

March 2026
Ashburton Global Multi-Asset Funds

Quarterly Investment Commentary

Market update

A series of extraordinary geopolitical developments unfolded at the start of January. Foremost among these was the capture of Venezuelan leader Nicolás Maduro by the United States. In the aftermath, Washington has been working closely with Venezuela's interim leadership to stabilise governance and facilitate a peaceful transition toward democratic elections. Alongside this, speculation about a potential US acquisition of Greenland, a partial government shutdown, the appointment of Kevin Warsh as the new Federal Reserve Chair (pending Senate approval), snap elections in Japan, and a landmark Supreme Court ruling striking down President Donald Trump's use of emergency powers to impose global tariffs collectively created one of the most turbulent openings to a year in recent memory.

From a technological standpoint, investor sentiment was further rattled by concerns that rapid advances in Artificial Intelligence (AI) could undermine traditional software business models. The prevailing fear is that AI-driven tools may commoditise core functions such as coding assistance, analytics, and productivity features, thereby eroding the pricing power of established firms reliant on licensing and subscription revenues. Reflecting these anxieties, the iShares Expanded Tech-Software Sector ETF declined 24.3%¹ in the first quarter.

Yet, despite the breadth of these disruptions, the most consequential development for global markets has been the emergence of a "grey swan": escalating conflict involving the United States, Israel, and Iran. This confrontation has become the dominant geopolitical risk, overshadowing other shocks and driving extreme volatility across asset classes. Energy markets, in particular, have experienced historic swings amid episodes such as the closure of the Strait of Hormuz, followed by intermittent US assurances that the conflict was nearing resolution. The potential for prolonged supply chain disruptions emanating from the Middle East raises the risk of a renewed inflationary impulse. Such dynamics could force the Federal Reserve to recalibrate its monetary policy stance, tightening conditions even as global growth and labour markets prospects weaken.

Against this backdrop, global equity markets retreated, with the MSCI All World Index declining 3.1% over the quarter as a sentiment-driven multiple compression outweighed otherwise resilient earnings growth. At the same time, a notable structural shift is unfolding in the private sector: corporate profits are rising as a share of gross domestic income, while the portion allocated to employee compensation is steadily eroding. These dynamics highlight the intensifying imperative for firms to unlock the productivity potential of AI - not only as a tool for efficiency, but as a critical lever to sustain profitability in an increasingly fast-moving and competitive environment.

European high-frequency economic indicators surprised to the upside until the Middle East conflict escalated, triggering an equity market pullback. Consumers and businesses now face the strain of sharply higher gas prices. The UK stood out as one of the few regions posting gains, with sectoral composition - particularly heavy exposure to Energy and defensive industries - providing resilience amid heightened geopolitical uncertainty.

Asian equity markets outperformed during the quarter, driven by a combination of fiscal optimism, policy support, and sector-specific tailwinds. In Japan, investor confidence was buoyed by the February snap elections, which delivered a two-thirds majority to the Liberal Democratic Party. This outcome provides the government with greater latitude to pursue expansionary fiscal measures without requiring coalition approval, reinforcing expectations of stronger domestic demand. South Korea benefited from targeted investor tax incentives and robust performance in industries tied to global memory chip shortages, while Taiwan similarly gained from sustained strength in the semiconductor sector. By contrast, Chinese and Indian markets underperformed, weighed down by cyclical sectors such as Information Technology, Communication Services, and Consumer Discretionary. These headwinds underscored the uneven nature of regional performance, with policy-driven momentum and sectoral dynamics dictating outcomes across markets.



On the fixed income front, bonds also declined over the quarter, albeit less than equities, amid the rise in oil prices with the Bloomberg Global-Aggregate Total Return Index falling 1.1%. Losses were driven primarily by duration effects offsetting coupon income. Looking ahead, elevated government debt levels in major economies such as the US and Japan, combined with stronger fiscal spending, may push term premiums higher as the private sector absorbs increased supply from sovereign issuance.

A prolonged closure of the Strait of Hormuz could intensify supply-chain disruptions and inflationary pressures, complicating efforts by incoming Federal Reserve Chair Kevin Warsh (pending Senate approval) to steer the Federal Open Market Committee toward further rate cuts. Futures markets have already pushed expectations for easing into next year, reflecting uncertainty around the inflation impulse. While lower rates could accelerate AI-driven productivity gains and ease financing conditions, they would also play a crucial role in supporting employment - particularly among small and medium-sized enterprises, which remain vital to the broader economic fabric.

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 internal flagship strategies, of which the lion's share is allocated toward the Ashburton Global Equity Growth Fund which targets companies with robust free cash flow potential.

From an asset allocation perspective, after increasing our equity exposure to regions outside the US - particularly Emerging Markets, Europe, and Japan - we have reduced equity beta across the Multi-Asset Fund range in response to the abrupt widening of left-tail risk stemming from the conflict in the Middle East. Heightened geopolitical tensions have moved to the forefront, amplifying volatility and posing significant downside risks to global growth and corporate earnings should the conflict remain unresolved. For now, earnings projections remain largely unchanged, and oil curves are firmly in backwardation, suggesting that markets view the situation as episodic rather than structural. Nevertheless, the asymmetric nature of these risks has led us to adopt a more cautious stance.

On the fixed income front, we remain cautious of rising term premiums across developed markets, reflecting mounting fiscal concerns - particularly in light of prospective fiscal expansion in Japan, Europe, and the US. In this environment, we continue to limit duration risk and focus on selective positioning in short-dated Treasury bills. Additionally, we have exited our exposure to high-yield, convertible, and Emerging Market local-currency bonds to mitigate the risk of a more pronounced global growth slowdown.

We maintain a meaningful allocation to strategic hedges, most notably gold, though at a slightly reduced level to offset risks from a stronger US dollar and tightening global financial conditions. That said, we expect long-term fiscal concerns - particularly across developed economies - to continue supporting gold prices. In addition, we favour a market-neutral long/short fund as a diversifier, which has historically outperformed fixed income, despite experiencing a mild drawdown over the quarter.

If geopolitical tensions ease in the near term, we expect that globally coordinated fiscal stimulus and above-trend productivity gains will sustain momentum in corporate earnings. Accordingly, a significant portion of the Fund's positioning will remain anchored in our ongoing assessment of the probability, sequencing, and scale of forthcoming policy actions across major economies.

Fund performance

The USD Global Growth Fund declined 5%² during the quarter, while the USD Global Balanced Fund fell 4.3%. Both underperformed their respective Morningstar peer groups, which recorded declines of 3.2% and 2.1% respectively.

The primary driver of this downturn was the Global Equity Growth building block, which carries a structural growth-style bias. This segment meaningfully lagged broader global markets, though it did outperform the MSCI Growth factor. Strategic hedges such as gold contributed positively during the period; however, our allocation to the absolute return strategy - used as an alternative to fixed income - detracted from performance.

Despite these short-term challenges, long-term performance metrics remain firmly positive. The recent volatility, influenced by the emergence of a grey swan event in the Middle East, has temporarily weighed on results but does not alter our constructive outlook or confidence in the portfolio's strategic positioning. In fact, this was a sentiment-driven multiple compression which outweighed otherwise resilient earnings growth over the quarter.

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