

deVere

MPS Review & Outlook

Q3 2026

Q3

Market Review

The third quarter of 2026 was a more challenging period for investors. Concerns over higher energy prices, persistent inflation and rising interest rates replaced some of the optimism seen earlier in the year. While major stock market indices ended the quarter slightly higher, gains were driven by a relatively small group of companies and bond markets struggled.

Global share markets delivered mixed results. Semiconductor and technology companies continued to benefit from strong spending on artificial intelligence (AI), helping US markets move higher. However, many other companies lagged, particularly traditional businesses that are more affected by higher borrowing costs. Emerging markets also lost some of the momentum they had built earlier in the year.

Geopolitical tensions remained an important driver of markets. Disruption to shipping through the Strait of Hormuz raised concerns about global energy supplies and pushed oil prices higher. As a result, energy companies were among the strongest performers during the quarter.

Rising fuel prices kept inflation above central bank targets. In September, the US Federal Reserve raised interest rates for the first time in several years and indicated it remained focused on bringing inflation under control. Expectations for future rate cuts were pushed back, while higher bond yields weighed on the price of gold. Other major central banks, such as the Bank of England or the ECB, also raised interest rates in September.

As a result, bond markets had a difficult quarter as investors demanded higher yields in response to persistent economic growth, higher inflation and rising interest rates. While government bonds came under pressure, company earnings generally remained resilient and investment in AI-related projects continued to support parts of the market.

deVere MPS Performance Review

Each of the deVere models ticked up slightly over Q3 2026, net of fees, but marginally underperformed their respective benchmarks (aside from the lowest risk ARC Cautious which was flat over the quarter).

The model range delivered positive returns over Q3, with Growth leading at 0.6%, compared with 0.1% from the lowest-performing defensive models.

The models experienced some volatility over the quarter, particularly during the beginning of the quarter, but recovered well to finish the quarter in positive territory across the range.

Cumulative Returns to 30 Jun 2026

deVere MPS vs Benchmark	1yr	3yr	5yr
deVere MPS Growth (GBP) - Clean	13.13%	42.27%	39.61%
ARC Equity Risk PCI (GBP)	12.54%	38.95%	29.93%
deVere MPS Moderate Growth (GBP) – Clean	12.85%	40.38%	38.76%
ARC Steady Growth PCI (GBP)	10.54%	33.75%	25.70%
deVere MPS Balanced (GBP) - Clean	10.01%	33.66%	29.87%
ARC Balanced Asset PCI (GBP)	8.47%	28.40%	20.55%
deVere MPS Cautious (GBP) - Clean	8.49%	27.88%	19.41%
ARC Cautious PCI (GBP)	4.48%	18.12%	11.16%

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

dVAM
Global Equity Focus Strategy

Performance

- Gross of fees, the strategy underperformed the MSCI All Country World Index (ACWI) benchmark in the third quarter (Q3).
- Stock selection drove the relative underperformance, with technology being the largest detractor, followed by materials and consumer sectors. However, picks in financials and healthcare were beneficial.
- Sector allocation was negative in aggregate. The overweight in industrials and the underweight in energy detracted, while the underweight positions in consumer discretionary and real estate were helpful.

Detractors

- Applied Materials (which was sold during the quarter) detracted the most as concerns over AI infrastructure spending weighed on the semiconductor equipment manufacturer's shares. The company's outlook failed to meet elevated investor expectations, despite quarterly earnings beating market estimates.
- SK Hynix was also a key detractor as the South Korean chipmaker fell short of investor expectations amid growing concerns over AI infrastructure spending, despite reporting record profits.

Top Contributors

- Recruit Holdings was the top contributor during the quarter as the HR technology company reported robust quarterly results, with revenue and basic earnings per share (EPS) exceeding expectations. The company also raised its full-year guidance, supported by stronger-than-expected performance in its HR Technology segment and revenue growth across all three business segments.
- Thermo Fischer Scientific also contributed as the laboratory equipment provider reported better-than-expected results, supported by improving demand across its pharmaceutical, biotechnology and research end markets. The company also announced several initiatives, including a partnership with Mayo Clinic to develop biomedical datasets for earlier disease detection, alongside new product launches aimed at supporting laboratory analysis and biologics development.

New Purchases

- **Microsoft:** We initiated a position in Microsoft following a pullback in the shares, as we believed the valuation better reflected the risks associated with AI. We remain attracted to the company's strong competitive position and long-term growth opportunities across cloud and software.
- **Visa:** We initiated a position in Visa, attracted by its market-leading payments network, strong competitive advantages and long-term growth potential. We continue to view the company as a high-quality compounder, supported by its global scale and network effects.
- **Lam Research:** We initiated a position in semiconductor equipment manufacturer as the company is viewed as having stronger long-term competitive advantages than peers, driven by greater exposure to leading-edge semiconductor manufacturing and a more attractive strategic position within the AI-driven semiconductor investment cycle.
- **Infineon:** We started a new position in Infineon, as the recent sell-off presented a compelling valuation opportunity. We remain confident in the company's long-term prospects as a leading power semiconductor manufacturer and see scope for earnings recovery as industry conditions improve.

Other Activity

- We sold Applied Materials to fund our purchase in Lam Research, given its stronger long-term competitive advantages and greater exposure to advanced semiconductor manufacturing trends.
- We exited CRH to following a reassessment of its near-term outlook, reflecting its limited exposure to the US housing market and a less favourable backdrop from rising bond yields. We redeployed capital into opportunities where we had greater conviction in the risk-reward profile.
- We sold our position in Apple following a period of strong performance, as we believed the valuation increasingly reflected the company's growth prospects and identified more attractive opportunities elsewhere in the portfolio.

dVAM
Diversified Liquid Alternatives

Performance

- dVAM DLA returned -1.41% in Q3 2026 (GBP A1 shares, net of fees) and has delivered +4.9% year-to-date.
- In Q3, the Fund was c.-1.4% behind the ARC Cautious benchmark but remains +2.4% ahead year-to-date. Since inception, it is ahead by +1.6% net of fees on an annualised basis, and by over +14% on a cumulative basis.

Top Performers

- The better performance within Real Assets came from Neuberger Berman's Global Commodities Fund as energy prices soared, and Gold.
- Within Diversifiers, Fulcrum's Multi-Asset Trend Fund led, supported by two of the Long/Short Equity managers Invenomic (who had an incredible July, after which we took some profits) & Man GLG.
- PGIM's Emerging Market Total Return Fund defied a stronger dollar and higher bond yields to add to returns. Impax and HSBC held their value, helped by carry and their shorter duration profiles, which reduced the impact of higher bond yields.

Detractors

- The Infrastructure, Real Estate and longer duration Credit investments (MSIM, BlueBay) struggled across the board in the face of sharply rising bond yields.
- The other three Long/Short Equity managers, CapeView, AKO and Fidelity, all detracted, as did our Emerging Market Equity investment with Fidelity, after what has been a very strong run.

General Comments

- The third quarter witnessed a wide range of returns across markets. On the one hand, resilient corporate earnings and the continued belief in the AI revolution led associated equities to deliver strong returns. On the other, rising energy costs and bond yields, especially in the US, negatively impacted rate-sensitive investments, including real assets and bonds, and supported the US dollar.
- Driven by rising oil prices, global commodities gained +25%.
- The US Federal Reserve and ECB raised their key interest rates by 25 bps in September, while the Bank of England kept its rates on hold. That said, a UK rate hike is expected soon, given persistently high energy prices.

dVAM
Global Equity Income

Performance:

- The Fund benefited from a market rotation towards more defensive and value-orientated areas of the market, away from cyclicals and growth.
- The Fund's two largest overweight sectors, Industrials and Consumer Staples, both underperformed the benchmark during the quarter, while underweight sectors IT and Energy were strong. Having no exposure to Real Estate and Utilities aided returns.
- Stock selection effect was positive over the quarter, notably in Industrials, despite the sector's underperformance, and in Financials, where the Fund's exchange holdings CME and Deutsche Boerse produced strong returns.

Top Contributors (TR USD):

- Microsoft (+37.8%)
- CME Group (+19.2%)
- Deutsche Boerse (+18.8%)
- Nvidia (purchased in August) (+14.3%)
- Publicis (+13.4%)
- Medtronic (+11.2%)

Detractors (TR USD):

- Danone (-18.7%)
- ABB (-12.2%)
- Nestlé (-11.4%)
- Otis (-9.6%)
- Cisco (-8.0%)

Dividend Actions

- So far this year, 32 of 35 holdings have given dividend updates.
- All 32 companies announced increases for their 2026 dividend vs 2025, including special dividends from Atlas Copco, Reckitt Benckiser and CME.
- The average dividend growth of these companies was 11.3% (including special dividends) and 5.8% (excluding special dividends).

Portfolio Changes:

- Aflac, the Japanese supplemental health insurer, was sold.
- Nvidia, the leading semiconductor designer, was purchased.

General Comments

- The Fund retains strong 'quality' characteristics while trading at only a small premium to the MSCI World Index. At the quarter end the Fund's dividend yield was c.30% higher than that of the Index.
- The Fund maintains a balance between quality defensive companies (approx. 45%) and quality cyclical/growth-oriented companies (approx. 55%).
- 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 Q3 2026, Pacific Global All Cap Opportunities lagged the MSCI ACWI Index. The primary headwinds came from the Information Technology and Industrials sectors, while Consumer Discretionary and Communication Services delivered good relative performance.

Top Contributors

- Top contributors were Greggs and Constellation Software..
- Greggs continued to deliver in a tough market as reflected in both its half-year results and Q3 trading update. Like-for-like sales accelerated through the third quarter on the back of well received menu innovation, while being able to maintain proper cost controls with cost inflation expectations unchanged. These positive developments led management to anticipate an improved outcome for 2026.
- The AI-induced software industry sell-off allowed us to buy the shares of Constellation Software at an attractive multiple in the spring this year. Despite some recovery in the share price, we think the business is significantly undervalued – earnings reports show strong, consistent free cash flow generation and a record-pace capital deployment into new vertical-market software businesses. Currently, we do not see any signs of this compounding machine slowing down.

Detractors

- Main detractors were Middleby and AutoZone.
- During the quarter Middleby spun off its food processing segment, Midera Food Processing (ticker: MFP). Although we regard Midera as a high-quality business, we sold it completely following a strong share price rally into overvalued territory following the separation. Standalone Middleby now consists of its main business, commercial foodservice. In the latest earnings release, the latter showed strong organic revenue growth driven by menu expansion in food and beverage products. The growth was partly offset by lower margins due to tariffs, product mix, as well as investments in new product launches. Overall, the company demonstrated good operating performance in a slow kitchen equipment market. However, its share price reacted negatively to rapidly increasing interest rates in the US.



- AutoZone, along with its peers in the auto parts market, has been impacted by consumer weakness as expressed in slower same-store sales growth. Sales were particularly weaker in the DIY segment. Nevertheless, the company continued to invest in the new store expansion and execute on its long-term strategy.

General Comments

- The market continues to price in a level of optimism that is difficult to justify by the underlying economics. Valuations, particularly in the United States, sit at extremes last reached near the peak of the dot-com bubble. Memory and semiconductor companies – supply chain areas with lower headline multiples – show obvious signs of inflated earnings. To paraphrase Nassim Taleb, shortage is always followed by a glut.
- Signs of strain are becoming clearer in the AI capex trade. Hyperscaler operating cash flow has been absorbed by AI investments, while AI-related debt issuance has slowed sharply in recent months. Credit spreads on related bonds continue to widen, with data centre operator Coreweave being the most recent example. The pressure is exacerbated by rising interest rates, which increase the cost of capital for both current and future projects.
- The Fund is well positioned for a shift from the current market exuberance. Our emphasis on high-quality and reasonably valued businesses has historically produced clear capital-preservation characteristics. This was evident during last year's Liberation Day-related volatility, when the portfolio outperformed significantly over a two-month period, and again more recently in June and July this year, as markets briefly turned more cautious. The Fund will not keep pace with periods of broad market euphoria, but it has repeatedly shown the ability to protect capital when the market turns.

dVAM

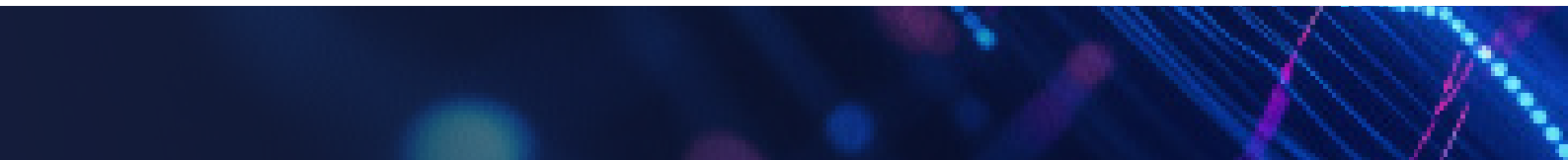
Smarter Money Credit

Commentary

- The September quarter delivered a global duration shock. Renewed US–Iran hostilities, sticky inflation and heavy bond supply drove sovereign yields to multi-year and, in places, multi-decade highs, and in September the Fed, ECB and Bank of Japan raised rates within days of each other.
- The US–Iran conflict reignited in July and simmered throughout the quarter. Brent crude fell 12% in early August on hopes of talks, then climbed back above US$100/bbl in September as the two sides traded strikes, finishing the quarter roughly 42% higher at US$103.53/bbl. Diesel refining margins hit records above US$100/bbl.
- Fed Chair Warsh held rates steady in July but controversially abolished forward guidance, then signalled "work to do" at Jackson Hole. In September the FOMC unanimously lifted its target range 25bps to 3.75–4.00%, its first hike since 2023. The ECB has raised its deposit rate to 2.50% and warned inflation would stay above target for longer, while the Bank of Japan tightened after the yen hit a 40-year low in July.
- US 10- and 30-year yields hit their highest since 2007 and 2002 respectively. In Europe, German 10-year Bunds rose to a more-than-decade high, with a similar pattern emerging for UK Gilts. France fared worst: budget negotiations ahead of next spring's presidential election and weak auctions pushed 10-year OATs up about 120bps to 4.86%, and the OAT/Bund spread widened to 127bps, its widest since 2012.
- July's reassessment of AI valuations sent the Philadelphia Semiconductor Index down 20.6% before technology recovered, while European equities lagged – generally equity markets have been surprisingly resilient to higher yields, albeit with extremely narrow leadership. Euro corporate spreads ended the quarter about 11bps wider at 90bps, against about 6bps in the US.
- US investment-grade supply year-to-date has totalled US$1.76tr, around 30% ahead of 2025. AI-related issuance has tested demand: Amazon's US$25bn July deal was only 1.6 times covered, while Alphabet's US$25bn August deal drew 4.5 times. Even in September's heavy calendar, US new-issue concessions averaged only about 2.5bps. Europe was tougher. After a quiet summer, €107bn priced in September, financials paid around 6bps of concession, and several issuers' outstanding curves repriced wider. French risk was visibly priced: BNP's deal was only 2.1 times covered and widened on the break, while BFCM drew €12bn of books a week later.
- The quarter rewarded floating-rate, low-duration exposure: the USD-hedged Bloomberg Global Aggregate Corporate Index fell about 3.1%, against a 1.1% gain for its duration-hedged equivalent. September's wider credit spreads were a moderate headwind across credit portfolios. Primary markets however remained a source of opportunity, with high issuance providing opportunities to increase turnover and selectively exploit mispricings.

Performance & Outlook

- We expect the globally synchronised tightening cycle to run further than markets are pricing. That is the central risk for growth assets and, for fixed-income investors, an improving opportunity set.
- Fed Chair Warsh described September's hike as having merely "removed a dose of accommodation", implying policy is still below neutral. Core PCE inflation is running at 3.5% annualised over six months, with AI-driven technology prices adding to inflation for the first time in decades. Our Taylor Rule modelling implies about 125bps of Fed hikes in total, and 150–200bps is conceivable if fiscal policy stays highly expansionary. After September, markets were pricing only around 90–100bps of further tightening. Both the October and December meetings are live if the data remain strong.
- With the ECB projecting above-target inflation for longer, markets there expect further hikes, most likely in December. Fiscal and political risk is now a second driver of European yields. French budget negotiations ahead of next spring's presidential election remain a source of spread pressure, and political fragmentation in Germany is structurally bearish for Bunds.
- In Asia, investors are increasingly concerned that if the Bank of Japan falls too far behind the curve, it will need to tighten more aggressively later. In Australia, the RBA has turned markedly more hawkish, with the cash rate still below the 4.75–5.00% implied by our modelling, despite home values falling at a 15% annualised pace.
- The AI capital expenditure boom is a demand shock arriving as economies already run hot. By forcing risk-free rates higher, it could ultimately undermine the growth it initially unleashed, much as the late-1990s tech boom did. A conventional Fed cycle of 300bps or more would be brutal for equities, real estate and private markets, yet equity investors have treated the first hike as good news. In credit, we remain selective in primary markets, favouring transactions with clear valuation support and avoiding heavily supplied sectors where demand has proved less dependable.
- We favour progressively averaging into fixed-rate exposure rather than trying to call the peak in yields. At current levels of yield, income does most of the work to protect total returns, and convexity adds a further kicker if central banks are able to engineer a yield curve inversion.



dVAM
Multi-Asset Active Range

Performance

- The dVAM Multi-Asset Active range of funds were relatively flat over Q3 2026, with the Cautious fund declining just 0.14%, and Balanced and Growth returning +0.5% and +1.09% respectively as markets navigated varied environment.

Top Contributors

- Equities were the main driver of returns in the portfolio again over the three months of Q3 2026, when taking the dVAM Balanced Active fund for example, equities contributed +1.13% to overall performance of the fund.
- UK equities were the strongest-performing sub-asset class, rising 4.79% over the quarter and contributing 0.5% to the fund's total return.
- The absolute return allocation also provided key diversification benefits being marginally up (+0.14%) over Q3 as fixed income struggled and acted as a detractor to fund performance.

Detractors

- The fixed income sleeve was the only detractor over the quarter as yields rose, in the Balanced fund, the allocation contributed -0.58% to overall performance for the 3 months to September end.

PAM
Multi-Asset Accumulator Range

Performance

- The Pacific Multi-Asset Accumulator range delivered positive performance across all the risk profiles, ranging from 1.13% to 2.29% for the Conservative and Plus funds respectively.
- Each of the Pacific funds outperformed the respective ARC benchmark looking back on Q3 2026, adding to strong YTD performance.

Top Contributors

- The Diversifying Assets basket was the strongest performer over the quarter, providing useful protection and diversification in a quarter where fixed income struggled, with the return of the basket in the Multi-Asset Core fund being 6.71%, contributing 0.96% to the fund's overall performance.
- Equities were also positive over the quarter, and adding the most to overall fund performance (1.63%) driven largely by Global Equity as a sub-asset class. All sub-asset classes (other than Europe Equity) were positive over the quarter.

Detractors

- Within the Core fund, fixed income was a negative contributor to overall performance adding -0.62% . IG Global Corporate Bonds were hardest hit, falling 4.8% as a sub-asset class and contributing a quarter of a percent to downside performance of the fund as a whole.
- The alternatives bucket also acted as a detractor to performance of the fund but was relatively flat, falling just 3bps over the quarter.

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

Global Client Services
+971 4 383 6000 • +971 55 591 7033
csvglobal@devere-group.com

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