



W1M MPS Commentary September and Q3 2026

Global markets are facing a mixed environment. Fixed income markets have seen losses (yields rose) as inflation, primarily caused by higher oil and gas prices following the US-Iran conflict, led to expectations of interest-rates having to rise further even if modestly. Equity returns remained positive overall, supported by strong earnings growth and continued enthusiasm for AI-related investment in particular. “Concentration” in equity markets remained high with just seven stocks representing around a third of the value of US equities. Real assets, such as gold, have seen some recovery as investors seek diversification and inflation resilience. The need for portfolios to be well diversified is clear.

Global Equities

September saw AI related stocks retake leadership in stock indices after some rotation earlier in the summer. This was driven by continued strength in the results of semiconductor and memory related companies as well as higher inflation and interest rates being seen as more damaging to the prospects of “old economy” sectors. W1M portfolios benefited from strong returns in AMD, a chip designer, TSMC, the leading semiconductor maker in the world, and the Thermo Fisher, a US biotechnology and life sciences company. Detractors from performance included CATL, a leading advanced battery maker which has had strong returns in the last year, and Interactive Brokers. Not owing Meta also detracted as it bounced sharply in the month.

In Q3, global equities advanced modestly during the quarter, ending up around 1.5%, led by Japan (TOPIX +3.8%), the UK (+2.4%) and the US (S&P500 up 2.3%). Weakness was seen in China (-10.7%) and Europe ex UK (-2.7%). Emerging Markets (-0.5%) and Asia Pacific ex Japan (-0.2%) were broadly flat. At the sector level, geopolitical tensions leading to higher oil and gas prices helped the Energy sector gain around 14.6%. The Technology sector was strong (+4.3%) based on continued robust demand for AI infrastructure and semiconductors. More cyclical and rate-sensitive parts of the market fell: Industrials (-5.8%), Utilities (-8.8%) and Consumer Discretionary (-3.7%) were among the weakest performers. W1M portfolios benefited from exposure to Microsoft (+38%) which outperformed as investors gained confidence that it is beginning to monetise its substantial AI investments. Thermo Fisher was up around 35% with management highlighting stronger biotech funding. Shell (+23%) benefited from higher oil prices. Shinhan Financial (+27%), Intercontinental Exchange (+24%) and Hitachi (+28%) were also strong performers. Detractors included the leading Chinese advanced battery maker CATL (-17%) which, after very strong performance in the previous year, saw some weakness as investors became concerned about slowing domestic EV demand in China. In the US, Eagle Materials (-25%) underperformed as the US raised interest rates and expectations of further increases placed additional pressure on the outlook for housing activity and wallboard demand. GE Aerospace (-22%) was weaker on renewed concerns around higher fuel prices increasing the risk of weaker airline passenger volumes. During the quarter, we sold our positions in AstraZeneca, IBM, London Stock Exchange Group, Rentokil and Zoetis. We initiated positions in Netflix and in the US chip maker Texas Instruments.

Highly concentrated equity indices are a reason for concern in our view but the narrowness of markets, focussed on AI related stocks currently, also means many stocks outside the technology sector look attractive with robust and resilient earnings. Maintaining a focus on consistent, real-return delivery is key at a time of extreme sector dispersion in equities, in our view. As active investors, W1M portfolios can choose to be diversified in equities and not dominated by the largest technology stocks, while deploying protection strategies to mitigate volatility in equity markets should it become extreme.

Fixed Income

In September, with energy prices driving inflation expectations higher, the US Federal Reserve increased interest rates for the first time in three years, while the ECB delivered its second-rate hike in a few months and Japan also saw a rate rise; the UK stood out in holding steady. Markets have reflected a “higher-for-longer” path for policy rates owing to inflation persistence driven by energy prices primarily. This environment was not supportive for bonds globally. However, in relative terms, UK gilts, having been weaker earlier in the year, outperformed US and French government bonds in September as markets reflected concerns regarding both inflation and persistent fiscal deficits in those countries. W1M portfolios saw French corporate bond exposure impacted by concerns regarding French government bond yields, but we believe that does not reflect the solid fundamentals of the companies, issuing debt in which we invest.

In Q3, the yield on the 10-year US Treasury saw its largest quarterly increase since 1994 and highest level since 2002 (up from around 4.5% to close to 5.3%). Fiscal deficit concerns remained a focus, contributing to higher bond yields and modestly wider credit spreads despite resilient corporate fundamentals. Fixed income was negatively impacted by inflation concerns in the quarter. Global Investment Grade bonds declined (-3.1%), while Global High Yield returned (-1.8%). UK Gilts fell (-2.8%), with losses increasing significantly towards the longer end of the curve (UK 15+ Years -5.3%). US Treasuries (-3.2%) and US Corporates (-3.8%) also struggled as investors demanded higher yields owing to greater inflation risk and government borrowing requirements. Higher government bond yields were a negative for returns. Inflation-linked bonds outperformed on a relative basis as investors reassessed inflation risks. UK gilts outperformed US and French government bonds as previously elevated fiscal and inflation concerns were already largely reflected in valuations. Performance was positively impacted by selection in corporate bonds. Over the quarter, government bond exposure fell from 53% to 48.5%, with greater exposure to corporate bonds, for example in financials increasing, as we identified attractive relative value opportunities. Inflation-linked bond exposure rose from 9% to 17%. New investments included exposure to bonds issued by Alphabet, SoftBank, NVIDIA, Amazon and BBVA.

Alternatives

In September, European gas prices surged to multi-year highs as oil reached \$100 per barrel; U.S. retail diesel prices reached an all-time high at \$6.55 per gallon in late September 2026. While positive for energy related exposures, higher oil gas prices driving inflation, bond yields and interest rates up saw gold prices falling (-6.8%) in September; a stronger US dollar also negatively impacted the commodity, but it remained up over the quarter. Interest rates rising were also challenging for property and infrastructure investments, such as French listed Vinci (-6.6%), but UK housebuilders, like Persimmon (+11.6%), benefited from the prospect of more government help for buyers. Absolute Return strategies, like the AQR Alternative Trends strategy (+6.1%), were positive in September.

In Q3, real assets exposures to commodities benefited from sharply higher energy prices and more modest but positive returns from gold (+5.6%) over the quarter. Industrial Commodities gained +6.5% on structural demand linked to the electrification of transport and manufacturing and infrastructure spending. Negative returns were seen in Infrastructure demonstrating continued sensitivity to higher interest rates and financing costs. Power, grid and electrification beneficiaries experienced a period of consolidation after very strong performance over recent years in response to expectations of higher interest rates government bond yields. Over the quarter, exposure to gold was slightly increased after having taken profits at higher levels early in the year. Real assets remain supported by powerful structural drivers including government-backed infrastructure programmes, grid modernisation and accelerating energy transition. Absolute return strategies benefited from persistent trends across rates, currencies and commodities but defensive equity positions were mostly weak over the quarter, primarily driven by changing market leadership, dominated by the

technology sector. Over the quarter, we added a capital-protected exposure to semiconductors. The fund's defensive characteristics were enhanced through the addition of exposures focussed on mitigating currency volatility.

Outlook

At the asset allocation level, we remain modestly overweight in equities given robust earnings, underweight fixed income and overweight selected alternatives. Highly concentrated equity indices are a reason for concern in our view but the narrowness of markets, focussed on AI related stocks, also currently leave a large number of stocks in other sectors, with robust and resilient earnings, appearing attractively valued. As active investors, W1M portfolios have a broad range of sector exposures across equities, and while we find a number of opportunities within the technology sector, our portfolios are not dominated by one theme to the same extent as many market indices. We seek to take risk where it is warranted, rather than over allocate significant capital to the largest index weights. We also utilise protection strategies to mitigate volatility in equity markets, given our view that event risk is high, which may result in sudden or unexpected market moves. Our cautious view on fixed income stems from concerns that inflationary pressures may persist, resulting in the potential for further interest rate increases over the next 12 months. We remain positively positioned in real assets, giving our portfolios diversification and inflation resilience benefits, while absolute return strategies can deliver uncorrelated returns irrespective of either a positive or negative wider market environment, both of which remain a plausible outcome given the multitude of risks confronting investors.

Disclaimer

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