ASHBURTON INVESTMENTS

July 2026

Ashburton Global Multi-Asset Funds

Quarterly Investment Commentary

Market update

Global markets staged a remarkable rebound in the second quarter of 2026, driven by resilient corporate earnings, particularly within Artificial Intelligence (AI) stocks and adjacent sectors, as well as a sharp recovery in valuation multiples. Investor sentiment was buoyed by a ceasefire framework across the United States (US), Israel, and Iran, which culminated in the signing of an interim US–Iran peace agreement. While this has meaningfully reduced tail risks and supported broad-based risk appetite, key differences, particularly around uranium enrichment, remain the primary hurdle to a durable, final agreement.

Emerging markets delivered notable outperformance, led by South Korea and Taiwan, where industry giants such as Samsung, SK Hynix, and Taiwan Semiconductor Manufacturing Company posted solid gains. In contrast, Chinese and Indian equities lagged, weighed down by disappointing high-frequency economic indicators and the disproportionate impact of reduced oil imports through the Strait of Hormuz alongside elevated energy prices. These dynamics largely clouded investor sentiment over the quarter, raising concerns over potential fuel shortages should a durable Middle East agreement fail to materialise.

From an inflation perspective, central banks worldwide have been under pressure to contain inflationary pressures stemming from elevated energy prices this year. Overnight Index Swaps have recalibrated to reflect expectations of renewed policy tightening cycles, despite the supply-side nature of the shock. This highlights market concerns about the persistent impact of energy-driven supply constraints on the broader consumer price basket.

Notably, newly appointed Federal Reserve Chair Kevin Warsh has advocated for the use of trimmed inflation measures, which filter out extreme price fluctuations to better capture underlying inflation trends. However, at this stage, shifting the prevailing mindset within the Federal Open Market Committee may prove difficult, as elevated energy prices and related metrics continue to dominate the policy debate.

In addition, the outcomes of the five task forces, focused on Fed communication, the effectiveness of balance sheet policy, the use and collection of data, labour market and productivity dynamics, and the inflation framework, remain uncertain at this point.

Despite elevated inflationary pressures, global bonds managed to deliver positive returns over the quarter, with coupon income serving as the primary contributor to total performance. Accordingly, the Bloomberg Global Aggregate Total Return Index advanced 0.9%. However, regional divergences remain notable: in Japan, rising breakeven inflation expectations and a higher term premium, amplified by increased fiscal stimulus, continued to weigh on bond returns.

Beyond monetary dynamics, recent global developments highlight shifting currents in energy and politics that further shape the investment landscape. The United Arab Emirates announced its withdrawal from OPEC and unveiled plans for a second pipeline bypassing the Strait of Hormuz, a project expected to double export capacity through Fujairah by 2027 and reduce reliance on one of the world's most vulnerable energy corridors. Meanwhile, in the United Kingdom, the Labour Party suffered heavy losses in recent council elections, with Reform emerging as the strongest-performing party. This outcome is reshaping the trajectory toward the 2029 national elections and has contributed to the resignation of Prime Minister Keir Starmer.

Going forward, the interplay between resilient corporate earnings, evolving geopolitical developments, and signs of persistent inflationary pressures will continue to shape the global investment landscape. While risk appetite has been supported by easing tensions in the Middle East and robust performance in select emerging markets, vulnerabilities remain pronounced in regions such as Europe, where sluggish growth, elevated energy dependence, and political fragmentation present additional headwinds. Against this backdrop, vigilance is warranted as markets navigate an environment defined by both promise and fragility.

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.

Amid easing geopolitical tensions and resilient corporate earnings, we increased our equity allocation, with a particular focus on the US. This decision reflects the continued strength in high-frequency economic data and the outperformance of the semiconductor industry and related sectors. While we remain encouraged by relatively upbeat earnings expectations, we are mindful of risks: oil curves remain firmly in backwardation, signalling that markets anticipate Middle East tensions to be episodic rather than structural. As such, we balance optimism with vigilance, recognising both the opportunities and the potential for renewed volatility.

On the fixed income front, we remain cautious toward duration exposure given the global prevalence of fiscal stimulus and the likely implications for energy security initiatives and increased defence spending. These factors, coupled with the potential for major central banks to respond to higher energy prices, reinforce our cautious stance at this juncture. Within credit, we continue to favour instruments offering attractive carry: Emerging Market local-currency bonds with relatively high coupon rates, US high yield reflecting the resilience of the world's largest economy, and convertible bonds tilted toward consumer discretionary and technology sectors, which have demonstrated robust growth characteristics.

During the quarter, we progressively reduced and ultimately exited our allocation to strategic hedges, including gold. Near-term price performance has been weighed down by the combination of a stronger US dollar, elevated real interest rates, and instances of central banks selling reserves to meet liquidity needs. Given the uncertainty around how long these conditions will persist, we have opted to fully divest from gold as an alternative holding for now. While our longer-term constructive view remains intact, supported by expectations of rising term premia driven by increased fiscal stimulus, as well as gold's role as a hedge against structurally elevated geopolitical risks, near-term price dynamics remain obscured by the aforementioned headwinds. In addition, we have tactically reduced exposure to our market-neutral long/short strategy, reallocating capital toward equity opportunities where we see stronger growth potential.

With the recent emphasis on harnessing free cash flow benefits from the rise of AI, we continue to monitor high-frequency data to assess whether productivity gains can be sustained above trend and thereby support forward-looking corporate earnings. At the same time, given the uncertainty surrounding the geopolitical landscape and the scale of potential central bank responses, the Fund's positioning remains anchored in our ongoing assessment of the probability, sequencing, and magnitude of forthcoming policy actions across major economies.

Fund performance

The USD Global Growth Fund gained 12%[1] during the quarter, while the USD Global Balanced Fund advanced 9.1%. Both funds outperformed their respective Morningstar peer groups, which returned 10.2% and 7.7% respectively.

Performance was primarily driven by the exceptional returns generated by the Global Equity Growth building block, which rose 24.2% during the quarter. While the portfolio's structural growth bias provided a favourable tailwind, strong stock selection was the key contributor to outperformance, led by holdings such as Advanced Micro Devices, Nebius Group, and Samsung Electronics. In addition, the decision to move to an overweight allocation to equities across the multi-asset range further supported returns.

Offsetting some of these gains were strategic hedge positions, including gold and exposure to a market-neutral long/short strategy, which detracted from performance during the period. These positions were subsequently exited as more compelling investment opportunities emerged elsewhere in the opportunity set.

Despite the short-term volatility experienced across markets this year, longer-term performance remains comfortably ahead of peer groups. We remain confident in the portfolios' strategic positioning and their ability to deliver attractive risk-adjusted returns over time.

[1] Performance stated in the I share class

ASHBURTON INVESTMENTS

www.ashburtoninvestments.com

Fully Invested

A part of the FirstRand Group