Global Outlook

January 2026

Contents

This document shows the charts that we think are particularly useful to help us determine where we are in the economic cycle and what the outlook is for markets.

Summary of our views

2025 Asset class returns – a volatile year ended with equities around all time highs

Index (Local currency)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q4 25
MSCI Emerging Markets	-5.8%	9.7%	30.6%	-10.1%	18.0%	19.1%	-0.2%	-15.5%	9.9%	13.1%	31.3%	5.6%
S&P GSCI Commodity	-24.5%	17.6%	29.1%	-18.0%	2.6%	14.8%	29.6%	-7.6%	-4.5%	2.8%	29.4%	15.8%
MSCI Asia Pacific ex Japan	-4.1%	7.4%	30.2%	-10.6%	19.0%	18.8%	-0.6%	-12.8%	7.7%	15.5%	27.6%	4.5%
MSCI United Kingdom	0.1%	17.3%	13.1%	-9.8%	18.3%	-11.3%	18.8%	1.1%	7.8%	9.0%	24.3%	6.5%
MSCI Japan	9.9%	-0.7%	19.7%	-15.1%	18.5%	8.8%	13.4%	-4.5%	28.6%	20.7%	24.3%	9.6%
NASDAQ	7.0%	8.9%	29.6%	-2.8%	36.7%	44.9%	22.2%	-32.5%	44.6%	29.6%	21.1%	2.7%
MSCI Europe ex UK	8.3%	2.3%	13.6%	-11.3%	26.4%	1.4%	23.5%	-12.9%	16.4%	7.2%	19.1%	5.8%
MSCI World Growth	6.1%	4.0%	24.0%	-5.4%	33.4%	31.1%	23.6%	-27.5%	36.2%	28.4%	18.6%	3.0%
MSCI World Value	-1.9%	14.2%	13.2%	-9.4%	21.4%	-3.3%	24.2%	-4.0%	11.0%	13.7%	18.1%	3.6%
S&P 500	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%	-18.1%	26.3%	25.0%	17.9%	2.7%
ICE BofA 7-10 Year US Treasuries	1.2%	3.3%	4.0%	0.1%	10.6%	9.6%	-2.7%	-13.8%	5.1%	0.7%	8.6%	1.3%
ICE BofA Global High Yield Index (Hedged)	-2.1%	15.9%	7.6%	-2.4%	14.0%	6.3%	2.9%	-11.8%	12.4%	8.9%	8.1%	1.2%
ICE BofA 7-10 Yr UK Gilts	1.0%	8.6%	3.1%	0.3%	6.5%	6.0%	-4.2%	-17.9%	6.7%	-1.9%	6.5%	2.8%
S&P Global REIT	2.7%	6.6%	4.6%	-4.4%	22.7%	-10.5%	33.9%	-22.5%	10.3%	4.9%	6.0%	-0.5%
ICE BofA Global Broad Market Index (Hedged)	0.9%	3.3%	2.3%	0.4%	6.8%	5.4%	-1.8%	-13.3%	5.2%	1.3%	4.0%	0.5%

Risk Warning: Past performance is no guarantee of future results and the value of such investments and their strategies may fall as well as rise, you may not get back your initial investment, capital security is not guaranteed
Source: W1M, MSCI, Bloomberg

Key Risks into 2026

- Tariffs are a significant tax increase which could dampen demand. Tariffs could also raise inflationary expectations.
- Trump's attack on the Federal Reserve Chair Powell is a direct attack on Fed independence.
- Geopolitics

Focus on the big picture – remain constructive

- Global **growth** resilient to challenges so far;
- **Inflation** expectations remain anchored;
- Modest **interest rate cuts** expected in the US and UK over the next 12 months;
- **Sentiment** not overly optimistic;
- **Valuations** not unattractive in most parts of equity markets.
- **Government** bonds appear more attractive than credit given narrow spreads.

Summary of our views

January 2026 Asset Allocation Positioning

Risk warning: The above should be used as a guide only. It is based on our current view of markets and is subject to change. As at 07.01.26

Politics, Policy, Bonds & Currencies

Trump 2.0 policies create uncertainty – tariffs

The latest iteration of Trump's tariff plans means that the average tariff rate is estimated by The Budget Lab at Yale to be 16.8%, its highest level since 1935.

We have to say "estimated" because tariff policy is changing on a regular basis. This estimate is as of November 17, 2025. But we still do not know what the rate China will be paying is going to be. Even the tariff "deals" that have been done with the likes of the European Union are very short on detail. We remain surprised at how sanguine the market seems to be about this very important issue.

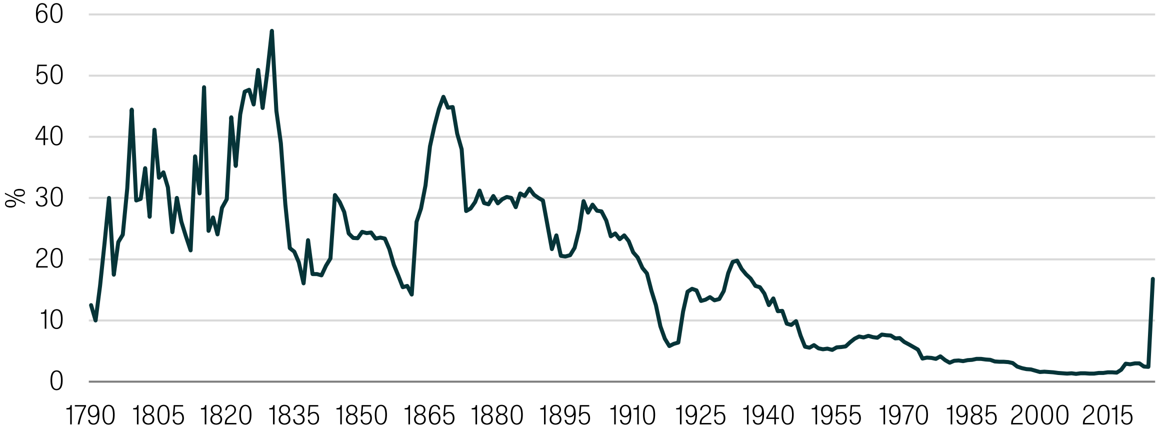
In Fiscal 2025 the US is likely to raise around $350 billion from tariffs based on annualising the revenue from the months of June to November (see bottom chart). Revenue has stabilised at around $30 billion per month. Overall Federal Government revenue is estimated to be $5,235 billion in this fiscal year. So, the tariffs are increasing Federal government revenues by 6.5%.

What we do not yet know is who will pay the tariffs, corporates or consumers or a combination thereof. It is also possible that multi-nationals may raise their prices globally so that it is not just American consumers paying them, but all consumers.

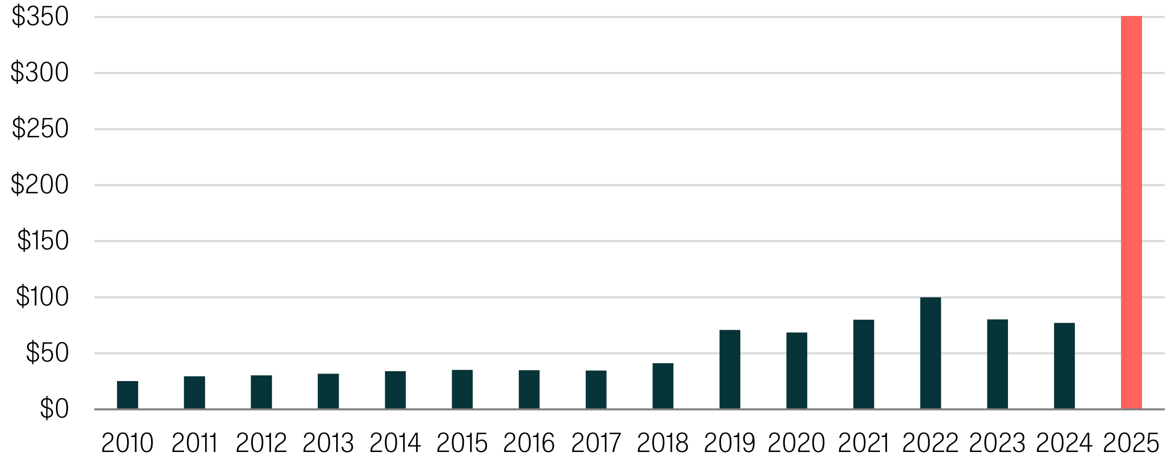
All this creates massive uncertainty and could have implications for inflationary expectations, growth in the economy and geopolitical risks. So far, financial markets are not pricing in either a material change in the outlook for inflation or for growth. But history tells us that tariffs are a lose-lose policy and at some point, we suspect there will be a less sanguine view taken by markets.

We also suspect that surplus countries will be under pressure to allow their currencies to appreciate against the US dollar and there is some evidence the market is already beginning to price that.

US imports average effective tariff %, 1790 – 2025 est.



US Customs Duties Revenues, US$ billion, 2010- 2025



Source: US Treasury, State of U.S. Tariffs: November 17, 2025 | The Budget Lab at Yale W1M. As at 30.11.25

Trump 2.0 policies create uncertainty – immigration & deportation

The top chart shows the number (LH scale) of inadmissible or deportable foreigners who have left the country each fiscal year back to 1892. The data is also shown as % of the US population (RH scale).

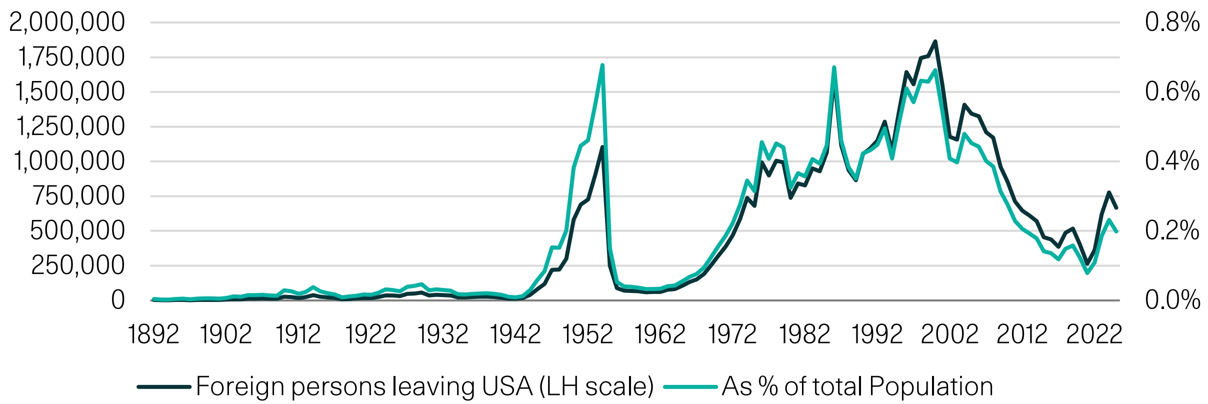
Trump is making a lot of noise about how many illegal immigrants left the US in 2025. On December 19, 2025 the Department of Homeland Security (DHS) put out a statement saying the 2.5 million illegal aliens left in 2025, 622,000 of which were deportations and 1.9 million were "self deportations". One suspects that this should be treated with some scepticism because the DHS keeps the official statistics on deportations (see top chart and source in the footnote). But these official datasets have not been updated since November 2024 when Biden was President.

It is possible that this is because deporting 622,000 people is the smallest number since 2020 and about half the 1.2 million per year that were deported in the Biden Administration. For all the distressing social media video clips of armed Immigration and Customs Enforcement (ICE) officers hauling people off the streets (or shooting them), the reality seems to be that ICE are struggling to deport as many people as they did in recent years when they were doing so without any fanfare.

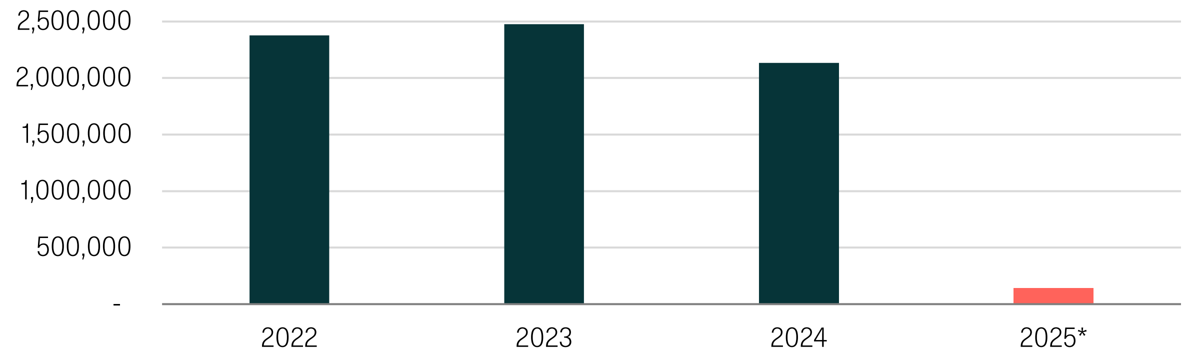
It is the case though that Trump has stopped the flow of new illegal immigrants coming in from Mexico. The bottom chart shows statistics that are being updated. Border encounters were at an annualised 140,000 in 2025, down from over 2 million in each of the prior three years.

This lack of new labour supply could start to impact wages. 25% - 50% of the workers in the agriculture and construction industries are undocumented. Around 8 million work in construction and 2 million work in agriculture. The total US labour force is 164 million. At some point, construction and agricultural wages will go up which will have a knock-on effect on other low wage industries.

Inadmissible foreigners who left the USA, fiscal years 1892 - 2025



Southwest Land Border Encounters, 2022 – 2025



* 2025 based on annualising actual data from February to November

Source: https://www.cbp.gov/newsroom/stats/southwest-land-border-encounters. and https://ohss.dhs.gov/topics/immigration/immigration-enforcement/immigration-enforcement-and-legal-processes-monthly.

As at 30.11.25

Fiscal policy stimulative in 2026, except in the UK

This chart shows forecast change in the cyclically adjusted primary fiscal balance in the UK, Germany and Japan and the impact of the 2025 US budget (the One Big Beautiful Bill) on US fiscal spending.

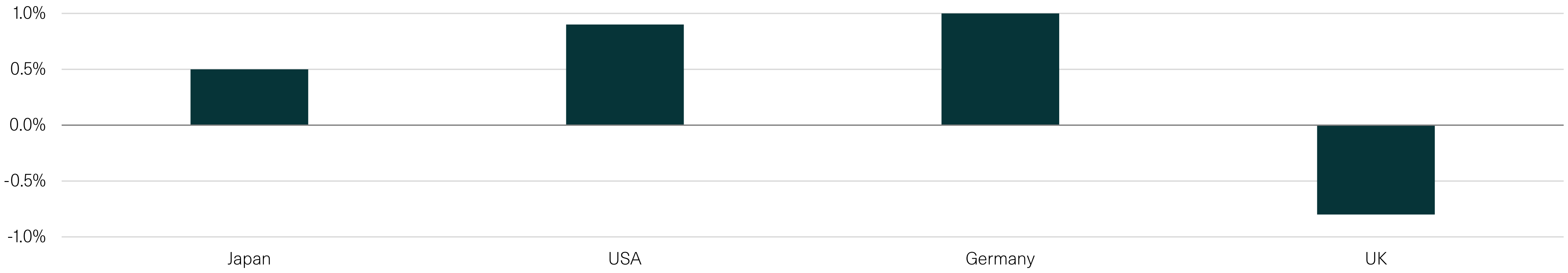
According to the IMF, fiscal policy in 2026 will boost Japanese GDP by 0.5%, German by 1.0% and will shrink UK GDP by 0.8%. The One Big Beautiful Bill will, according to the Congressional Budget Office, boost US GDP by 0.9%.

This is good for the global growth outlook, in the short term at least. But it means that budget deficits, particularly in the US, will continue to be a potential hiccup to the positive economic growth narrative if investors begin to focus on the amount of debt they will be sold this year. The US budget deficit is currently 5.3% of GDP (the UK is 5.4%) but it is likely the US deficit will expand in 2026.

The UK the gilt market has been underperforming US Treasuries in recent months, but with the future path for the UK deficit looks reasonably encouraging that may change in coming months.

Our conclusion remains that the gilt market has a lot of bad news already priced in.

Fiscal Impulse in 2026 as % of GDP



Source: IMF, Apollo Chief Economist, Fiscal Monitor (October 2025) - Cyclically adjusted primary balance W1M. As at 07.01.2026

Rate cuts expected in the US and UK

The top chart shows current expectations for the US Federal Reserve policy rate over this year and next. The market has been pretty consistent in expecting cuts to come in 2026. Currently two cuts are expected.

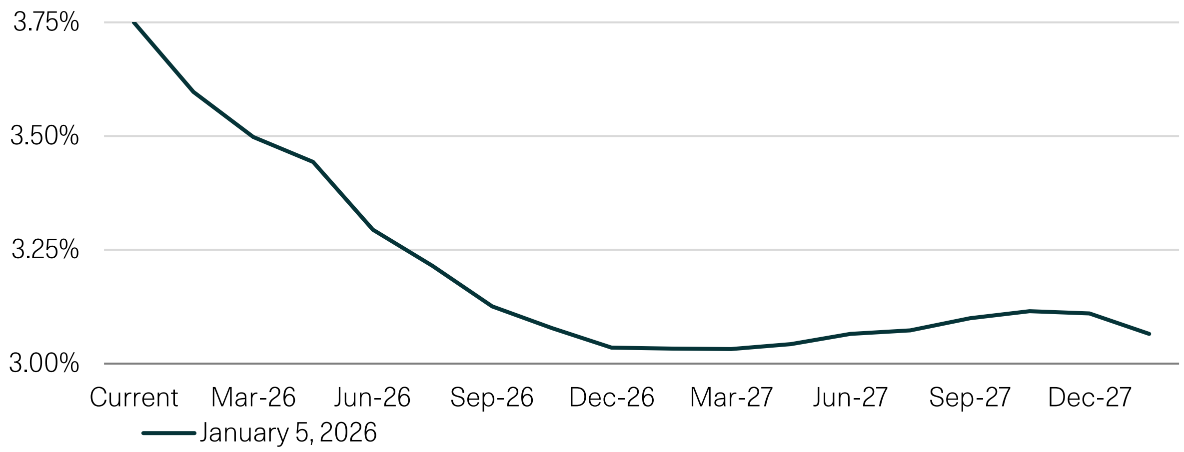
The escalation in the White House's attack on the Federal Reserve that Fed Char Powell revealed on 11th January could change markets perception of a number of things. It may worry markets to the extent of boosting the view that there is a genuine threat to Fed independence which would likely be bad for the dollar and could change the current sanguine view of future inflation that the market has.

Trump will nominate the next Chair of the Federal Reserve in coming weeks. Powell's term ends on May 15th this year.

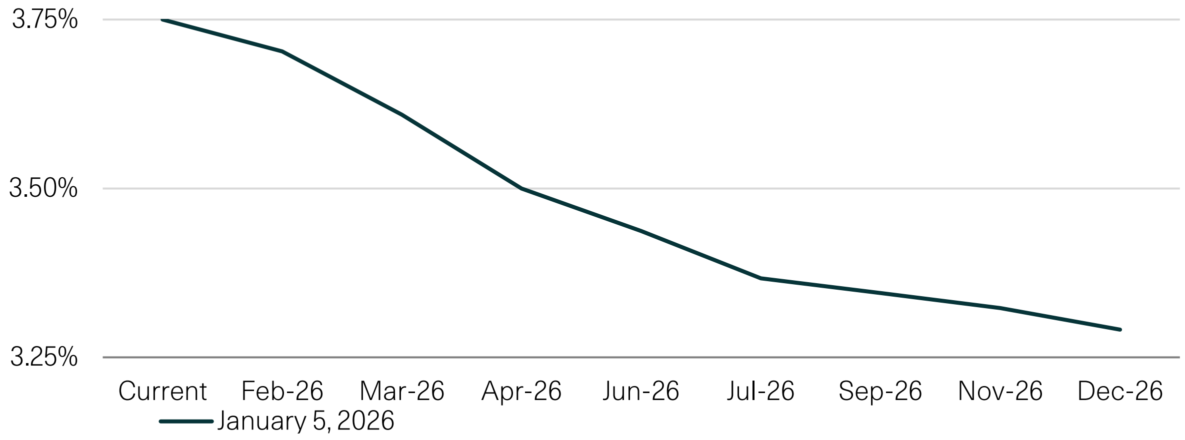
The market remains sanguine about the outlook for inflation in the UK as well as the US. In the UK expectations for just one cut in the base rate in 2026 (although it is a close call as to whether we get two).

We continue to think the Bank of England has leeway to cut at least twice this year. Let's see if expectations for more rate cuts begin to appear in coming months.

Implied US Fed funds rate



Implied UK base rate



Source: Bloomberg, W1M. As at 05.01.26

Treasuries have outperformed gilts until very recently

The top chart shows how the yield on 10-year gilts and 10-year US Treasuries has evolved since the beginning of 2023.

The US Treasury market rallied in the second half of 2025 and the spread between gilts and Treasuries got to over 0.5% at one point. It is currently 0.3%.

The gilt market did a little better in Q4 2025. Given our belief that the Bank of England can cut interest rates more than the market currently expects in coming months, and given the benign view of future UK inflation, we think the gilt market remains attractive.

The bottom chart shows those same yields after deducting the current 10-year inflation swap rate in each market, using the CPI swap rather than the RPI one in the UK. The swap rate is one indication of market expectations for inflation over the life of the bond.

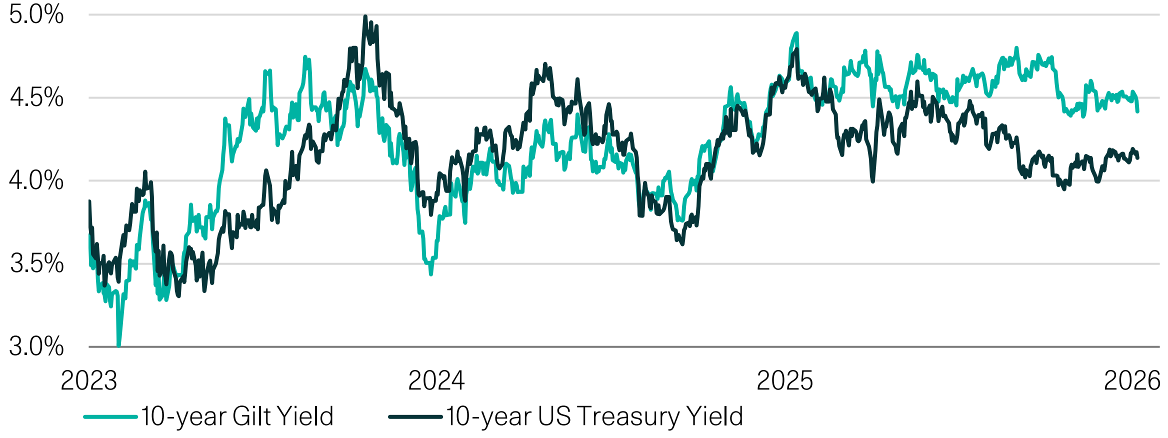
As the chart shows, both markets continue to offer, on this measure, a meaningfully positive real yield.

The inflation linked bond market is saying something similar. The US Treasury Inflation Protected Securities market is giving a positive real yield. The January 2035 TIPS yields 1.85%.

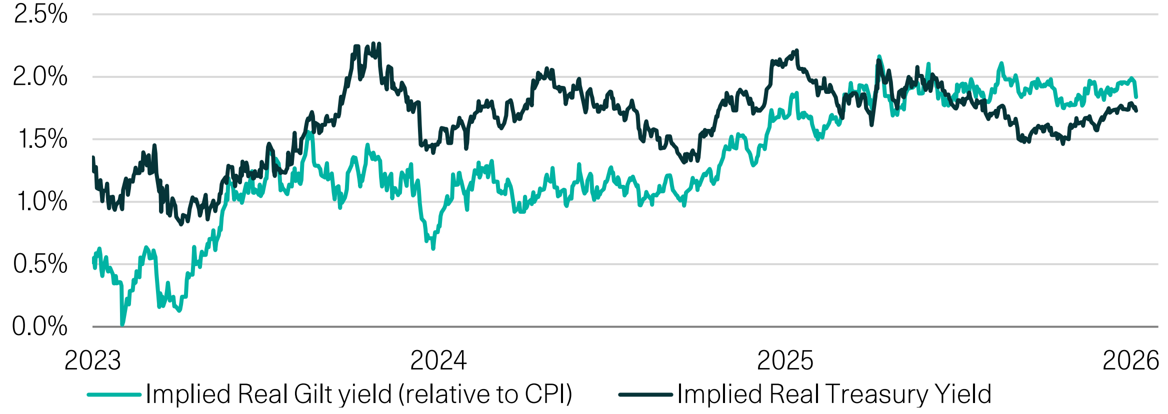
The UK linker market is also offering an attractive real yield (the September 2035 linker yields 1.54%) but as this is based on RPI, the total return (thanks to RPI being higher than CPI) is similar between UK and US linker markets.

We still think there is value in government bonds given the positive real yields on offer.

US and UK10-year bond yields (%)



US and UK implied real 10-year bond yields (%)



Source: Bloomberg, W1M. As at 07.01.26

Expectations for future inflation remain anchored

The top chart shows the 5-year inflation swap rate which is one reflection of the market's view on future inflation. One can buy or sell the swap. If you think inflation will average more than the current price, you buy the swap and vice versa. The payoffs are roughly linear. If you buy at 2% and the outcome is 2.2%, you make about 10%.

The market continues to have anchored expectations for inflation over the next five years. But we need to watch this closely as any uptick in the US (dark line in top chart) would be of concern.

Expectations for UK inflation (we are using the swap on CPI in this chart) trended down throughout 2025.

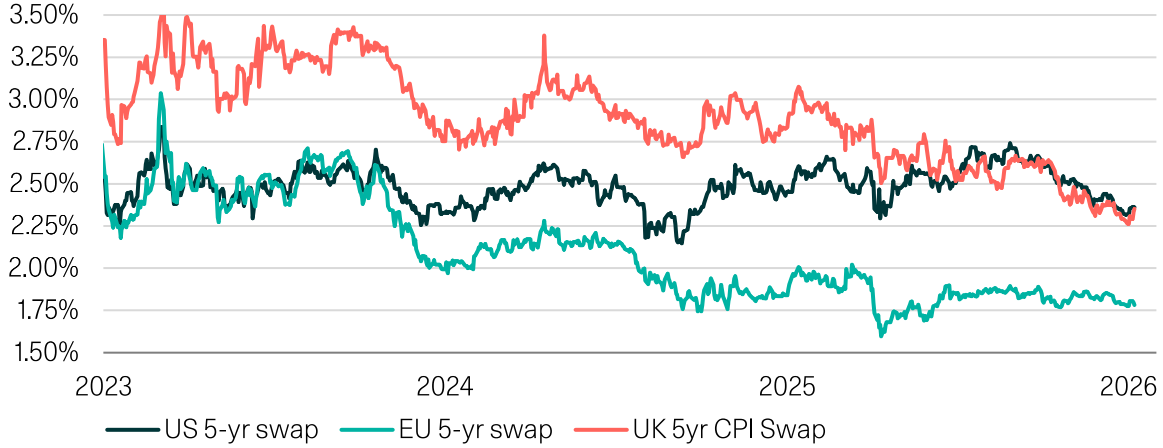
UK and US inflation are both expected to average 2.4% over the next five years.

Not a lot of people seem to be aware of that, including, up to now the Bank of England. Perhaps the Monetary Policy Committee will now wake up and smell the coffee given that there is nothing in market expectations for inflation that would preclude more UK rate cuts.

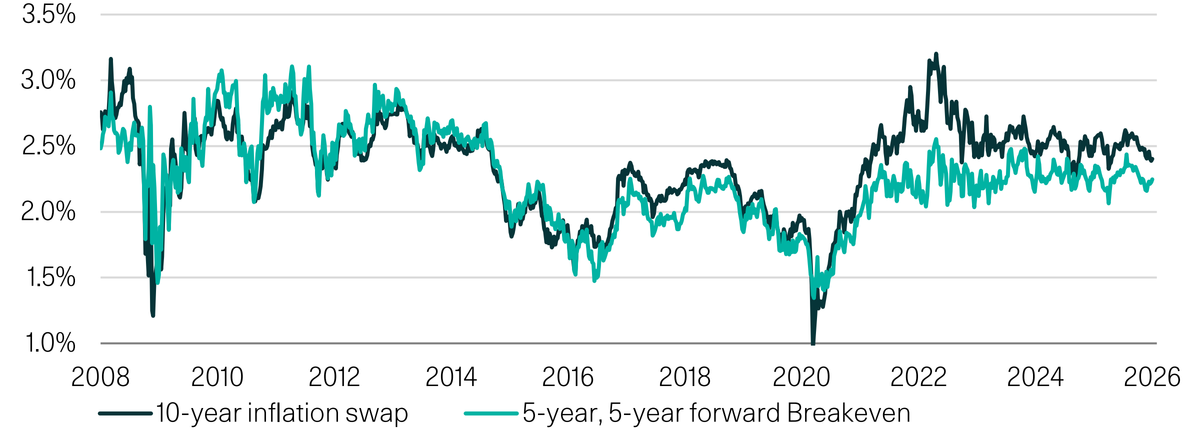
The bottom chart shows longer-term inflation indicators. Here the picture remains encouraging.

The green line is the 10-year US inflation swap and the teal line is the inflation rate calculated from the spread between five-year nominal and inflation linked bonds five years forward. Both have been rangebound in recent months.

5-year inflation swap rate (%)



Long-term US inflation expectations



Source: Bloomberg, W1M. As at 02.01.26

Industrial metals in bull market but broad commodity complex weak

Despite the euphoria evident in the market for precious metals, the broad commodity complex is in the doldrums.

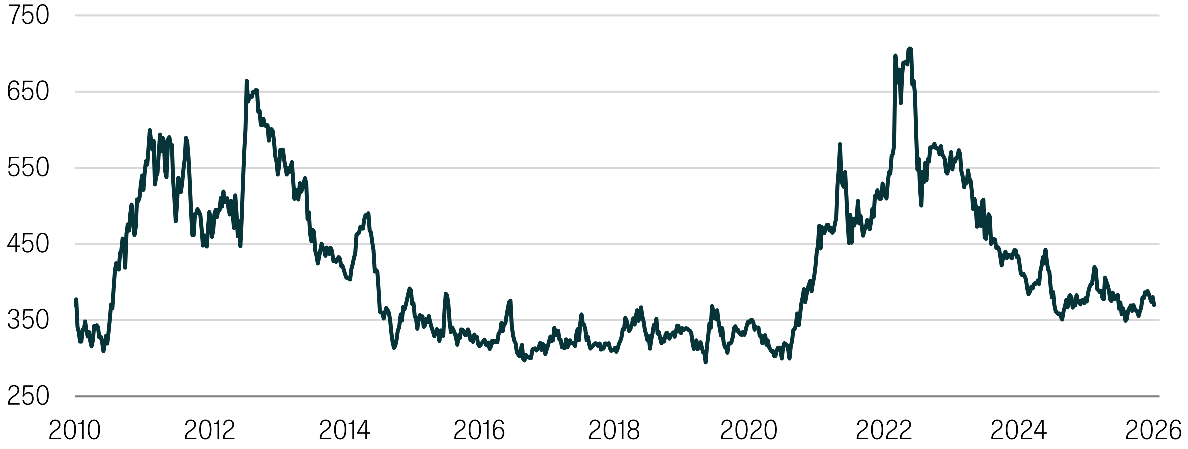
Silver is an industrial metal and it has been a big factor in the pick up in the industrial metals index in recent months.

But grain prices have been falling as fears of supply disruption from Ukraine, the bread basket of Europe, and Russia, have not materialised sufficiently to support prices.

If we had energy on this page, it would show that the Energy price index fell 16% in 2025.

This is good news as it means that there is little inflationary impulse from the commodity complex.

S&P GSCI grains index



S&P GSCI industrial metals index

Source: W1M, Bloomberg. As at 02.01.26

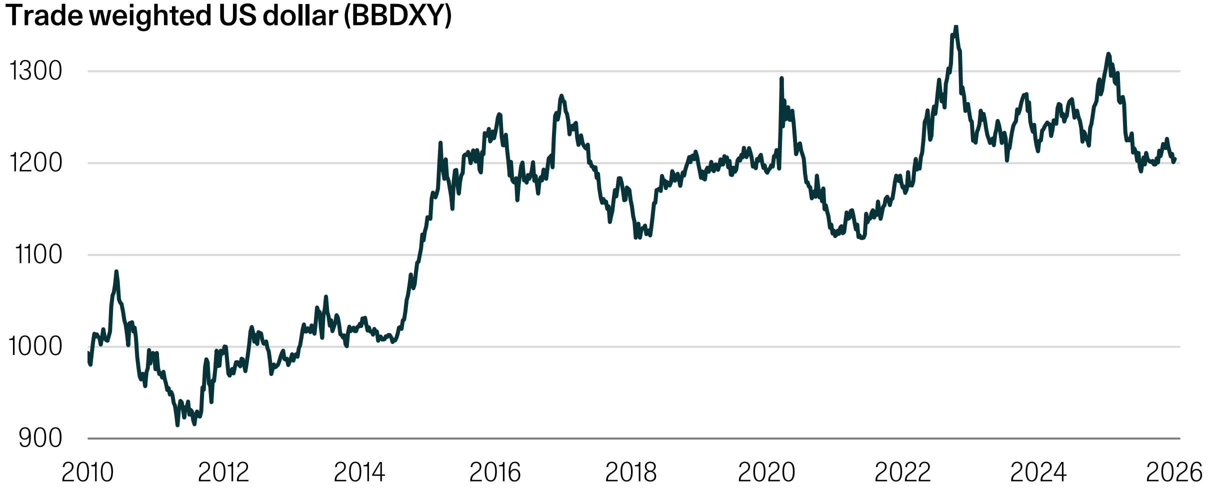
Dollar stable recently but weaker overall in 2025

The top chart shows a trade weighted dollar index. It weakened in the first half of 2025 before stabilising in the second half.

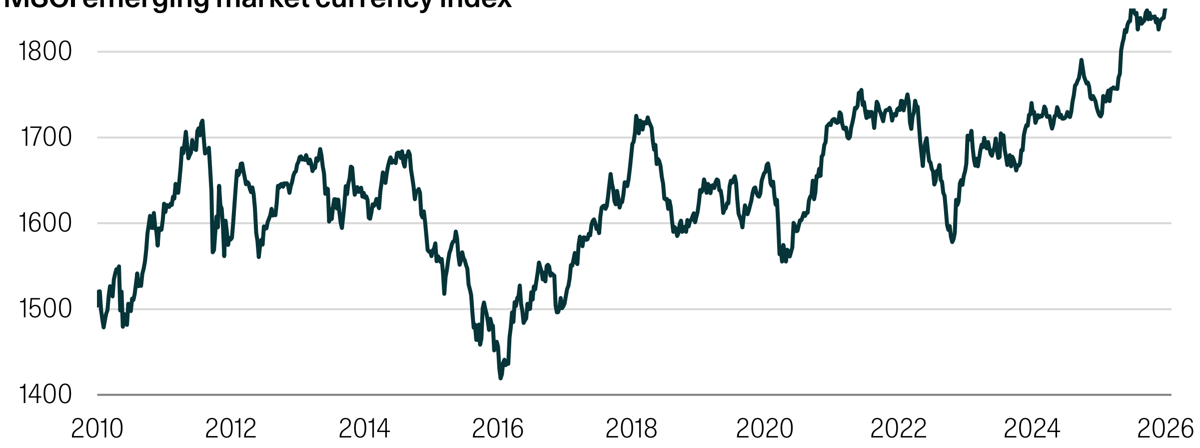
The bottom chart shows that an index of emerging market currencies. This index is weighted by the weighting of each country in the MSCI Emerging Market equity index, so China is the biggest component.

The US dollar has fallen against EM currencies over the last three years. But in the last third of 2025 the EM currency index went sideways relative to the dollar despite the Chinese currency continuing to strengthen. Since the height of tariff fears in April 2025, the Renminbi has appreciated from 7.35 to the dollar and it is currently at 6.98, a 5% appreciation.

Trade weighted US dollar (BBDXY)



MSCI emerging market currency index



Source: W1M, Bloomberg, MSCI. As at 02.01.26

Sterling still rangebound against the Euro, but weaker of late

Sterling was weaker against the euro in 2025. There are currently 1.15. euros per pound, down from 1.21 in early 2025.

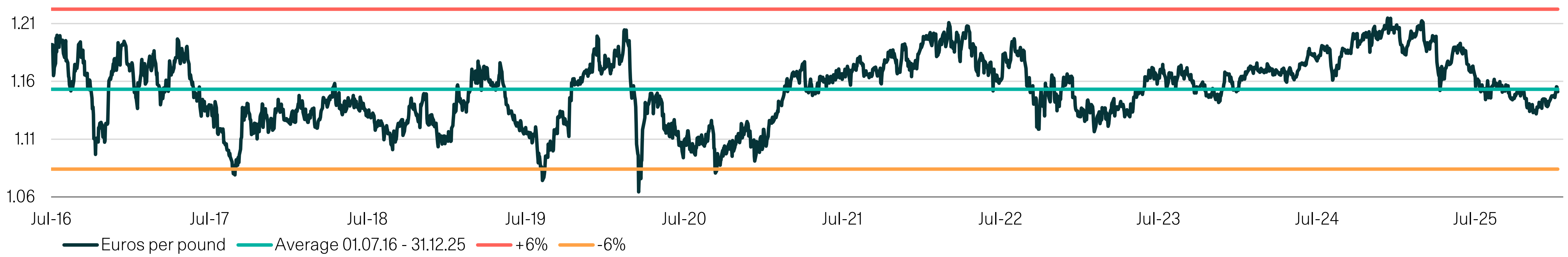
We continue to think that the exchange rate versus the euro is a better measure of the market view of UK specific risks than the sterling/dollar rate. The chart shows the number of euros per pound since 1 July 2016. The average exchange rate since then is shown as the teal line and we show a range 6% either side of that average.

We use 6% as that was the range sterling was allowed to trade against its DM2.90 central rate when it was in the Exchange Rate Mechanism (ERM). Famously sterling was forced out of the ERM in September 1992 when it was unable to hold within that range.

We note that over the period shown (around 2,500 trading days), sterling has only been out of a 6% trading range for ten days.

For now, there is little sign of an elevated UK sovereign risk premium on this measure at least. The recent weakness of sterling is a marginal positive for the UK economy which exports 80% more to the EU than it does to the US.

Euros per pound (01.07.2016 – current)



Source: Bloomberg, W1M. As at 07.01.26

Gold at a record high, but so is the stock market

Gold finished 2025 at a record high of $4,319. It is also at a record high in sterling terms.

Initially, the bull run in gold over the last three years was supported by robust buying by central banks around the world, including China.

But there has been a speculative element to the surge of 65% in 2025.

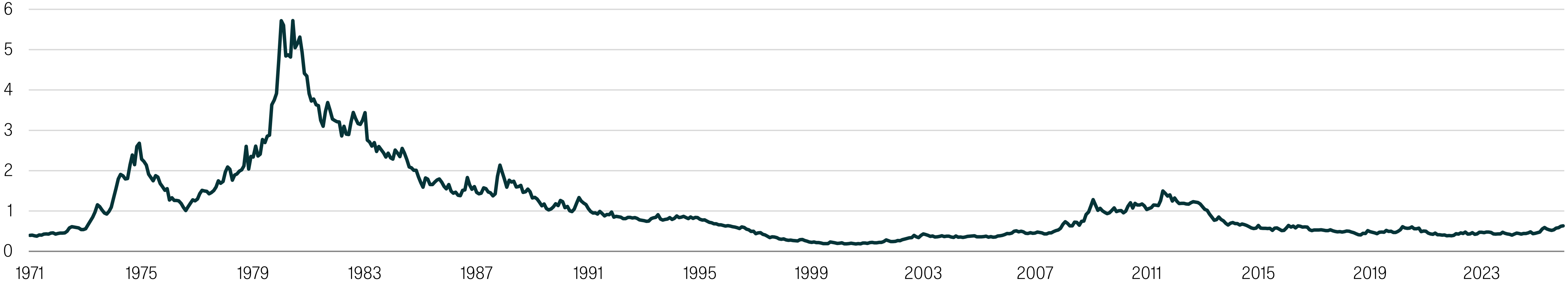
But we continue to recommend that investors have exposure to gold bullion in portfolios. The things that have supported its price in the last couple of years are still likely to be present in the months ahead.

These include concerns about currency debasement around the world given the very high levels of government debt on both sides of the Atlantic. In particular there would be a fear that the US dollar could weaken further. When the global reserve currency is weak that can be stimulatory for global growth, but it can also encourage looking for other stores of value.

Gold is also seen as a hedge against inflation and that very likely will be a hedge that investors will want on in case the current benign outlook for inflation turns out to be mistaken.

And if we look at the gold price relative to the US stock market, as the chart below shows, you could argue that there may be plenty more in the gold price before we talk about speculative excess. Indeed, the ratio is half the level it was at in 2011.

Gold price per troy ounce relative to S&P500 Index price - 1971 – current monthly



Source: Bloomberg, W1M. As at 31.12.25

Equities & Credit

2025 earnings growth estimate +12%; 2026 estimate +14%

+12% globally and +12% for the US for 2025

For 2025 the consensus numbers have come down from earlier in the year when 14% growth was expected in the US and 13% in the World index but the 12% and 12% expected for 2025 is still robust and there remains confidence about strong growth in the out-years too.

There remains great uncertainty about the impact of tariffs but for now profits appear to be holding up even though it is presumed the corporate sector has been paying quite a lot of the $30 billion a month in tariff revenue accruing to the US Treasury.

It remains the case that there are valuation excesses in some of the leading companies in the US but valuations in the rest of the US market, and in the rest of the world, are not stretched as the first and second columns of numbers in the table on the right show.

Earnings per share calendar year growth rate

Region	Pe Ntm	Relative	2025	2026	2027
World	19.0		+12.0%	+14.1%	+13.8%
US	22.3	118%	+11.5%	+15.0%	+15.2%
Europe ex UK	15.6	82%	+14.5%	+11.5%	+12.4%
UK	13.2	70%	+7.7%	+10.0%	+11.3%
Japan	16.3	86%	+4.8%	+9.5%	+8.9%
Asia Pac ex Japan	14.4	76%	+10.7%	+19.6%	+14.7%
Latin America	10.5	55%	+51.8%	+2.3%	+14.3%
Emerging markets	14.9	79%	+14.0%	+14.1%	+12.8%
World ex USA	14.9	79%	+12.4%	+13.0%	+12.2%

Source: MSCI, FactSet, W1M. Data as at 31.12.25

Stock market valuation stable

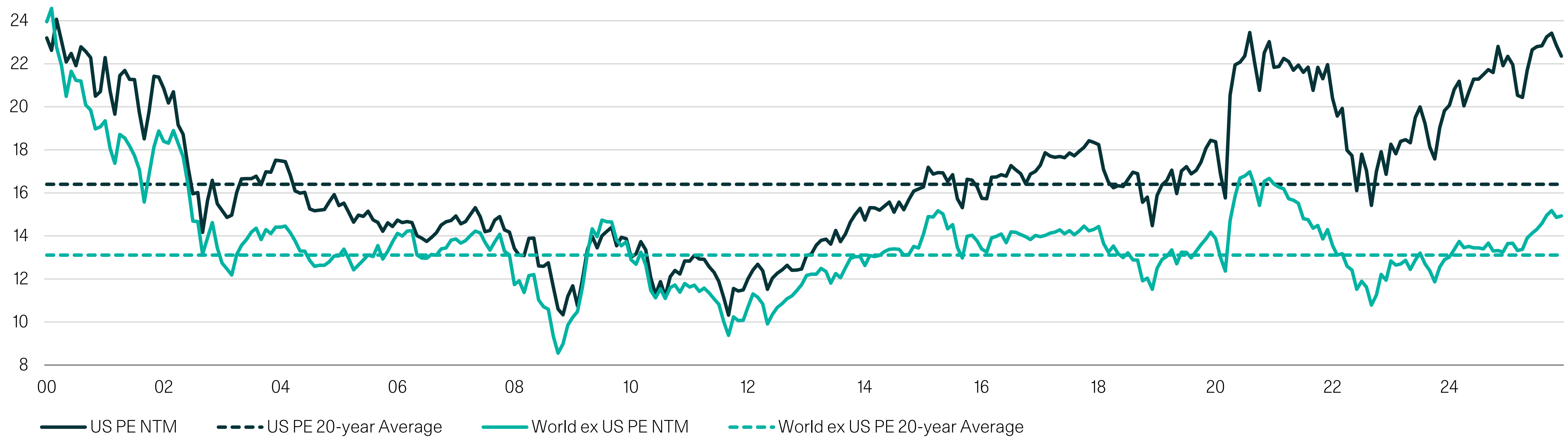
The PE ratio for the US market (solid black line) is 22.4 times as at the end of December.

It is again above its 20-year average of 16.4 times (the dark horizontal line).

The World outside the US now trades at 14.9 times earnings, above its 20-year average of 13.1.

There is always uncertainty about the EPS these valuations are predicated on, and even greater uncertainty at the moment given the conundrum of working out who is paying the tariffs being imposed. But outside the US, valuations are not a hindrance and within the US market there are many high-quality businesses trading at reasonable multiples.

MSCI US and MSCI Global ex US price–earnings ratio based on next 12 months earnings



Source: MSCI, FactSet, W1M. As at 31.12.25

US market not as expensive as headline valuation suggests

Although the valuation of the US market is elevated in absolute terms and relative to its own history, a small number of large companies in the index are the cause of that. The narrowness of the leadership in the market in the last two years has exacerbated that.

This chart looks at the price/earnings ratio of the index (dark line) and the PE of an equally weighted version of the S&P500 index, both on forward earnings.

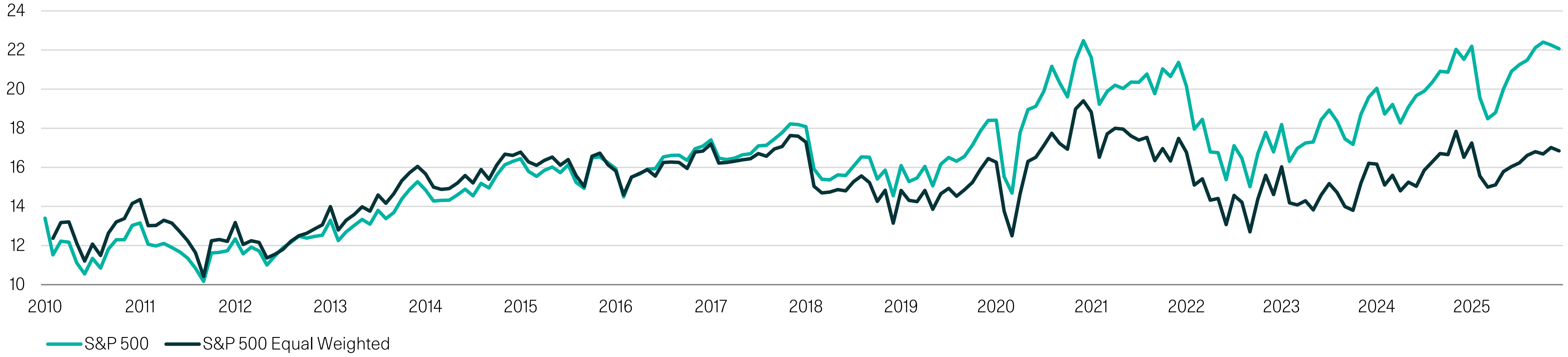
The former is at 22 times the latter is at 17 times.

The discount has widened out again having narrowed with the market correction in early April.

We have still been able to find value in the US market and have added US stocks to our Global Recommended Portfolio in recent months.

It is important to bear this in mind as it suggests that while elevated valuations pose risks to a few of the largest stocks in the index, the rest of the market is trading at reasonable levels.

S&P500 Index and S&P500 Equal Weighted Index, price earnings ratio 2010 – current (based on next 12 months earnings)



Source: Bloomberg, W1M. As at 31.12.25

Magnificent Seven at 31% of S&P500 Market Capitalisation

In October 2025 the so-called "Magnificent 7" technology and AI related companies (Alphabet (Google), Amazon, Apple, Meta Platforms (Facebook), Microsoft, NVIDIA and Tesla) represented a record 32.9% of the US stock market capitalisation.

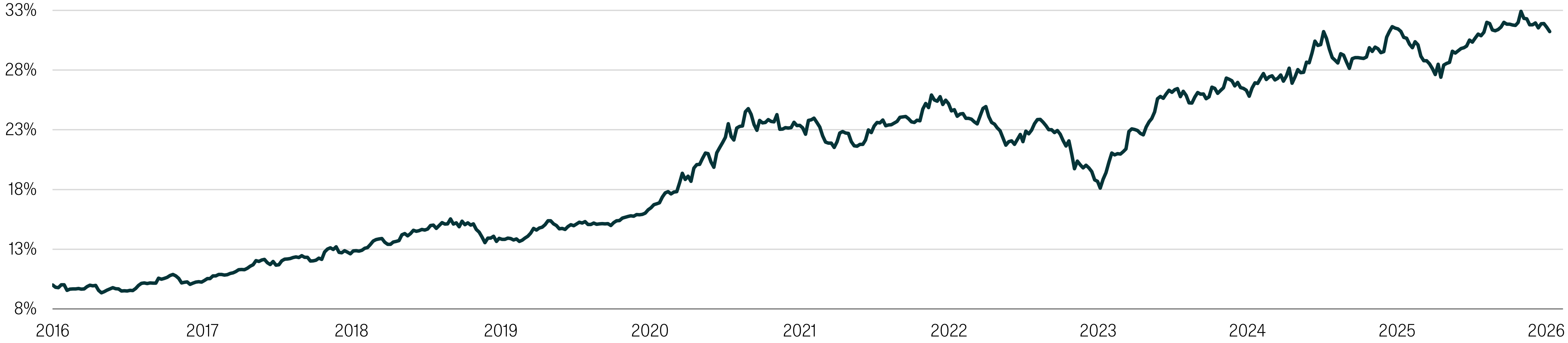
In the first four months of 2025 there had been a broadening of market leadership and the Mag 7 were "only" 27% of the market in April. But market concentration then again became an issue.

This was a headwind for active investors in 2025.

The Magnificent 7 index currently trades at 39 times earnings and is largely responsible for the premium valuation accorded to the US market (as we saw in the previous slide).

It would be healthier if the leadership of the US market broadened out again. Alphabet, Amazon and Microsoft are all in our Global Recommended Portfolio but there are challenges, in our view, to owning the others.

Magnificent Seven Index as % of Market Capitalisation of S&P500 Index 2016 – current, weekly



Source: Bloomberg, W1M. As at 09.01.26

US profits as % of GDP remained close to record high in Q3 2025

This chart shows pre-tax profits of corporate America relative to GDP through Q3 2025, the most recent data available. This profit series shows aggregate profits across the whole economy and shows them in US dollars, not as earnings per share.

Consequently, this series is not susceptible to financial engineering via such things as share buybacks to boost earnings per share. It is a proxy for profit margins.

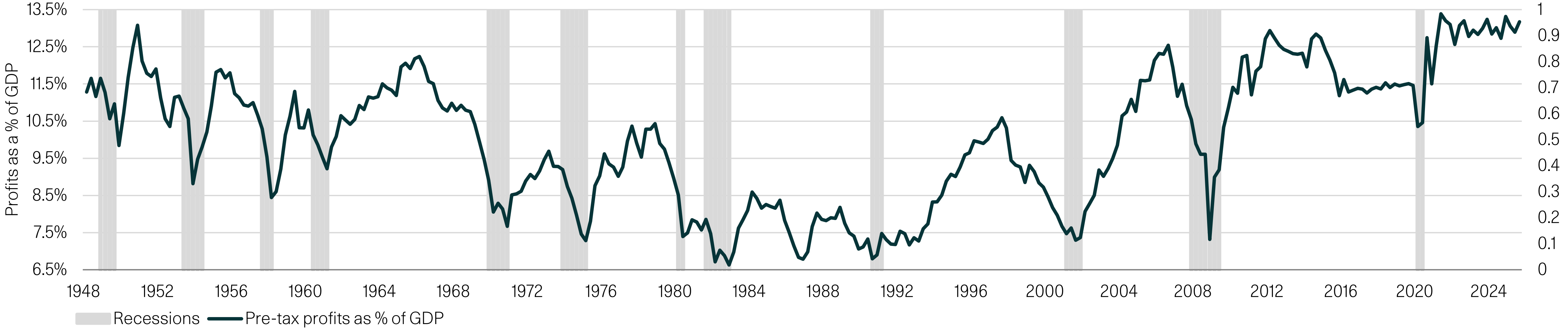
In every recession except 1982, profits were falling as a % of GDP before it.

But on this measure profits have been resilient in recent quarters. Profits have averaged 13.0% of GDP over the last five years, an unprecedentedly lengthy period of robust corporate health.

However, the tariff policy will be a hit to profits in some sectors of the economy. Indeed, if anything, it is likely to be a bigger problem for small and medium size businesses than it is for the giant multinationals.

So although at the moment this is an indicator suggesting the corporate sector is in good health that could change quite quickly.

US profit cycles and recessions (%)



Source: Bloomberg, W1M. As at 30.09.25

Profit margins are high for S&P500 constituent companies

This chart shows the profit margin of the S&P500 and recessions (the grey bars)

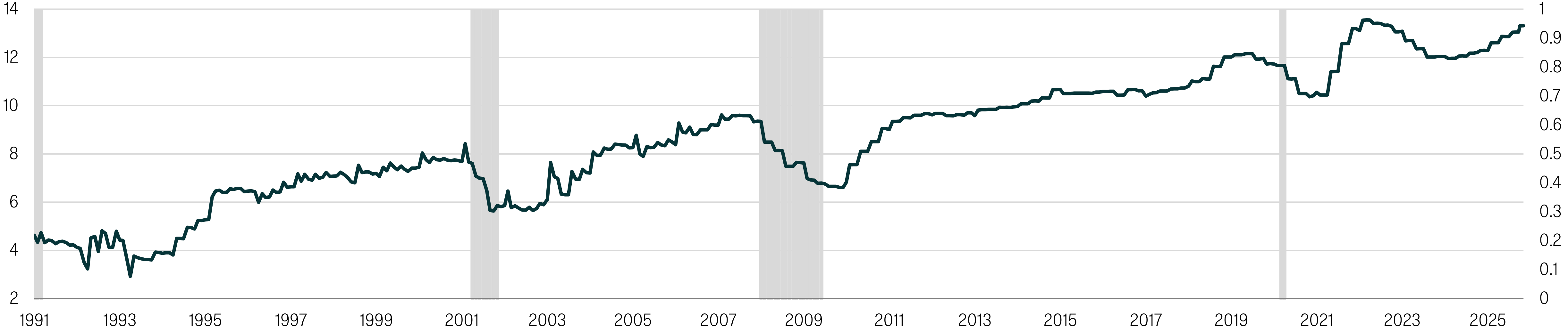
Margins derived from reported earnings are not as useful a cyclical indicator as the national income profits as a % of GDP series on the previous page. As the chart shows, reported margins tend to be a coincident indicator of recessions rather than a leading indicator.

But this measure is useful to check too. It confirms that the US corporate sector is in robust health.

It is also noteworthy that the current situation is very different to the period in 1999 and 2000 when the dot-com bubble burst. Although reported margins (this chart) were still rising in 2000, national income profits had been falling as a % of GDP since the end of 1997.

It is a healthy sign for the market that both these measures of profitability are very strong today.

S&P500 profit margins and recessions (%)



Source: Bloomberg, W1M. As at 31.12.25

UK market had a better 2025

The UK stock market has significantly underperformed the World index in recent years but had a better year in 2025.

Between 2001 and 2014 there was not a lot of difference between the two.

But from May 2014 to October 2020, the UK market underperformed by 49%.

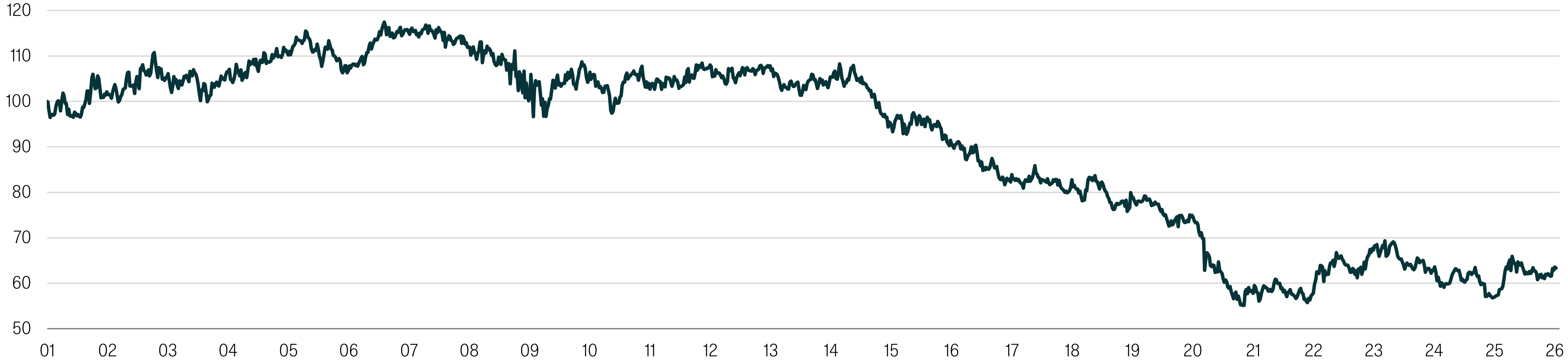
In 2025 the UK outperformed in the first four months of the year and then went broadly sideways.

One of the issues for the UK is that it has few technology or communication service companies that have been the market leaders in recent years. They are a combined 4% of the UK market.

Another issue is that recently the weakest sectors in terms of earnings growth have been energy, healthcare, materials and financials. They are a combined 52% of the UK market.

It will take another period of rotation out of technology related sectors to produce sustained better performance from the UK.

MSCI UK relative performance to MSCI All-Country World, both in sterling



Source: MSCI, Bloomberg, W1M. As at 09.01.26

Japanese market has several tailwinds

The Japanese stock market has been aided by a number of tailwinds in recent years. The market first hit new all-time highs in March 2024 when it finally (as measured by the Nikkei 225 Index) closed above its 29 December 1989 previous high.

Macro factors have played a role. The Bank of Japan has bucked the trend of other developed world central banks by, coincidentally, only ending negative policy rates in March 2024. The policy rate is now at +0.5% having been raised again in January 2025. The apparent ending of deflation enabled this to happen although policy rates obviously remain very negative in real terms.

But there have also been significant changes to corporate governance including a sharp increase in the number of independent directors.

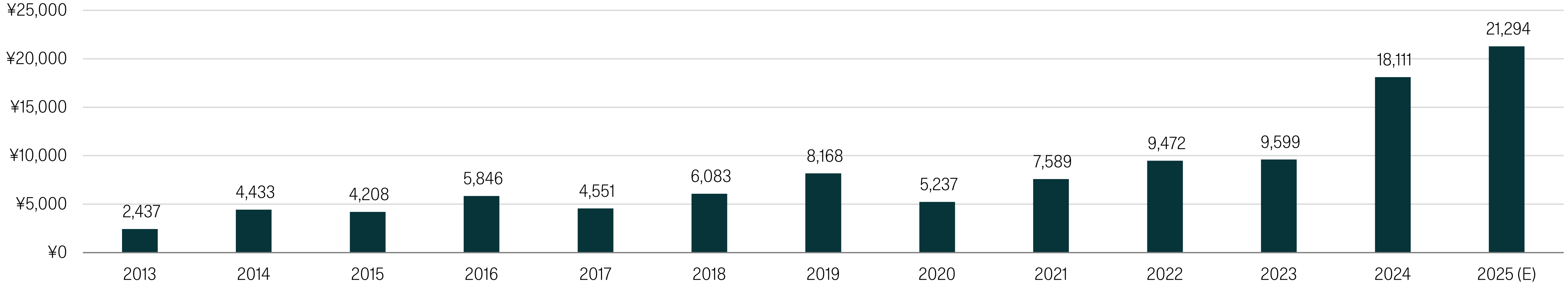
Shareholders have benefitted directly from a significant pick-up in the number of buybacks done by Japanese corporates.

This chart shows that buybacks were at a record level in 2024, 89% above the level of 2023. They are expected, according to Mizuho, to rise another 18% in 2025 to 21.3 billion yes, or $146 billion at the current exchange rate.

On top of that, foreign investors have been more bullish and have also been buying the market. We continue to like a number of Japanese companies and are overweight in aggregate in our global equity portfolios.

These secular tailwinds make us confident that select Japanese equities have an important role to play in equity portfolios.

Japanese corporate share buybacks 2013 – current in billions of Japanese Yen



Source: Mizuho, Tokyo Stock Exchange. As at 03.04.25

US investor sentiment not particularly bullish

This is the weekly survey of its members done by the American Association of Individual Investors. The chart shows the % of respondents who are bullish among those that express a view (so it is Bulls as a % of Bulls plus Bears).

This could not be a simpler sentiment measure, but it is worth knowing about.

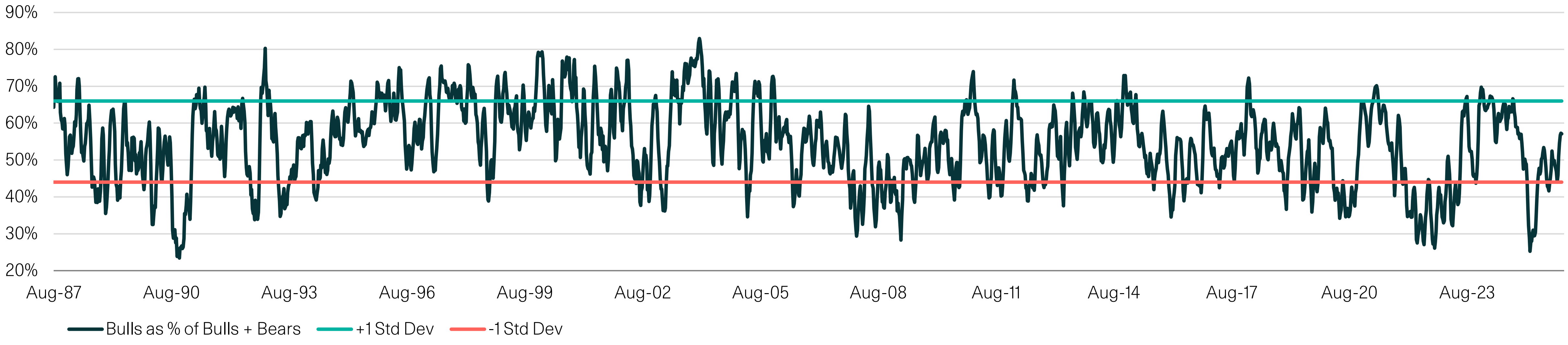
The two horizontal lines are showing one standard deviation above (teal line) the average level and one standard deviation below (coral line).

If you buy the market when the black line is below the coral line your average return in the next year is +15%.

If you buy the market when the black line is above the green line your average 12-month return is +6%.

This sentiment measure followed the market down in March and April 2025. It has recovered as the market has rebounded but sentiment is a long way from being euphoric.

American Association of Individual Investors survey, Bulls as % of Bulls plus Bears



Source: AAII, Bloomberg, W1M. As at 08.01.26

Corporate balance sheets yet to show real stress

The top chart is a quarterly series showing the number of US corporate bankruptcies (officially called "Chapter 11" filings).

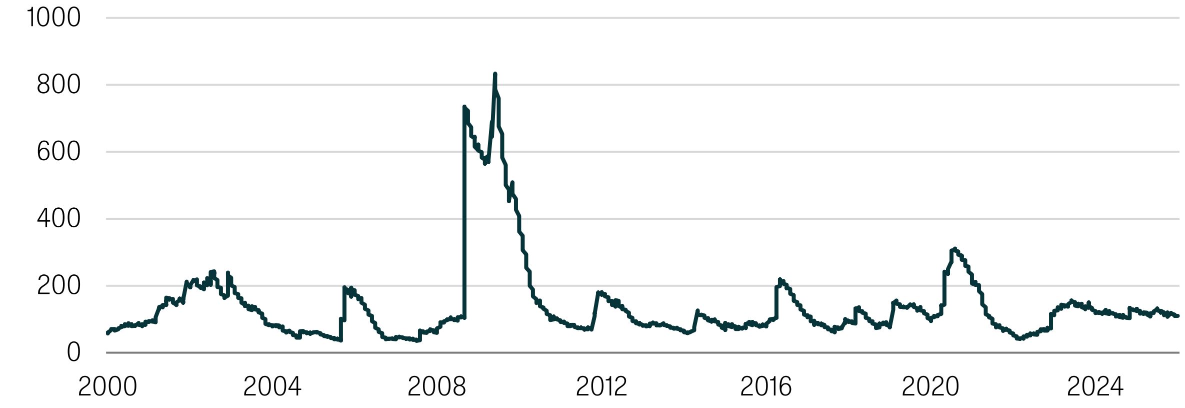
It is at its highest level since 2012 after a jump up in Q3 (the last available data).

The Bloomberg Index in the bottom chart is of economy wide US bankruptcies and takes into account the size of the bankruptcy as well as the number of them. Hence there were more big bankruptcies in 2009-10 than in 2003-04. That index is still at historically very low levels.

It remains the case that up to now, corporate balance sheets are holding up well. There has to be a risk that widespread tariffs change this benign picture.

US bankruptcy filings (2000 to current, quarterly)

Bloomberg US Corporate Bankruptcy Index (2000 – current, weekly)



Source: Bloomberg, W1M. As at 02.01.26

Corporate credit markets still trading at historically narrow spreads

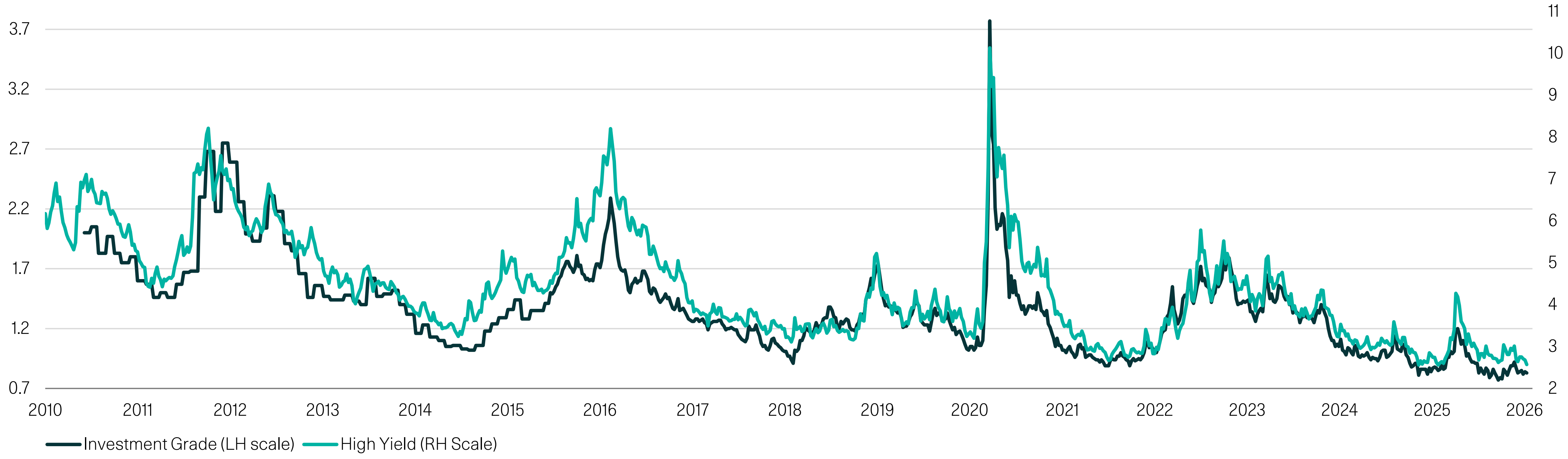
Credit spreads are at the low end of historic ranges with investment grade in particular very narrow.

Spreads will widen again if there is a risk of slower growth and/or higher inflation.

We remain of the view that credit spreads have further to widen to better reflect the risks.

Hence our lowest allocation to credit in our bond funds since their inception.

US corporate bond spreads (%)



Source: Markit, Bloomberg W1M. As at 09.01.26

Chinese currency strong recently

The Rmb has strengthened against the US dollar in recent months. This is another indicator that so far at least, US tariffs are not disrupting existing market narratives.

There has also been an appreciation of the Taiwanese dollar since April.

A number of factors seem to be at play.

One is that there is speculation that the US will want currency appreciation of surplus countries against the US dollar.

As we saw earlier, the global emerging market country currency index has been strong against the US dollar since January 2025. We suspect this reflects the presumption that EM countries that have trade surpluses with the US will be expected to allow their currencies to appreciate.

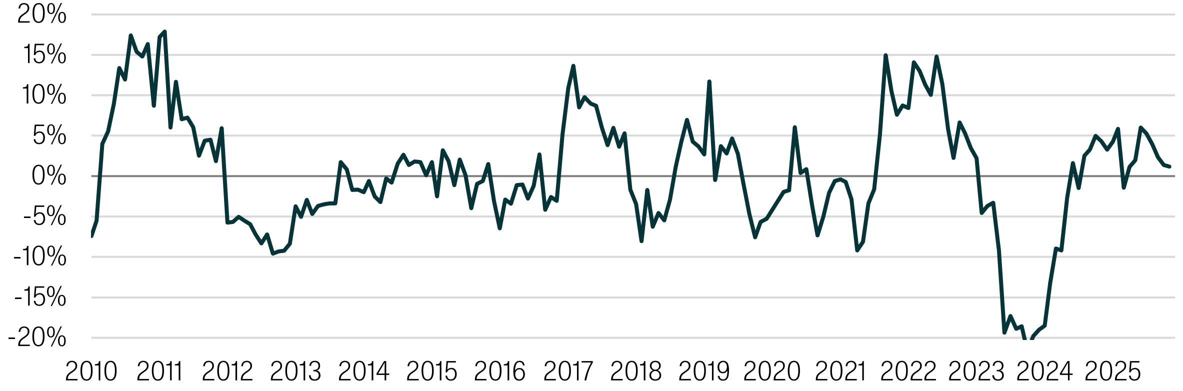
The bottom chart looks at an index of Chinese export prices and shows the % change from a year ago each month since 2010. Recently export prices have been weakening.

Export prices tend to react to changes in domestic and international demand. Chinese domestic demand has been weaker and that will encourage manufacturers to look to sell more overseas. Meanwhile the threat of meaningful US tariffs may lead to weaker demand for Chinese goods in the US which will encourage manufacturers to look to sell more to other markets which is again likely to depress prices.

Bottom line is that there is a deflationary impulse coming from China that is good for the global inflation picture.

Renminbi per US dollar

China Export Price Index, % change on year ago, 2010-current



Source: Bloomberg, W1M. As at 09.01.26

Overview of Responsible Investment

Overview of responsible investment at W1M

We aim to create long term value for our clients/investors while also contributing to better corporate behaviours and positive outcomes over time

ESG integration

We assess material ESG factors (both risks & opportunities) as a natural part of our fundamental analysis and security selection process

Engagement and voting

We engage with companies directly and collaboratively, preferring constructive dialogue over blanket exclusions as a more effective way to encourage better behaviours and positive outcomes

We vote on your behalf to help drive higher corporate standards and enhance shareholder value

Ethical restrictions
Client-specific ethical exclusions can be applied at the portfolio level

Signatory of:

PRI Principles for Responsible Investment | UK STEWARDSHIP CODE | TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES | CDP | Climate Action 100+ | GLASS LEWIS

W1M Investment Management Ltd (formerly, Waverton Investment Management Ltd) is a signatory to the UK Stewardship Code and PRI. Our other W1M group companies will seek signatory status in 2026.

Responsible Stewardship Of Clients Capital

We aim to identify responsible allocators of capital ensuring business resilience and long-term financial sustainability

How we incorporate ESG

- Integrated approach to the assessment of ESG factors
- Detailed fundamental analysis avoids greenwashing
- Mitigates poor data quality and inconsistent third-party ESG ratings
- Focus on engagement over an exclusion/divestment strategy
- Identify those successfully adapting to ESG opportunities/risks
- Acknowledge when ESG risks are integral to transition solutions
- Pragmatic approach focussed on high or improving ESG standards

The advantages of our investment approach

- Global: largest universe of investment opportunities
- Direct: greater transparency around ownership
- Active: flexibility to avoid areas at risk of capital loss
- Concentrated: in-depth identification / monitoring of risks
- Experienced team: library of knowledge is an advantage
- Engaged: long-term relationships create a two-way dialogue
- Strong ESG outcomes: natural result of our approach

Signatory of:

PRI Principles for Responsible Investment

UK STEWARDSHIP CODE

MSCI

GLASS LEWIS

Climate Action 100+

CDP

Risk warnings

Past performance is no guarantee of future results and the value and income from such investments and their strategies may fall as well as rise. You may not get back your initial investment. Capital security is not guaranteed.

The opinions expressed are based on current market conditions and are subject to change. The portfolio may invest in assets which are not readily realisable or where there is counterparty risk. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment.

The information contained within this document relating to 'yield' is for indicative purposes only. Clients should note that yields on investments may fall or rise dependent on the performance of the underlying investment and more specifically the performance of the financial markets. As such, no warranty can be given that the expressed yields will consistently attain such levels over any given period.

There is no guarantee of a return on Absolute Return Funds held. The returns for structured products may fluctuate according to different market conditions; you may get back less than you originally invested. The value of your investment is also at risk in the event that the counterparty should fail.

Fixed income securities which the portfolio may invest in are sensitive to interest rate risk (duration) and will increase and decrease in value as interest rates change.

The Protection Strategy includes the use of derivative instruments. Using derivatives can involve a higher level of risk. For example, a small movement in the price of the underlying instrument may result in a disproportionately large movement in the price of the derivative instrument.

The portfolio may hold funds or vehicles which invest in derivative products such as futures, options, and contracts for differences. Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products may be unsuitable for investors. Different instruments involve different levels of exposure to risk.

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Important information

For further information on these funds please refer to the Prospectus "offering memorandum" available on our website.

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Currency conversions for the performance displayed in this document are based on Morningstar daily exchange rates.

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www.w1m.com

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