CARTLIDGE MORLAND
INDIVIDUAL WEALTH MANAGEMENT

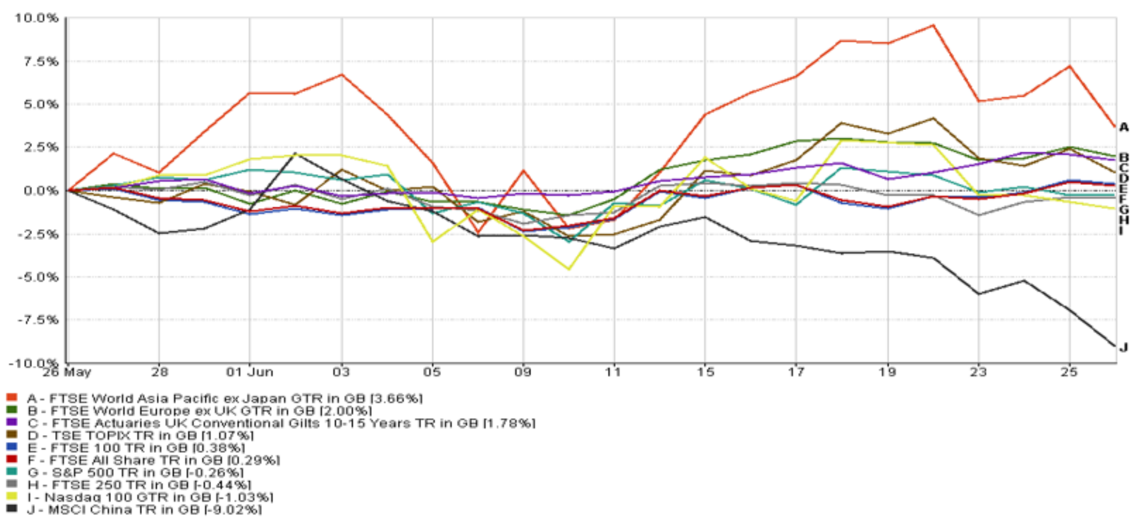
INVESTMENT COMMENTARY

29 JUNE 2026

OVERVIEW

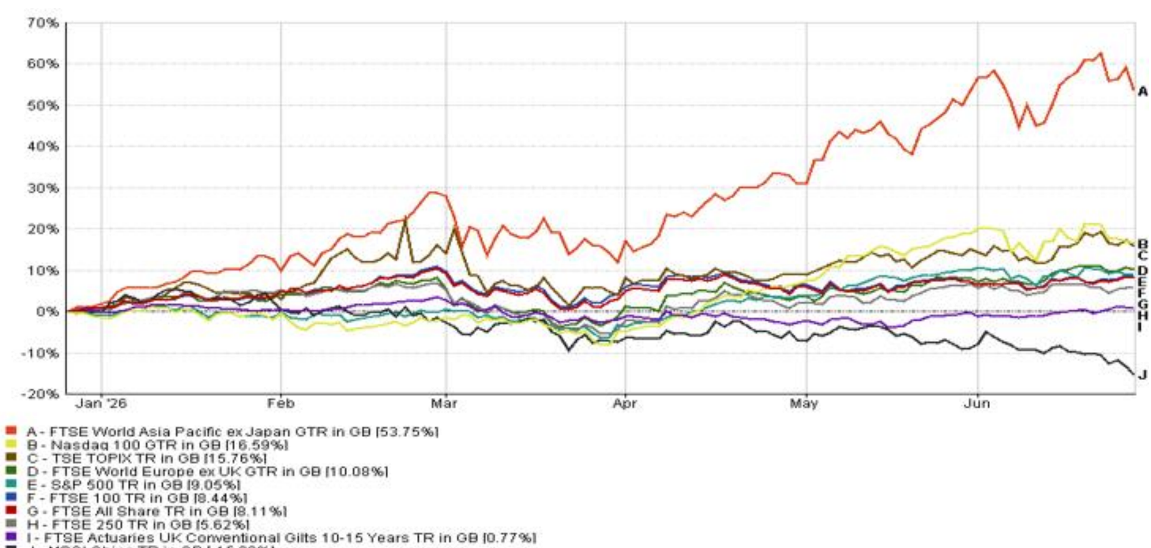
When you look at the six month returns for global investment markets it is hard to believe that the period has seen a conflict in the Middle East, blockage of a critical global shipping route, the oil price soaring and then falling rapidly, two fragile ceasefires, concerns over higher inflation and persistently high interest rates. In the short term, equity market volatility has been relatively high, driven by markets swinging from immense enthusiasm about the prospects for AI related technology companies, to worries about whether the level of expenditure on the ongoing AI build-out warrants such high valuations of these companies. What the charts show is that however uncomfortable it felt at times, it was prudent to remain invested.

ONE MONTH INVESTMENT MARKETS STERLING TOTAL RETURNS



26/05/2026 - 26/06/2026 Data from FE fundinfo2026

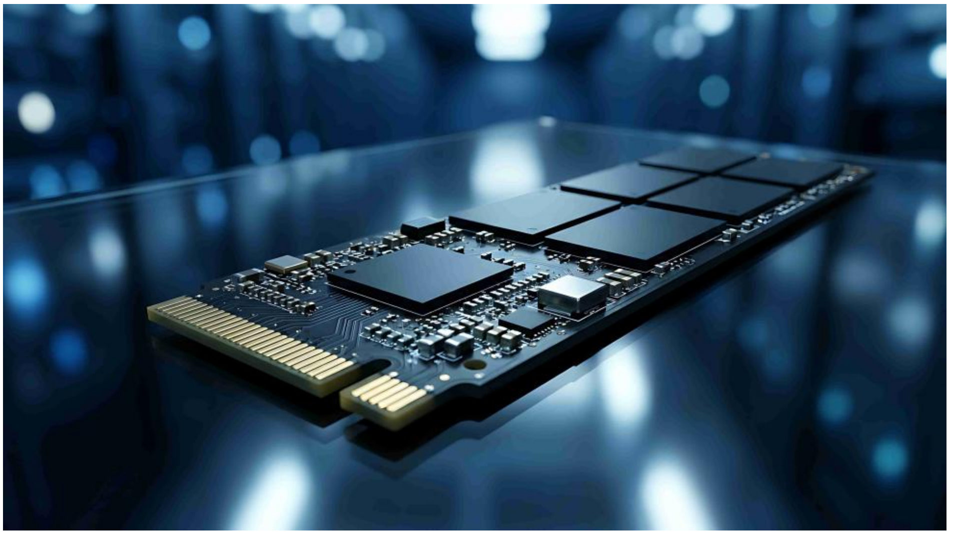
SIX MONTHS INVESTMENT MARKETS STERLING TOTAL RETURNS



26/12/2025 - 26/06/2026 Data from FE fundinfo2026

Against a background of a renewed ceasefire agreement, equity markets rose although the prospects for a longer-term peace process remain uncertain as evidenced by skirmishes continuing between the US and Iran. The news that ships could begin to pass through the Strait of Hormuz was positive for investment sentiment. With oil exports likely to resume gradually, concerns eased that the supply disruption would be prolonged. The oil price has now fallen back to around its level before the conflict started ($72 per barrel) at the end of February 2026. The original concerns over inflation levels and consequently the effect upon interest rates globally, have dissipated to some extent, providing support for markets.

The Korean, Taiwan and Japanese equity markets performed well alongside the US equity and tech heavy Nasdaq 100 index since the start of the year. It seems investors are becoming more discerning when it comes to investing in technology companies. Demand for memory chips is strong from every data centre that is being built/operated. However, supply continues to be constrained so that memory manufacturers have enormous pricing power. Whilst semi-conductor manufacturers (eg Samsung/TSMC) see their values increase rapidly, other technology companies which require memory chips are negatively impacted. For example, Apple raised prices across a number of its products due to the impact of rising memory and storage costs. Therefore, investors need to distinguish between companies which supply vital components for the AI build out and those requiring those components - perhaps in short supply - and which therefore may bear the brunt of rising costs.



The SpaceX IPO which raised $86 bn followed by a bond issuance of $25 bn exemplifies the strong rally in the technology sector. Concerns have arisen relating to the prospective flood of share issuance this year and next, with companies such as Anthropic and OpenAI aiming to float. These companies, together with SpaceX, are targeting valuations of about $3.6 trn which is the equivalent to the GDP of France! There are worries about these companies squeezing out other companies which may want to raise capital. SpaceX’s share price rocketed at launch but has subsequently fallen back, although it is still above its launch price.

Having expected interest rate cuts through 2026 from the US Federal Reserve (Fed) and the Bank of England (BoE), with the European Central Bank (ECB) having already cut the main interest rates over 2025, the pendulum has swung back towards possible rate rises this year. This is due to the major central banks seeking to take measures to contain energy-price driven inflation. The ECB increased its interest rate by 0.25% at its last meeting, citing an “uncertain” outlook, with upside risks for inflation. It raised its inflation forecast and pointed to elevated downside risks for economic growth, for which it cut forecasts. The Fed kept its interest rates on hold with the Fed funds rate at a target range of 3.50% to 3.75% as expected. The new Fed Chair, Kevin Warsh, seems to be leaning towards a relatively hawkish stance. One rate increase is now expected by the markets before the end of the year. The BoE also kept Bank Rate on hold at 3.75% but two out of the nine members of the Monetary Policy Committee (MPC) voted for a 0.25% increase. Andrew Bailey, Governor of the BoE, commented that keeping rates on hold was “the right position to be in at the moment”. The Bank of Japan (BoJ) raised its short-term policy rates by 0.25% to 1.00% - the highest level since 1995. The BoJ is gradually normalising its monetary policy and also announced that it would reduce its monthly purchases of Japanese Government Bonds.

OUR VIEW

Compiled by Angela Cooper, MD - Investment Services.

Angela runs Cartlidge Morland's Investment Management team, with over 30 years' experience in investment research working for investment companies, leading UK national IFAs and wealth managers. Angela graduated from the London School of Economics and is a Chartered Insurance Practitioner.

The increase in Japanese interest rates came as no surprise, nor that of the ECB in response to elevated inflation risks. With the ECB deposit rate at 2.00% and the BoJ's short term interest rate at 0.75%, increases became inevitable in response to rising energy costs. The ECB was reluctant to do so because economic growth has stalled in Europe and taking rates down to 2.00% (arguably prematurely) had been intended to stimulate growth. There is little sign of it yet and the rate rise is unhelpful.

We have not been surprised by either the BoE's or the Fed's reluctance to raise interest rates. UK economic growth is sclerotic and whilst the US economy is holding up well by comparison, there are signs of increasing weakness and of narrowing of areas of the economy that are still growing. The labour market has weakened and one of the Fed's main objectives is full employment.

Surprisingly hawkish briefings by both banks over the last fortnight warn that curbing inflation will take priority over supporting economic growth, in both economies. Both central banks have made clear their willingness to raise rates, although they are allowing time for inflation to subside if wholesale/retail oil prices fall back as tension in the Middle East subsides.

On the surface, companies and their share prices continue to prosper whilst bonds are offering relatively high yields. What is sometimes unappreciated is that surges in equity markets have resulted from advances in the share prices of a relatively small number of companies. This has been most obviously true of Asia Pacific/Emerging Markets - where the surge in market indices has been driven largely by the fortunes of three companies in particular - Samsung, TSMC and SK Hynix. Similar concentration has been present but perhaps a little less exaggerated in developed equity markets but is still very much in evidence. Consequently, it appears that there remains value to be identified in most markets despite the current elevated levels of equity market indices. It also explains why index tracking ought to be accompanied by 'active' investment management strategies.

OUR VIEW continued

We remain cautiously optimistic with regard to outcomes in 2026 but much will depend upon energy markets re-calibrating, enabling inflation to remain under control in the world's major economies. If the US/UK return to a cycle of rising interest rates towards the end of the year it is likely to undermine confidence. Investor sentiment seems to be holding up remarkably well given that a downward path for interest rates was being predicted only three months ago. That narrative is definitely paused for the current year.

The UK's change in Prime Minister deserves a mention. Assuming Andy Burnham becomes Labour Leader and Prime Minister, it seems he is aiming for a re-set for the government, with significant change in emphasis given the current lack of growth in the UK economy. Increased spending on defence and housing would provide a boost to the economy if plans are enacted quickly. If Burnham becomes Prime Minister, his appointment of Chancellor will be critical to the UK's standing in financial markets and for the business community.

Our portfolios have delivered attractive returns over the past year supported by a range of funds investing across markets, picking up the technology sector returns when they have been strong. The more cyclical/income focussed funds have performed well over periods where growth/technology themes have struggled. Fixed interest funds have made steady returns although government bond funds have seen yields rise due to uncertainty over inflation and interest rate levels as well as domestic politics. The market seems to have taken the recent resignation of Sir Keir Stamer in its stride. Any question about lack of commitment to fiscal discipline could see gilt yields push higher. The Chancellor will have to take measures to support growth whilst maintaining bond market confidence.

As always if you have any queries or concerns
please do not hesitate to contact your Cartlidge Morland consultant

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