around 2x price-to-book (P/B) or 13x price-to-earnings (P/E), and maintains an estimated 40–45% discount versus developed markets. Forward P/E multiples near the mid-teens for 2026 remain below historical peaks and inexpensive relative to EM's growth and balance-sheet profile, particularly given structurally healthier sovereign finances than in many developed markets.

Fads: Narratives to treat with caution

Several popular narratives risk obscuring rather than illuminating the opportunity set. The idea that 'India only goes up' ignores both the market's recent underperformance versus broader EM and its still-elevated valuation premium, even after de-rating to c.19x P/E. Conversely, the notion that 'China is uninvestable' back in 2024 was too binary given the complexity and variety of investor choice in the country – and in light of a more constructive policy stance, an earnings recovery in key new-economy sectors, and China's own role in the burgeoning global AI-related arms race.

Equally outdated is the view that EM equals pure commodity beta. The MSCI EM Index is now dominated by technology and consumer-oriented franchises, with China, India, Korea and Taiwan together making up roughly three-quarters of the benchmark weight and much of the earnings growth linked to semiconductors, digital platforms and domestic services consumption. Treating EM as a simple play on global growth or oil prices misses these structural shifts.

There is also this notion that EM performance rests heavily on foreign flows: in most large EM markets today, the dominant buyer is already the local.

As we enter the second quarter

Looking ahead, the balance of evidence argues that the current EM upswing is based more on fact than fad, but with meaningful dispersion. A weaker US dollar, still-light positioning and an earnings cycle that is earlier and steeper than in most developed markets provide a constructive backdrop for the asset class through the rest of 2026. The damage from the Middle East conflict is as yet unclear – the longer the conflict, the greater the risk of slowdown from the energy shock, especially in heavy energy importers like India and Korea.

Currencies, forever a barometer of risk-off action, remain resilient – clearly rate cuts are off the table for now but expectations could rise in the second half of the year, if the current energy shock morphs into a global economic slowdown.

For active allocators, the task in 2026 is less about calling EM as a monolith and more about separating durable earnings drivers from transient narratives, which plays to the strengths of stock-pickers such as ourselves. For our part, we continue to monitor our portfolio holdings and separate the short-term impacts from the more durable outcomes. We have made only small changes to the portfolio in reaction to current events; namely by tapering our energy holdings and adding elsewhere, for example in Taiwan. We remain underweight the Middle East in general.



Impact

John William Olsen
Head of Impact Equities



Quality companies: buffeted by the narratives, but well anchored

Equity markets in the first quarter of 2026 have been shaped by geopolitical uncertainty and a growing fear for software companies that they may see their business models disrupted by the increasing capabilities in artificial intelligence (AI).

Investing for positive impact can work in times of geopolitical uncertainty

Investing in companies whose products and services provide a net benefit to society as well as investment returns, has taken a back seat in recent years as the market narrative has shifted towards a narrow group of leaders among large-cap US technology names and those within the AI-related supply chain.

The current conflict in the Middle East adds uncertainty to markets and again exposes the economic reliance on fossil fuels, highlighting how regional disruptions can have outsized implications for the health of the global economy. While the short-term focus remains on the oil price and supply, the longer-term solution is for countries to increase investments in renewable energy that can provide better price and supply security – as well as environmental benefits.

Companies and consumers will be more likely to seek energy efficiency, which does not only bring much needed cost savings, but also environmental benefits. World-leading wind farm operator Orsted has navigated a volatile couple of years, but its dominant position in offshore wind will be a key asset as policy makers (especially in Europe) look to a long-term strategy to mitigate external energy shocks. Companies such as Schneider Electric, Johnson Controls and Legrand don't just deliver equipment for AI data centres, they also predominantly offer products aimed at enhancing energy efficiency in buildings, industry and the electrical grid.

An age of turbulence: a time for quality

This headline normally prevails in equity markets, because companies with defensible business models and pricing power typically have more control over their own fate, but this time has been different. Liquidity and risk appetite remain prevalent in financial markets, but there is little appetite for companies where business models are perceived as having any hint of technology disruption risk.

As companies investing in large language models (LLMs) continue to spend US\$10bn+ per quarter (not yet offset by revenues), they maintain a strong narrative on the capabilities of their models and their abilities to monetise these activities going forward by disrupting every industry on the planet. Not least to continue raising much needed further capital.

In establishing who could be vulnerable to this longer term, the market has initially focused in on software companies and online digital platforms. The software sector, with its high return on capital, asset light business model, strong pricing power, and customer stickiness, once seen as a happy hunting ground for quality investors, has seen investor outflows while the market waits on the longer-terms signals as to whether the wider sector is at risk from AI or not.

“ While the short-term focus remains on oil price and supply, the longer-term solution is [through increased] investments in renewable energy ”



Quality investing relies on identifying companies whose characteristics provide for growing long-term defensible returns and cashflows. Online digital platforms such as Zalando (online retail fulfilment) and CTS Eventim (online ticketing and event venues) have seen their market capitalisations eroded over the quarter as they have fallen into the ‘bucket’ of companies that may be at risk from AI, alongside software companies.

However, these companies own strategic assets and their digital platforms are tied into their own asset bases, setting up a strong moat that would be very difficult for a standalone AI platform to disrupt. As the AI narrative indiscriminately causes a sell-off across listed software and digital platform companies, it does provide an opportunity for quality investors to invest in quality moated companies that get excessively caught up in the narrative. We believe that the narrative will move on, strong business models will prove themselves, and some of these assets can now be picked up cheaply.

There are no indications that the turbulence markets are currently experiencing, whether it be economic, policy or geopolitical, is likely to subside any time soon. In our view, owning a concentrated selection of quality companies, which continue to exhibit strong organic growth and have the ability to be price setters, should be a strong backdrop for consistent long-term returns.

With the average founding year of our investee companies now sitting at a full century, our holdings exhibit strong institutional memory and a culture of overcoming market disruptions and using these to their advantage.



Global research

James Doogan
Global Consumer Analyst



Consumer sector: Finding the structural winners beyond the narratives

Recent months have seen heightened volatility across consumer stocks, as investor attention has switched between a series of competing market narratives. Concerns around artificial intelligence led disruption, the growing use of anti obesity drugs and geopolitical tensions have all influenced sentiment to varying degrees.

Against this backdrop, consumer staples briefly benefited from a 'flight to safety' in February, as investors favoured businesses perceived to be macro resilient and less exposed to technological disruption. At the same time, parts of the discretionary sector also performed well, supported by earlier interest rate cuts and, in the US, fiscal measures aimed at supporting consumer spending. However, performance reversed as rising oil prices raised concerns around higher input costs and pressure on consumer purchasing power.

While near term market moves have been driven by shifting narratives, the underlying consumer landscape continues to be shaped by a number of durable, long term trends. Spending is steadily rotating away from goods towards experiences, benefiting companies exposed to leisure and travel. Consumers are also increasingly focused on value and convenience, while health and wellness considerations continue to influence purchasing decisions.

The structural changes underpinning market narratives have the potential to impact consumption patterns. Agentic e commerce could fundamentally disrupt how consumers discover, research and purchase products online, while broader adoption of GLP 1 drugs may alter demand dynamics across multiple categories. The impact of these factors will vary significantly by company and business model. These changes are not being ignored by corporate Boards with a swathe of corporate actions accounted to be in some stage of negotiation or consideration in recent weeks.

Year to date, consumer spending has remained resilient, albeit with a continued divide between higher and lower income consumers, and there are signs that consumer sentiment has softened since the start of the conflict in the Middle East. If higher oil prices persist, pressure on discretionary demand could intensify and margins could come under pressure. Yet, the consumer sector remains rich with businesses that have demonstrated an ability to compound earnings over time and generate attractive returns through market cycles. History shows that periods of volatility often create attractive entry points into high quality companies that are able to adapt to a changing environment.

The experience of legacy retailers such as Next and Walmart illustrates this dynamic. A decade ago, both were viewed as casualties of the so called 'retail apocalypse', with large store estates seen as structural disadvantages as spending shifted online. Today, those same store networks are increasingly recognised as strategic assets, supporting fulfilment, faster delivery and more efficient returns. While not all companies have successfully navigated this transition, Next and Walmart shares have delivered total returns of close to 240% and 580% respectively, underscoring the value of identifying the winners¹⁰.

¹⁰Source: Bloomberg, 9 April 2026. Total returns in local currency terms.



The prevailing narrative at Tesco is no longer around market share losses to the discounters. The company has a dominant and growing 27% UK market share. Its scale advantage, robust balance sheet and cash generation enables further investment in the customer proposition, across formats and channels. Tesco's data advantage through Clubcard, now with 84% penetration of UK households, provides valuable insight into customer behaviour, deepening customer engagement. Together, these strengths should allow the company to respond effectively to an evolving retail environment, and to continue to outpace peers. Tesco shares have advanced 52% over the last year¹¹.

While volatility may continue as narratives shift, we believe this creates opportunities to invest in companies with scale, strong brands and route to market advantages, agile supply chains, data capabilities and robust balance sheets, that can withstand near term pressures and deliver long term shareholder value.

¹¹Source: Bloomberg, 9 April 2026. Total returns in local currency terms.



Convertibles

David Romani
Deputy Fund Manager

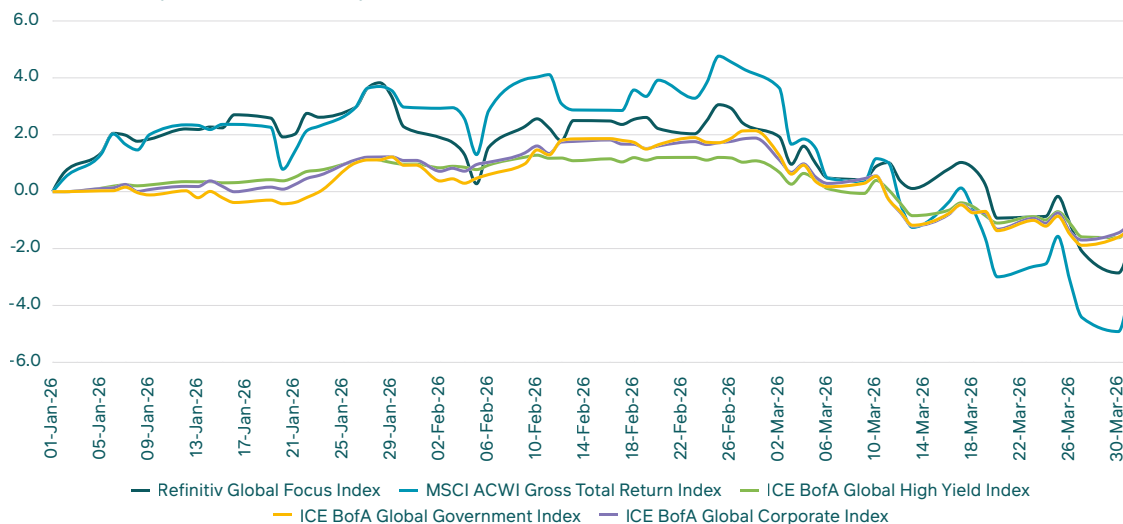


The durability of market narratives

The first quarter demonstrated the value of the convertible bond floor. Convertibles (-1.7%) outperformed global equities (-3.1%) as the US-Iran conflict escalated, triggering an equity and bond sell off while, in credit markets, spreads have widened materially. Fear levels were elevated and government bond yields remain acutely sensitive to developments¹².

Global cross asset class returns YTD

Returns (in USD ccy, rebased as of 1 January 2026)



Source: LSEG Refinitiv, Bank of America, Bloomberg, 31 March 2026. Total returns (in USD). Past performance is not a guide to future performance. Investors cannot invest directly into an index.

As we head into the second quarter, we expect the elevated geopolitical risk premium to persist. The principal threat to risk assets is not the oil shock itself, but its second-order effects: higher oil prices feed into inflation, raising the all-in cost of debt through both higher rates and wider spreads. However, geopolitical risks may obscure the more durable narrative of AI-driven economic transformation. The change AI is bringing is real and structural; the risk is that tighter financial conditions delay its realisation.

Separating winners from losers

Even if markets navigate the oil shock, the key question remains: who captures the rewards of AI? Opportunities are clear, but the potential for over- and mal-investments¹³ is considerable. We believe demand for AI infrastructure and AI-related products and services is undeniable, but we are concerned that competition could drive down prices, with consumers capturing much of the surplus. Lower inference costs will stimulate usage, but this may not necessarily translate into higher margin and profits for providers across the AI ecosystem.

The memory sector offers a cautionary precedent: demand elasticity was real (thanks to the experience curve and economies of scale, prices came down, boosting demand) – yet sustained profits often proved illusory through violent boom-and-bust cycles¹⁴.

¹²Source: LSEG Refinitiv, Bloomberg, 31 March 2026. Refinitiv Global Focus Index and MSCI ACWI Gross Total Return Index. Total returns in USD currency terms

¹³Mal-investments refer to poorly allocated investments that arise from distorted market signals, often due to artificially low interest rates and excessive credit expansion.

¹⁴For example, previous memory boom and bust cycles: 2003-05, 2005-08, 2008-11, 2012-16, 2016-19, and 2019-23.

Lower prices meant that profit was more difficult to achieve; so demand doesn't necessarily guarantee supranormal profits.

Competition and technological advances pushed companies to invest and manufacture the most sophisticated products to try to steal the march over competitors in the memory space, which created winners and losers. Over time, more firms fell by the wayside, or were acquired, eventually leading to a more consolidated and rational market, less prone to boom-and-bust cycles.

If we see the same scenario play out with, for instance, AI infrastructure (datacentre developers) or AI software providers, corporates and investors may come to rue debt-fuelled AI investment splurges.

AI infrastructure demand may be more specific and less commoditised (hyperscalers exhibit variations in their infrastructure setup), but there is still potential to see the same boom-and-bust cycle(s). Hence our caution.

Where are we now?

For software providers:

The key questions include: who controls and monetises scarce resources? (systems of record, proprietary data, embedded customer relationships). Can new AI-native entrants replicate the advantages of incumbents? Will incumbents invest in AI agents themselves, even at the risk of cannibalising their own businesses? Will they be able to come up with new AI-powered revenue streams? When will AI expand beyond software into embodied applications (robotics, physical automation)? Private credit has already sounded the alarm about the risk of AI-driven disruption to traditional software business models. The loan maturity wall is manageable in 2026–27 but rises materially in 2028, while we have seen limited impact in the public bond markets.

Meanwhile, in hardware investment:

The hyperscalers' relationship with AI infrastructure suppliers increasingly resembles Apple's relationship with its component supply chain in prior product cycles: bankrolling suppliers, offloading capex risk while retaining pricing power and capturing the bulk of the economic value. AI and datacentre developers and related players are still on an investment spree and have not yet faced a comparable refinancing test. We think this may be a 2028-2030 story.

Discipline, diversification, and downside protection

Fear and risk contagion spread valuation dislocations across markets. We believe this creates opportunities to pick up undervalued companies. Should conditions become more dislocated, we aim to deploy capital selectively in oversold areas. We favour businesses with durable cashflows and balance sheet strength over those dependent on optimistic growth assumptions and continued access to cheap financing.

Our approach remains bottom-up and disciplined. We do not forecast the macroeconomic environment nor position the portfolio around it: we have not increased oil exposure during this crisis, nor did we sell out of software earlier in the year; instead, we are reviewing ideas as software names have de-rated significantly.

We aim to maintain a diversified portfolio across sectors, conscious that in periods of stress correlations rise. The bond floor is central to managing these swings, limiting losses while preserving participation in equity upside. Careful credit, equity and option analysis and active management remain critical to delivering attractive risk-adjusted returns.

“...geopolitical risks may obscure the more durable narrative of AI-driven economic transformation”



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