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September 2026

Ashburton Global Multi-Asset Funds

Quarterly Investment Commentary

Market update

Geopolitics remained at the forefront of investors' attention during the quarter. Political uncertainty in the United Kingdom persisted following another change in leadership, while ongoing tensions in the Middle East continued to keep both energy and soft commodity prices elevated.

Despite these uncertainties, corporate earnings growth remained remarkably resilient, particularly within the technology sector. Artificial intelligence (AI) continued to serve as a key driver of earnings momentum; however, the substantial capital expenditure commitments undertaken by hyperscaler technology companies raised questions around future free cash flow generation. This has contributed to some investor caution, reflected in parts of the credit market through a widening of credit default-swap spreads among selected issuers.

Beyond concerns surrounding hyperscaler financing needs, the sustainability of government debt trajectories remained a dominant theme across developed markets. Continued fiscal expansion against a backdrop of still-elevated inflation has complicated central bank decision-making, particularly as policymakers attempt to distinguish between persistent inflationary pressures and supply-side shocks arising from geopolitical conflict. Consequently, global government bond yields generally moved higher over the quarter, with Japanese government bond yields in particular reaching multi-decade highs. In the United States (US), term premia continued to rise as investors demanded additional compensation for heightened fiscal sustainability risks. In response, Treasury Secretary Scott Bessent sought to limit long-dated issuance by favouring shorter-maturity borrowing, thereby helping to contain financing costs.

The Treasury also announced buy-back programmes focused on longer-dated securities, citing market-liquidity considerations. Against this backdrop of rising fiscal risks and persistent geopolitical uncertainty, gold recovered some ground over the quarter, as its diversification properties and role as a perceived store of value continued to attract investor demand. However, the sharp increase in global discount rates, alongside a stronger US dollar, constrained the extent of the recovery.

At the Jackson Hole Symposium, newly appointed Federal Reserve Chair Kevin Warsh struck a hawkish tone despite recent signs of moderating inflation, which nevertheless remains above the Fed's 2% target. He reaffirmed the Fed's commitment to restoring price stability and emphasised that further policy action may be necessary should progress towards the inflation target prove insufficient or begin to stall. Against this backdrop, the Federal Open Market Committee unanimously raised the federal funds rate by 25 basis points to a target range of 3.75% - 4% at its latest meeting.

The Committee also marginally revised its Personal Consumption Expenditure inflation projections higher over parts of the forecast horizon, accompanied by an upward adjustment to its projected path for the federal funds rate. Importantly, the updated dot plot points to another rate hike this year, while the Fed now expects inflation to return to its 2% target only in 2029, reinforcing the prospect of rates remaining restrictive for longer. Encouragingly, however, the economic outlook proved more resilient, with real GDP growth forecasts upgraded for both this year and next, while unemployment projections were revised lower.

Emerging-market equities declined modestly over the quarter, falling 0.4%, although this followed a strong year-to-date advance of 23.5% through the end of September 2026. Quarterly performance was weighed down by a correction in South Korean equities. Following a powerful AI-driven rally, elevated levels of retail investor leverage amplified market volatility and contributed to a period of deleveraging. This resulted in some compression in valuation multiples, even as earnings growth among semiconductor-related companies remained robust.

In contrast, Chinese equities rebounded over the quarter, with the recovery broadening beyond the technology sector and participation becoming increasingly widespread. Healthcare, Energy, Financials, Utilities, Real Estate, Construction, Materials and Consumer Staples all delivered relative outperformance, pointing to a more broad-based improvement in market breadth.

European equities also lagged the broader market over the quarter, reflecting the region's heightened sensitivity to gas and energy prices amid the ongoing conflict in the Middle East. Encouragingly, however, economic data strengthened toward the end of the quarter, exceeding expectations and providing tentative signs of an improving growth backdrop. Whether this momentum can be sustained will be important to monitor in the coming months. Looking ahead, a meaningful easing in geopolitical tensions in the Middle East could provide a further catalyst for the region, particularly if accompanied by a sustained decline in gas and broader energy prices. Lower energy costs would ease pressure on household budgets and business margins, supporting consumption, economic activity and corporate profitability.

As we move into the final quarter of the year, we expect geopolitical developments to remain an important driver of market sentiment, with the upcoming US midterm elections likely to command significant investor attention. A key focus will be whether Republicans can retain control of the Senate, where the outcome remains closely contested, while Democrats appear better positioned to regain control of the House. Against this backdrop, we remain constructive on the outlook for corporate earnings, underpinned by resilient economic activity and generally healthy corporate fundamentals. Nevertheless, tighter global financial conditions, reflecting a more hawkish stance from major central banks, alongside the risk of a renewed escalation in Middle East tensions, could weigh on equity valuations by pushing the global cost of capital higher and dampening investor sentiment. While these risks warrant continued vigilance, we believe the underlying fundamental backdrop remains supportive and that periods of market volatility are likely to continue presenting selective investment opportunities.

Fund strategy

The Ashburton SICAV Multi-Asset Fund range is managed using a core-satellite approach, underpinned by a detailed look-through of the underlying building blocks to ensure optimal diversification. The equity allocation is primarily anchored by our internal flagship strategies, with the largest allocation directed towards the Ashburton Global Equity Growth Fund, which targets companies with robust free cash flow potential.

Given the resilience demonstrated during the recent corporate earnings season, we elected to increase equity beta across the SICAV Multi-Asset Fund range. Importantly, recent equity market performance has been driven predominantly by continued growth in earnings per share, rather than valuation multiple expansion or dividend growth. Beyond the AI-related investment theme, supportive factors such as easing lending standards among commercial banks and broad-based fiscal support across major developed-market economies continue to underpin consumption and economic activity.

That said, we remain cognisant of several downside risks to our equity allocation. These include the potential for a further escalation of geopolitical tensions in the Middle East, a sharp squeeze on consumers' real incomes amid elevated inflation and slowing nominal wage growth, as well as the possibility of a significantly more hawkish policy stance from major global central banks. As a result, while our near-term outlook remains constructive, we continue to monitor developments closely and maintain a disciplined approach to portfolio risk management.

On the fixed income front, we note that while term premia in developed economies have risen meaningfully, they remain well below historical averages. In our view, this appears inconsistent with the elevated fiscal risks confronting the global economy in the current macroeconomic environment. Consequently, we continue to adopt a cautious stance towards duration exposure. Within credit markets, however, we continue to favour areas offering attractive carry and compelling risk-adjusted return potential. In particular, we maintain exposure to emerging market local-currency bonds, where elevated coupon rates provide a meaningful income cushion, as well as US high-yield credit, supported by the continued resilience of the world's largest economy and a benign default backdrop. We have also reduced our allocation to convertible bonds, realising profits on the position. This decision was driven primarily by our objective of moderating overall portfolio volatility while preserving the portfolio's broader return potential.

During the quarter, we tactically reintroduced an allocation to strategic hedges, including a modest position in gold. We believe the combination of persistently elevated geopolitical and fiscal risks provides a supportive backdrop for the precious metal as a perceived store of value and portfolio diversifier. Nevertheless, we remain mindful of factors that could weigh on gold prices, including a stronger-than-expected US dollar, a rise in real interest rates and potential reserve sales by central banks to meet domestic liquidity requirements. Accordingly, while our outlook for gold remains constructive, we view the position primarily as a risk-management tool within a diversified portfolio rather than a high-conviction directional investment.

We believe markets are likely to continue "climbing the wall of worry," supported by a generally resilient macroeconomic backdrop and sustained corporate earnings growth. The key question for investors, in our view, is whether the adoption of AI can translate into a durable and broad-based improvement in free cash flow generation across the corporate sector over the coming quarters, thereby validating current investment expectations. At the same time, we remain attentive to potential sources of volatility. With the US midterm elections approaching and geopolitical tensions in the Middle East remaining elevated, we will continue to assess whether these developments have the potential to materially alter the economic and market outlook. Accordingly, portfolio positioning remains guided by a cautiously optimistic stance, balanced by a disciplined focus on risk management and capital preservation.

Fund performance

The USD Global Growth Fund returned 0.22% over the quarter, while the USD Global Balanced Fund declined 0.56%. Both strategies modestly trailed their respective Morningstar peer groups, which returned 0.61% and declined 0.38%, respectively.

Relative performance was primarily affected by the portfolios' structural growth bias, with the growth investment style lagging during the quarter, as well as the timing of our gold exposure. These headwinds were partly offset by several successful portfolio positioning decisions. Our above-average allocation to equities relative to fixed income contributed positively, while our low-duration positioning and selective credit exposures within fixed income also added value.

While short-term relative performance can be influenced by shifts in market leadership and investment style, our focus remains firmly on delivering attractive outcomes through a diversified, valuation-conscious and long-term investment approach. Longer-term performance remains resilient relative to peers, reinforcing our confidence in the underlying portfolio construction and investment philosophy.

Looking ahead, we remain constructive on the global market outlook and believe the portfolios are well positioned to navigate an evolving investment environment. We remain confident in our ability to identify opportunities across asset classes and to deliver compelling risk-adjusted returns for investors over the long term.

[1] Performance stated in the I share class

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