deVere

MPS Review & Outlook

Q2 2026

Q2

Market Review

The second quarter of 2026 saw a marked improvement in market sentiment, as the initial shock from the US-Iran conflict gave way to hopes of de-escalation, resilient corporate earnings and renewed enthusiasm around the artificial intelligence investment cycle.

Global equities rebounded strongly, recovering much of March's weakness. The recovery was supported by robust earnings, a more resilient growth backdrop and the perception that the most disruptive energy-market scenarios had been avoided. Technology-oriented markets, particularly those linked to the semiconductor supply chain, were among the strongest performers. Emerging markets, particularly those tied to the AI supply chain in Asia, also benefited from strong earnings and performance over the quarter.

Geopolitics remained the main source of headline risk. A Memorandum of Understanding between the US and Iran marked in June market a first step towards a potential nuclear agreement and the partial reopening of the Strait of Hormuz, reducing fears of a prolonged energy supply shock.

Oil prices eased materially from their March peak, providing some relief to headline inflation expectations, although inflation remained above central bank targets in several major economies. Policymakers therefore remained cautious. The Federal Reserve stayed on hold, while the Bank of Japan and European Central Bank hiked rates in June.

Government bonds also continued to struggle as a portfolio stabiliser, with yields sensitive to inflation surprises, fiscal concerns and shifting policy expectations. By contrast, the growth picture remained more constructive than the macro headlines suggested, helped by strong earnings and continued acceleration in AI-related capital expenditure across data centres, semiconductors and hardware.

deVere MPS **Performance Review**

All of the deVere models delivered positive returns over the second quarter of 2026, with all models outperforming their respective ARC benchmark.

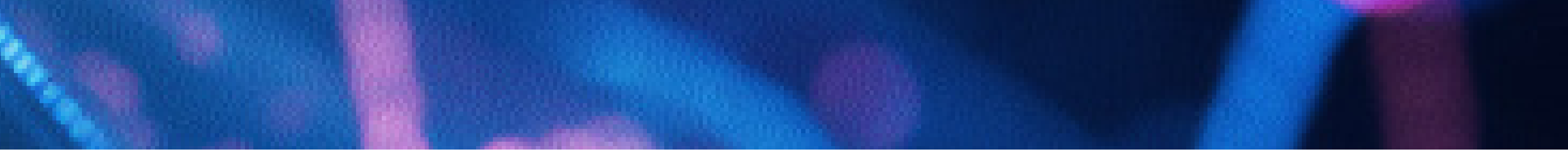
Performance increased progressively across the risk spectrum, with the Defensive model returning 4.83%, up to the Growth model providing 11.63% of positive returns, as equity returns were strong over the quarter.

The models were well positioned to partake in the upward performance of the rally in equity markets.

Cumulative Returns to 30 Jun 2026

deVere MPS vs Benchmark	1yr	3yr	5yr
deVere MPS Growth (GBP) - Clean	18.23 %	41.48 %	40.23 %
ARC Equity Risk PCI (GBP)	15.97 %	35.01 %	28.57 %
deVere MPS Moderate Growth (GBP) – Clean	17.99 %	39.78 %	39.22 %
ARC Steady Growth PCI (GBP)	14.37 %	31.63 %	25.48 %
deVere MPS Balanced (GBP) - Clean	14.64 %	33.25 %	30.51 %
ARC Balanced Asset PCI (GBP)	11.99 %	27.28 %	20.44 %
deVere MPS Cautious (GBP) - Clean	12.62 %	27.72 %	19.36 %
ARC Cautious PCI (GBP)	7.20 %	18.68 %	11.78 %

Please Note: All funds referenced in this financial promotion are GBP Classes.



dVAM
Global Equity Focus Strategy

Performance

- Gross of fees, the strategy comfortably outperformed the MSCI All Country World Index (ACWI) benchmark in the second quarter (Q2).
- Stock selection drove the relative outperformance, especially due to choices in technology, followed by industrials and communication services. However, picks in healthcare and financials were unhelpful.
- Sector allocation also added value on relative performance in aggregate. The overweight in technology and the underweights in financials and energy proved beneficial, while the overweight positions in materials and healthcare detracted.

Detractors

- A lack of exposure to Micron Technology detracted the most. Shares of the data storage provider jumped as memory remains a bottleneck within the AI infrastructure supply chain. The company's market capitalisation reached $1 trillion in May.
- Boston Scientific was also a key detractor. The US medical technology developer faced slowing growth in its cardiac-device franchises following weaker clinical data, a lowered growth outlook, and analyst price-target cuts.

Top Contributors

- SK hynix was the top contributor during the quarter, supported by the announcement of its planned US market debut and sustained optimism regarding AI-driven demand for advanced memory chips.
- Applied Materials also contributed, as the semiconductor equipment manufacturer saw record revenue performance. The company also issued a stronger-than-anticipated outlook for the third quarter, signalling continued momentum in its business.

New Purchases

- **Recruit:** We restarted a position in Japanese professional services company Recruit during the quarter. Recruit is a high-quality company, with a strong balance sheet and high returns, with a management team committed to further growth. The company has unjustifiably been bucketed in the AI loser category, so we took advantage of recent weakness to open a position.
- **Delta Electronics and Arista Networks:** We have selectively added to AI beneficiaries outside of semiconductors. This includes power management company Delta Electronics and cloud networking company Arista Networks, both of which are well positioned to benefit from structural growth in the electrical infrastructure and networking that underpin AI deployment. These businesses exhibit strong competitive advantages through technology, switching costs, and network effects.
- **Entergy:** We also added US utility Entergy, which should be a beneficiary of greater power demand as data centre growth continues.

Other Activity

- We sold Shopify as the company continues to trade on a valuation premium despite the overhang of being seen as a possible AI loser.
- We exited DSV: the benefits of the DB Schenker acquisition are now well known, and results have disappointed as the strategy is not working as well as hoped, and the Gulf and Middle East still pose risks.
- We sold TE Connectivity to fund new purchases.

dVAM
Diversified Liquid Alternatives

Performance

- dVAM DLA returned +5.4% in Q2 2026 (GBP A1 shares, net of fees) and has delivered 6.4% year-to-date.
- In Q2, the Fund was c.3.1% ahead of the ARC Cautious benchmark and since inception, it is ahead by 1.8% net of fees on an annualised basis and by over 15% on a cumulative basis.

Top Performers

- There was a pleasingly long list of strong contributors spread across the Fund, led by RobecoSAM's Smart Materials Fund in Real Assets. The Digital REITs Theme and Duff & Phelps Clean Energy Fund also performed well within Real Assets, despite enduring a more challenging environment in June.
- Within Credit, the largest contributions were generated by PGIM's Emerging Market Total Return and Local Currency Debt funds, reversing losses that came about from the beginning of the Middle East conflict.
- In Diversifiers, the best performers were the Fidelity FAST Emerging Market Equity Fund (again), Fulcrum's Dispersion Fund and AKO's Long/Short Equity Fund, which also reversed Q1 losses.

Detractors

- The collapse in the oil prices following the signing of the Middle East peace agreements meant that our commodity-related investments gave back some of their Q1 gains. In addition to oil falling back to pre-crisis levels, gold also slumped, primarily in response to the repricing of US interest rate expectations; the asset class has now fallen by some 30% from its January peak.
- Invenomic, our US Long/Short Equity manager, struggled; its value-driven investment style went unrewarded.

General Comments

- The second quarter saw strong equity gains as the US-Iran war de-escalated and the AI build-out continued to accelerate. This was notwithstanding renewed concern over high AI infrastructure costs towards the end of the quarter.
- Meanwhile, global bonds were slightly ahead and the dollar increased modestly, supported by a more hawkish leaning US Federal Reserve. UK and US interest rates were kept on hold. while the ECB announced a 25bps rate hike.
- Driven by lower oil prices, global commodities fell by over 11%.
- dVAM DLA delivered solid returns, despite its relatively defensive positioning, and building on 2025's return of c.11%.

dVAM

Global Equity Income

Performance:

- A rotation towards growth and cyclicals and away from defensives and value weighed on the Fund, though trends improved in June. Underperformance of the quality factor also hurt relative returns.

- Banks, which do not meet the Fund's quality criteria, were one of the strongest industries, and the Fund's lack of exposure detracted from returns, as did its overweight to the underperforming Consumer Staples sector.

- Outperformance by Publicis in the otherwise weak Communication Services sector aided relative returns, while zero exposure to Utilities, Materials, Real Estate, and Energy also acted as a tailwind.

Top Contributors (TR USD):

- Texas Instruments (+54.3%)
- Cisco Systems (+52.2%)
- TSMC (+38.2%)
- ABB (+37.2%)
- Broadcom (+22.3%)

Detractors (TR USD):

- CME Group (-24.9%)
- PepsiCo (-11.9%)
- Medtronic (-8.9%)
- Otis (-6.5%)
- ANTA Sports (-4.8%)

Dividend Actions

- So far this year, 24 of 35 holdings have given dividend updates.

- All 24 companies announced increases for their 2026 dividend vs 2025. The average dividend growth of these companies was 8.3%.

Portfolio Changes:

- There were no changes to the portfolio during the quarter.

General Comments

- The Fund retains strong 'quality' characteristics while trading at a slight valuation discount to the broader market.

- The Fund maintains a balance between quality defensive (approx. 40%) and quality cyclical/growth-oriented (approx. 60%) companies.

- The Fund continues to offer a portfolio of consistently highly profitable companies with robust balance sheets and strong returns on capital.

Pacific Global All Cap Opportunities

Performance

In Q2 2026, Pacific Global All Cap Opportunities lagged the MSCI ACWI Index. The primary headwinds came from the Information Technology and Communication Services sectors, while Industrials and Financials delivered good relative performance.

Top Contributors

- Top contributors were Middleby and Svenska Handelsbanken.
- Middleby, a leading foodservice equipment manufacturer, issued a positive Q1 2026 earnings update during the quarter. The key takeaway was high-single-digit growth in the Commercial Foodservice segment, driven by ice and beverage equipment sales as well as replacement demand among QSR (Quick Service Restaurant) clients. Over the past decade, restaurants have avoided replacing equipment due to declining foot traffic and cost pressures, leading to pent-up demand. Furthermore, having bought back 5% of equity in Q1, Middleby continues to direct the majority of its free cash flow towards share repurchases.
- Svenska Handelsbanken continues to operate conservatively while generating low-to-mid teen returns on equity. There were no meaningful developments during the quarter beyond a positive earnings release and a SEK 15 dividend (ordinary plus special), representing a ~10.5% dividend yield.

Detractors

- Main detractors were Nintendo and Royal Gold.
- Alongside the earnings release, Nintendo announced a price increase for its one-year-old Switch 2 console. Starting September, the device will cost around $500 in the US market, up from $450. The price increase is caused by an AI industry-led memory chip crunch and, while a temporary headwind, it will likely weigh on short-term demand for the device.
- During the quarter, Royal Gold issued a reassuring quarterly earnings release, affirming guidance for full-year 2026. However, as a precious-metals royalty business, it is correlated with gold – the price of the latter declined roughly 15% over the period.

General Comments

- In the cycle of greed and fear the current market context errs towards greed. Valuations, specifically in the US, are at extreme levels the likes of which we last saw in the dotcom bubble. Other indicators such as high retail participation, and narrow breadth of leadership suggest caution is warranted. In addition, the AI fuelled growth we have experienced recently is built on questionable foundations as the economics of currently high capital spending remain uncertain. In the meantime, the web of debt and circular financing to fund this capex is growing. This is the nexus of the AI trade and the unusually high levels of profitability we are seeing in parts of the supply chain; even where multiples are low, such as in memory stocks, there is a real risk we are in an earnings bubble.
- In meantime, capital has exited 'quality' businesses, especially defensive areas such as consumer staples or insurance where valuations have come down a lot irrespective of business fundamentals. The fund has experienced a similar compression in multiples from a peak of 19x earnings to 14/15x today despite consistent earnings growth and high returns on capital (18%).
- More recently,the largest dislocation we have seen has been in software and we have slowly added positions over the past 2/3 quarters. Now, software represents around 12% of the fund with Constellation Software the largest investment at c 8%. This has started to work since the beginning of March with software the second-best performing subsector (after semis).
- Finally, we also have investments in domestic Japanese companies totalling around 15% of NAV. These are Genky, Cosmos (staples retailing) and BML (clinical labs, healthcare) which have demonstrated long term growth we expect to continue in their respective industries. However, as local currency earning companies, they are currently out of favour as the Yen has weakened towards 160yen/ USD and investors focus on deep value exporters and 'AI-plays'. Fundamentals remain strong and should we see a return to a risk aware environment, we would be unsurprised if these companies benefitted from higher multiples and a currency tailwind.
- This positioning means the fund demonstrates significant capital preservation characteristics today. We will not keep up with the euphoria but during sell-offs we will do very well. We saw this early last year when the portfolio outperformed by 20%+ in two months around liberation day. We also saw it in June during the days when the market took a more balanced view on AI spending and economics. This is reminiscent of the pattern markets showed in the latter stages of the dotcom bubble and bode very well for those able to stick to a sound, value-oriented strategy in subsequent years.

dVAM
Smarter Money Credit

Commentary

- Investors increasingly looked through recurring geopolitical headline volatility in the June quarter, allowing rates and risk assets to rally.
- The general trend was of de-escalation, in line with our central case that the guts of the Iran conflict had been concluded by the end of March. While there have been brief moments where tensions threatened to re-intensify, the dominant market narrative shifted towards resolution and a belief that the worst case global economic consequences were now “off the table”.
- The US economy has remained buoyant, with employment data firm. Combined with the appointment of Kevin Warsh as a more hawkish Fed Chair, this prompted a repricing of US monetary policy expectations, driving a bear-flattening of the US rates curve as investors priced a more restrictive policy path.
- Elsewhere, upbeat capex guidance from the hyperscalers, and robust earnings from key semiconductor manufacturers, has fuelled optimism around the AI investment cycle.
- June typically marks the beginning of the summer lull in issuance, but primary supply was materially stronger than expected in both the US and Europe, with both markets recording their busiest June on record. In the US, investment-grade supply totalled US$206bn, taking year-to-date issuance to US$1.24tn, around 32% ahead of last year’s pace.
- Financials accounted for 38% of the month’s supply, with deals from more than 16 issuers, including Macquarie, Bank of New Zealand and four Japanese banks, alongside a number of European names. The most notable transactions, however, came from the hyperscalers, with NVIDIA and SpaceX each printing US$25bn of bonds and attracting US$81bn and US$72bn of demand respectively. While both deals initially rallied on the break, they subsequently underperformed broader credit to end the month between 5bps and 30bps wider.
- In Europe, investment-grade supply totalled €90bn, of which €42bn came from Financials. Despite supply exceeding expectations, Financial deals averaged a healthy 2.6 times subscription rate, suggesting investor demand remained robust. Issuers appeared mindful of investor reluctance to add significant duration, with issuance more concentrated in the front end of the curve than usual.

Performance & Outlook

- The scale of the unfolding AI investment boom is unprecedented, eclipsing past US investment booms by a large margin. AI investment is currently about 4.5 times higher than its recent trough, based on BIS estimates.
- The only other boom that came close was the creation of the canals in the early 1800s, when investment peaked at about 4 times its corresponding trough. The railway boom of the late 1800s saw investment peak at about 2.5 times its trough, while the booms of the roaring 1920s and dotcom bubble of the 1990s saw capex peak at about double their respective troughs.
- History does not necessarily repeat, but past booms suggest that the expansion of AI probably has another 2-3 years before it tops out. Moreover, the peak in AI investment will mechanically be higher because investment in tech is exaggerated by the rapid depreciation of software and computers. Software – which is driving the current expansion – depreciates in value by almost half after a year, with depreciation of computers running at about one-third, and research and development depreciating at an annual rate of 15%, all according to Fed calculations.
- CCI’s analysis has already shown that the tech sector is driving the US economy at the moment, accounting for about three-quarters of recent economic growth.
- The tech boom will boost productivity for some time, but the question for markets is whether companies can recoup an adequate return on this massive investment and if equity investors have paid too much for shares.
- On the latter, long-term valuation measures – such as the cyclically-adjusted PE ratio – have shown US equities as extremely expensive over recent years, only beaten by the dotcom peak of 1999-2000.
- Equities are also offering the smallest premium over bonds in recent history, except, again, for the dotcom episode. While these valuation measures are not designed to provide a signal on timing the market, they underscore the ongoing risk of a correction in risk assets, particularly now that Fed seems likely to raise interest rates and with real bond yields at their highest point since before the global financial crisis.

dVAM
Multi-Asset Active Range

Performance

- The dVAM Multi-Asset Active range of funds were all positive over Q2 2026, delivering between 7.15% and 11.52% (in GBP terms) as equities rebounded from a tough first quarter.

Top Contributors

- Equities contributed most to the overall performance, taking the dVAM Balanced Active fund as an example, equities contributed +8.60% to the +9.41% of returns over the quarter for the fund.
- All equity sub-asset classes were positive, with Emerging equities as a sub-asset class specifically performing the strongest, with the basket returning 19.3% over the quarter.
- The fixed income allocation was marginally up over the quarter, contributing +0.71% to overall performance when looking at the dVAM Balanced Active fund.

Detractors

- The absolute return basket was the only asset class to be negative over the second quarter, although this was minimal only contributing -0.02% to overall quarterly performance..

PAM
Multi-Asset Accumulator Range

Performance

- The Multi-Asset Accumulator range of funds delivered strong performance over the second quarter, ending between 5.08% and 9.41% up over the period.
- Each of the funds were able to outperform their respective ARC benchmarks over the quarter, building on a strong start to the year in both relative and absolute terms.

Top Contributors

- Looking at the Multi-Asset Core fund, the majority of asset classes were contributors to positive performance, with the Equity basket delivering 13.4% of positive performance, as well as being the biggest contributor adding 7.02% to overall performance.
- As a sub-asset class, US Equity performed the strongest being up 20.30% over Q2, adding 3.49% to the total performance of the Multi-Asset Core fund.

Detractors

- Alternatives were the only asset class (aside from cash) that was marginally down over the quarter, detracting 0.37% from performance over the quarter, driven by a small weighting to commodities which had a tough quarter.

To learn more about our services, contact one of our Financial Advisers in your area.

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