

Portfolio and Market Review

2nd Quarter 2026

Important Regulatory Information

Past performance is no guarantee of future return. The value of investments and the income from them can go down as well as up. You may get back less than you invest. Transaction costs, taxes and inflation reduce investment returns.

Economic Outlook and Market Commentary

As we reach the halfway point of 2026, the first half of the year has continued to surprise investors. Geopolitical tensions persist, with limited resolution surrounding Iran, Israel and the US, and restricted shipping through the Strait of Hormuz continuing to weigh on oil and export flows¹.

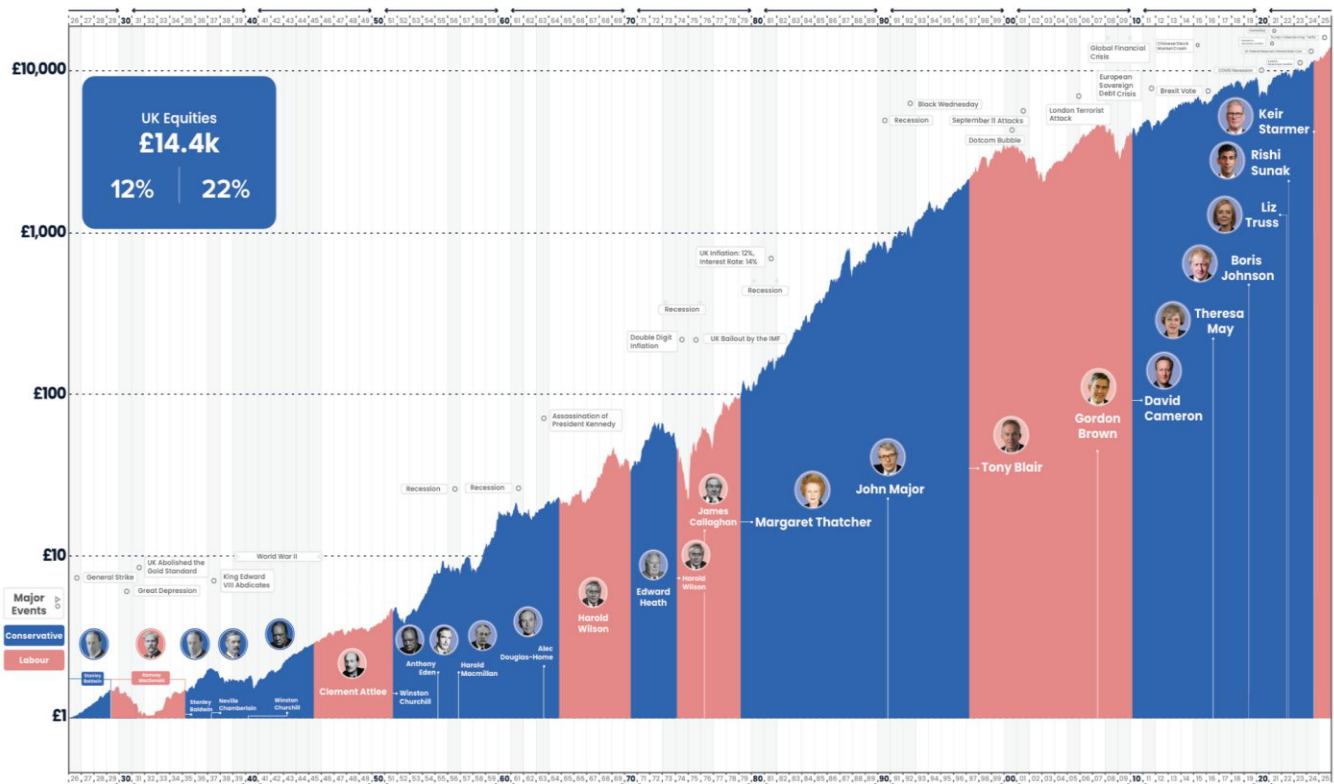
A wave of mega-IPOs, led by SpaceX on 8th June, has dominated financial headlines, whilst Keir Starmer's resignation has triggered yet another UK leadership contest. Despite these headwinds, equity markets have continued to generate double-digit returns, with emerging markets, particularly South Korea, recording notable growth opportunities, whilst bond markets have delivered steadier but more muted performance.

Revolving doors: What does another UK leadership contest mean for investors?

On the 22nd of June, Keir Starmer announced his resignation from 10 Downing Street, leaving investors with a new set of questions to consider in the coming months. At the time of writing, Andy Burnham, fresh off his recent landslide victory in the Makerfield by-election, is the only person to announce their candidacy for Prime Minister, meaning he is currently expected to be sworn in 17th of July.

This resignation continues a period of high political instability, and when Labour elects its next leader, the UK will have officially had its 7th Prime Minister in just 10 years. Whilst markets tend to react poorly to uncertainty, they appear at present to be pricing in the likelihood of a Burnham government, and there are some key considerations for investors to weigh.

¹ Dozens of ships head through Strait of Hormuz after US-Iran deal, BBC, 2026.



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This chart is for illustrative purposes only; it does not constitute investment advice and must not be relied on as such. The value of investments and the income from them can go down as well as up so you may get back less than you invest. No transaction costs or taxes are included. Transaction costs, taxes and inflation reduce investment returns.

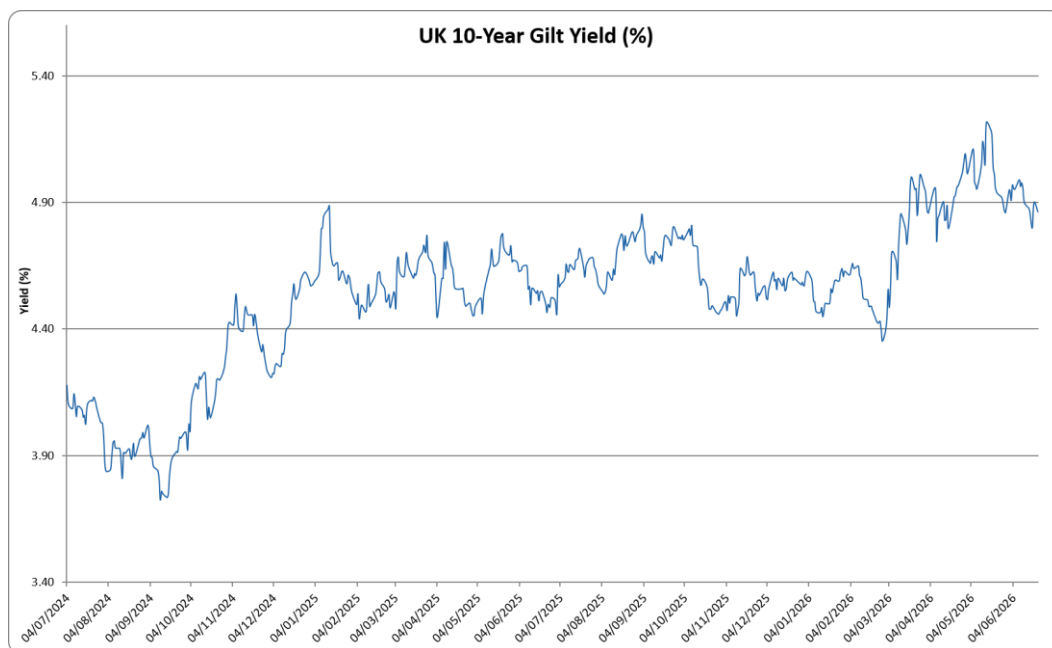
This chart shows the growth of £1 invested on 1 January 1925 until 31 December 2025, based on the actual historical performance of underlying financial indices for UK equities. The return is the average of calendar returns, and the volatility of each asset class is the standard deviation of the calendar returns. The light red colouring indicates Labour Party Prime Ministers in office and blue colouring indicates Conservative Prime Ministers in office. Major financial and political events are included. All investment income is assumed to be reinvested, unless otherwise stated. Sources: UK Equities: Timeline UK Equity TR Index using data from Bank of England - A Millennium of Macroeconomic Data and FTSE All-Share TR index

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Political instability tends to play out first in bond and currency markets. Markets appear to have priced in a Burnham victory, and the 10-year gilt yield initially rose to 4.85% before settling at 4.81% on the day of Starmer's resignation². Whilst this highlights a relatively muted response from bond market investors, it is a level which already sits higher than that of any other developed nation.

² What Does Keir Starmer's Resignation Mean For Markets?, Morningstar, 2026.

Burnham has promised to maintain the fiscal rules set out by Rachel Reeves, which markets may view as a positive signal for gilts. UK borrowing costs have risen consistently since the July 2024 general election, as shown by the 10-year gilt yield. This peaked at 5.21% on 15th May³, the highest since the 2008 financial crisis, reflecting both speculation over Burnham's leadership challenge and continued global uncertainty around long-term energy prices.



Source: Bank of England – UK nominal government liability spot curve, 10-year maturity. Continuously compounded annual rates.⁴

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Currency and equity markets have also had time to react. Sterling weakened against the dollar as pressure mounted on Starmer to resign but remained relatively flat on the day of the announcement itself. The FTSE 100 rose 0.4%, and the FTSE 250 settled slightly lower at -0.3%, a muted response consistent with the resignation being widely anticipated and the global nature of the UK equity market.

³ Gilt yields soar as Burnham gears up to challenge Starmer, CNBC, 2026.

⁴ Bank of England – UK nominal government liability spot curve, 10-year maturity. Continuously compounded annual rates.

One area investors are likely to watch is how gilt markets respond once a new Chancellor is announced, as this could provide an indication of the new government's fiscal direction. A globally diversified portfolio and a long-term investment mindset may prove particularly valuable over the coming months.

Returning to earth - what lessons can we learn from the SpaceX IPO?

There has been a lot of fanfare surrounding the recent SpaceX IPO, as well as the upcoming Anthropic, OpenAI and SK Hynix IPOs, which are likely to follow this year.

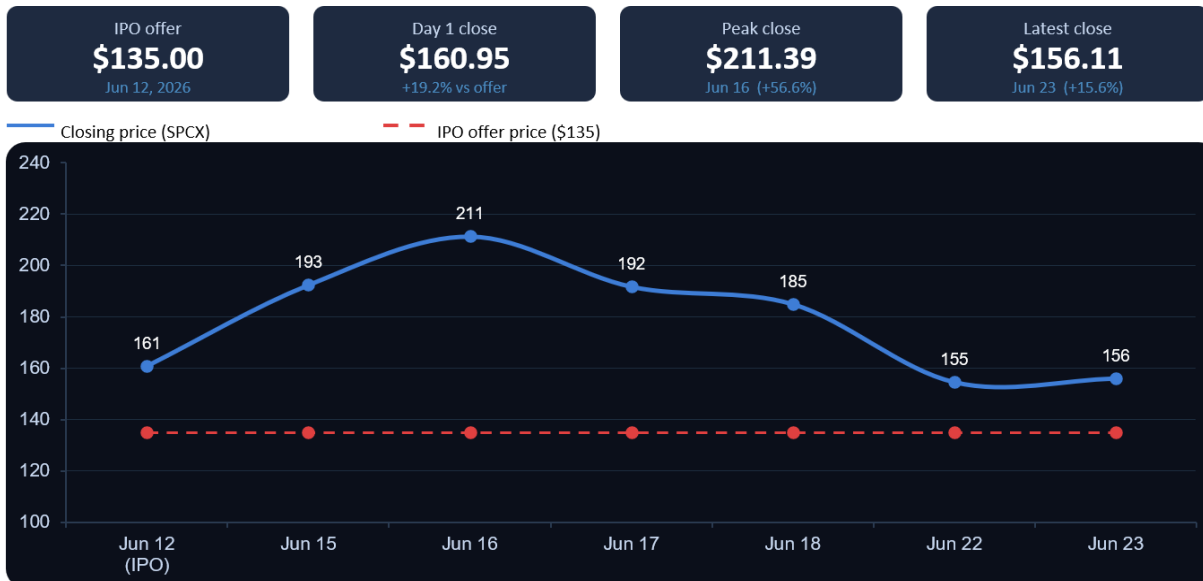
These upcoming mega-IPOs are riding on whatever momentum SpaceX manages to muster, making it an especially important offering. It is worth touching briefly on the performance of SpaceX since its offering. In brief, it has experienced a volatile opening few weeks; however, to what extent was this to be expected?

Since its initial offering, the stock price for SpaceX has been subject to much scrutiny for its volatility. Since it began trading on the 12th June, the stock hit highs of \$211 before settling at \$156 on the 23rd June.

Whilst these swings equate to an eye-watering annualised volatility of c.205%, it seems much more dramatic than reality when looking at the journey of the share price visually. This statistic is based on such a short time basis, making the sample size hard to generalise to any long-term volatility trends.

Another important point to caveat is that the SpaceX IPO had "unprecedented" demand across a number of retail investor platforms⁵. Whilst many platforms have policies on selling IPOs within a certain timeframe, this did not stop a number of retail investors from selling their stakes early on. Exposing retail investors to an IPO that has had unparalleled media coverage is likely to cause volatility in the share price.

⁵ SpaceX IPO leaves retail investors with too few shares and a tough hold-or-sell decision, CNBC, 2026.



Source: Yahoo Finance – Daily closing prices, US. June 24 pre-market: \$153.85⁶

Past performance is not a reliable indicator of future results.

In truth, it is almost impossible to know this early on whether the trajectory of the share price is justified or not. Ritter found in the seminal 1991 paper that⁷ IPOs often underperform over the shorter term, and current concerns and market sell-offs regarding anything AI-related are exacerbating the volatility of the stock.

So, whilst this is a record-breaking IPO, it appears to be following the typical script of company initial offerings. Investors in broad, market-capitalisation-weighted index funds are also likely to gain exposure over time. Morningstar estimates SpaceX will enter the Vanguard's Total Stock Market ETF at less than 0.2% of the fund⁸, illustrating how broad market indices naturally incorporate new companies as they become eligible.

⁶ Yahoo Finance – Daily closing prices, US. June 24 pre-market: \$153.85.

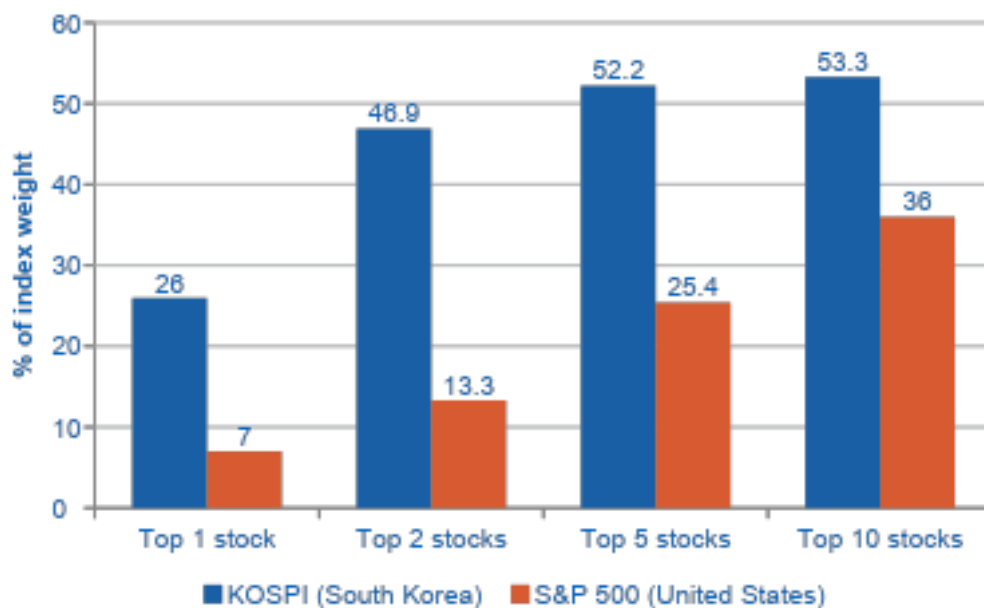
⁷ J.R. Ritter, The long-run performance of initial public offerings, J. Finance, 46 (1991), pp. 3-27

⁸ Yahoo! Finance, SpaceX landed in millions of 401(k)s through index funds — and the same rules open the door to OpenAI and Anthropic, 2026.

Seoul searching: What is happening in the Korean markets?

Whilst some may try to convince you otherwise, global equity market capitalisation is anything but static. South Korea is now the world's 6th largest stock market⁹ having leapfrogged both India and the UK earlier this year. Strong regional performance has come alongside high volatility, making it both a source of capital appreciation and increased risk in 2026.

Artificial intelligence (AI) is the lynchpin behind Korea's rise. Whilst the US focuses on infrastructure, data centres and the machine learning models themselves, Korea underpins the hardware, benefitting from a super cycle in demand for semiconductor memory chips. Samsung and SK Hynix are the two companies meeting this demand, and their combined weight in the KOSPI now sits at close to 47%.¹⁰



Sources: Seoul Economic Daily (KOSPI); Slickcharts / West Mount Fundamentals (S&P 500). Weights approximate, June 2026.

⁹ South Korea overtakes India as world's sixth-largest stock market, The Business Times, 2026.

¹⁰ Seoul Economic Daily (KOSPI); Slickcharts / West Mount Fundamentals (S&P 500). Weights approximate, June 2026.

The US has often been criticised for its 'Magnificent 7' concentration, yet this pales beside the KOSPI: its top five stocks account for 52% of the index, compared to around a quarter for the S&P 500. Market concentration often raises the question of systemic risk in the current markets; however, this is not a new phenomenon.

In 1965, the S&P 500 had similar top 10 concentration to today¹¹, when Kodak, General Motors and AT&T dominated. Despite those companies subsequently underperforming, the index still delivered cumulative returns of around 110% through the 1960s¹². This period highlights that concentration does not necessarily impede broader index performance.

The KOSPI has returned 97% year-to-date¹³, but this has been far from a smooth journey, with market drops seen throughout the quarter. In late June, the market dropped by almost 10%, reflecting investor fear of the AI boom globally, which appeared to affect Korea disproportionately. Samsung and SK Hynix tumbled 12% in the sell-off, which dragged the rest of the market's performance down in tandem.

Whilst this is a highly concentrated market by any measure and that comes with its own risks, there are also risks to long-term performance from excluding regions or companies from a portfolio. No one knows who the next winners will be, so diversification and broad market exposure may help mitigate some of the risks associated with both concentration and under-diversification.

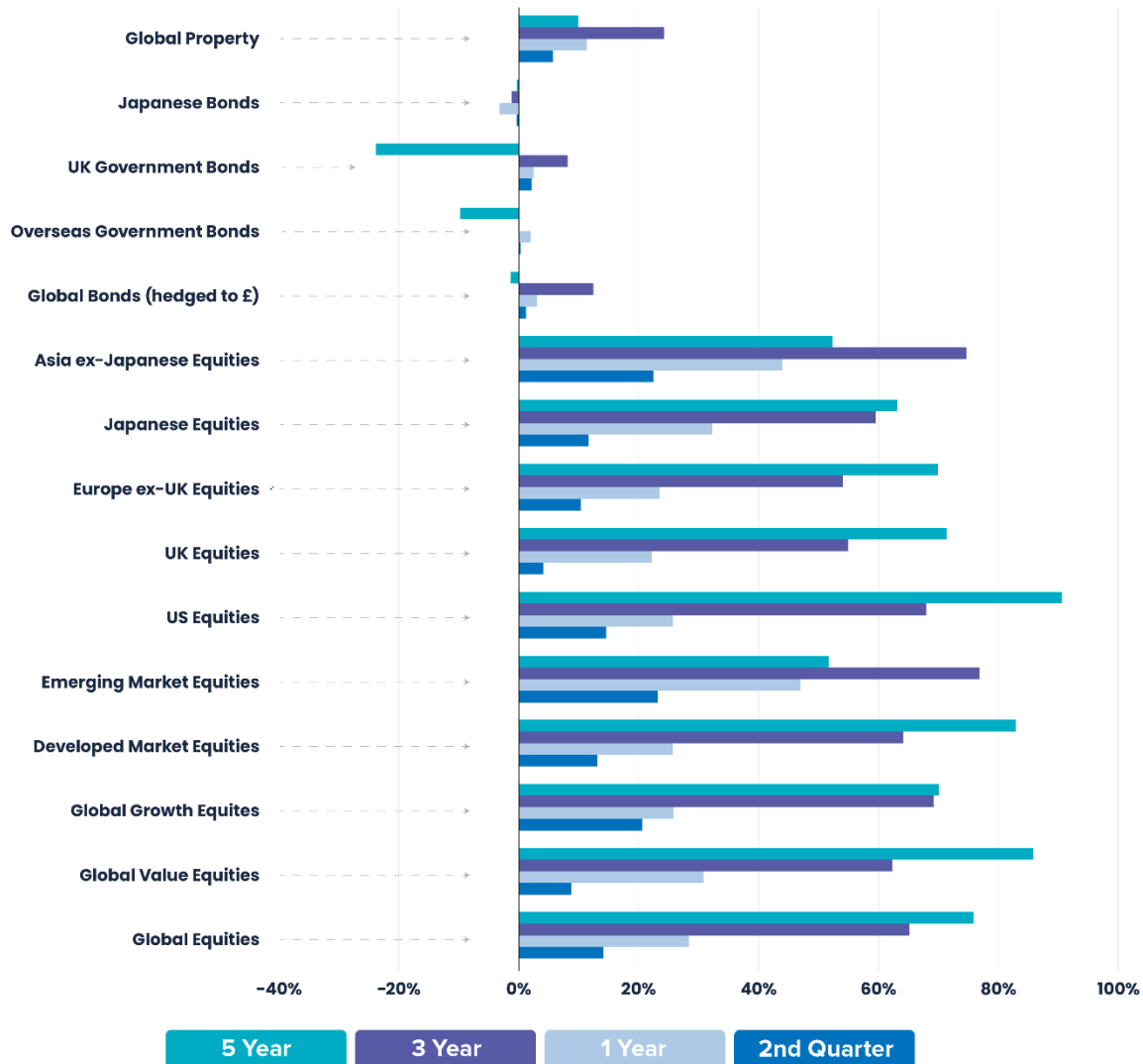
Asset Class Returns

¹¹ The Market Measure: In the Shadows of Giants, Asset TV with S&P Dow Jones, 2026

¹² Damodaran, A. (2026). *Historical Returns on Stocks, Bonds and Bills: 1928–2024*. NYU Stern School of Business.

¹³ As at the 01/07/2026.

Asset Class Returns



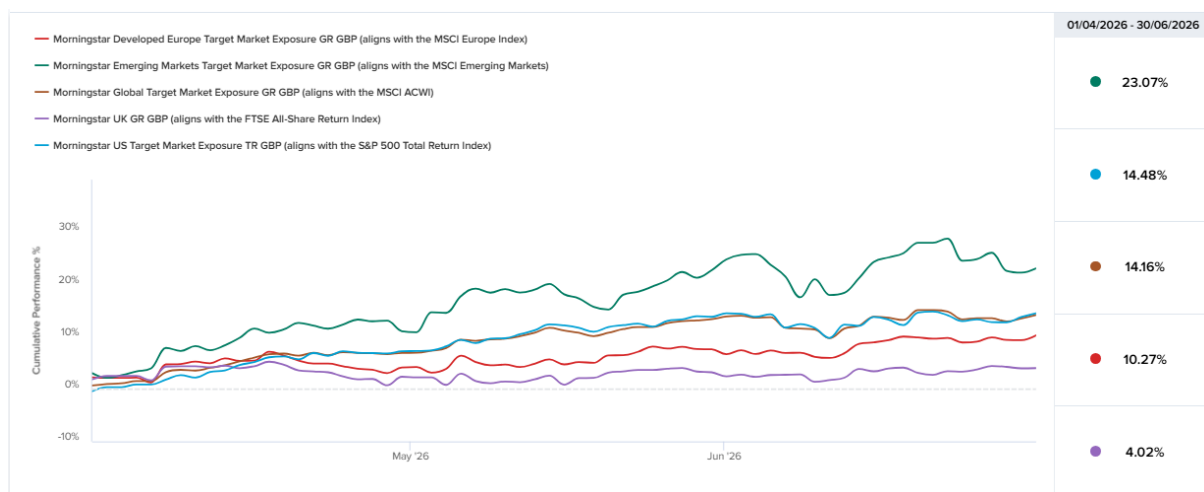
© Timeline Holdings Ltd 2026. Data as of 30/06/2026. Source: Morningstar (provided without liability). Based on Daily Total Returns (net of all fund charges). Excludes taxes and inflation which reduce actual returns. Performance periods: 1st Quarter: 01/04/2026 - 30/06/2026, 1 Year: 01/07/2025 - 30/06/2026, 3 Year: 01/07/2023 - 30/06/2026, 5 Year: 01/07/2021 - 30/06/2026. **See page 28 for full methodology.**

Proxies: Asia ex-Japanese Equities: Morningstar Asia Pacific ex-Japan Large-Mid Cap GR GBP; Developed Market Equities: Morningstar Developed Markets Target Market Exposure GR GBP; Emerging Market Equities: Morningstar Emerging Markets Target Market Exposure GR GBP; Europe ex-UK Equities: Europe ex UK Equities: Morningstar Developed Europe Target Market Exposure GR GBP; Global Bonds: Global Bonds: Vanguard Global Bond Index Hedged Acc GBP in GB; Global Corporate Bonds (hedged £): Vanguard Global Bond Index Hedged Acc GBP in GB; Global Equities: Morningstar Global Markets GR GBP; Global Growth Equities: Global Growth Equities: Morningstar Global Growth Target Market Exposure GR GBP; Global Property: Global Property: Morningstar Global Real Estate GR GBP; Global Value Equities: Global Value Equities: Morningstar Global Value Target Market Exposure GR GBP; Japanese Bonds: Japanese Bonds: Morningstar Japan Treasury Bond TR GBP Hedged; Japanese Equities: Japanese Equities: Morningstar Japan GR GBP; Overseas Government Bonds: Overseas Government Bonds: iShares Overseas Government Bond Index (UK) D Acc in GB; UK Equities: UK Equities: Morningstar UK GR GBP; UK Government Bonds: Vanguard UK Government Bond Index Acc GBP in GB; US Equities: US Equities: Morningstar US Target Market Exposure TR GBP.

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Equity: AI Momentum, policy noise and a broader global rally

Global equity markets delivered positive returns during the second quarter, despite bouts of volatility, driven by resilient economic data, strong corporate earnings and continued AI investment. Several major indices, including the S&P 500 and Nasdaq Composite¹⁴, reached new record highs. Easing concerns over Middle East energy supply disruptions provided further support, though gains moderated towards quarter-end as investors reassessed the inflation and interest rate outlook.



© Timeline Holdings Ltd 2026. Data as of 30/06/2026. Source: Morningstar (provided without liability). Gross Total Returns shown in GBP. Index returns do not account for fees. See page 28 for full methodology.

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US equities rebounded strongly, with the S&P 500 and Nasdaq reaching new record highs as investors refocused on AI and technology-led growth¹⁵. Continued investment in data centres and cloud infrastructure benefited large technology companies, complemented by strong corporate earnings.

Whilst the market experienced a period of volatility as investors reassessed the sustainability of the technology rally, broader sentiment remained resilient. The US dollar weakened initially as energy prices eased and risk sentiment improved, but recovered towards quarter-

¹⁴ S&P 500, Nasdaq hit record closing highs on AI optimism, Micron joins \$1 trillion club, Reuters, 2026.

¹⁵ Dow Hits Record High, Nasdaq And S&P 500 Jump On US-Iran Deal And SpaceX Optimism - SPCX, NVDA, ROKU, CRM, AMZN In Focus, Yahoo Finance, 2026.

end as the Federal Reserve maintained a hawkish stance. As a result, currency effects were less pronounced than might have been expected, with the strong performance of US equities remaining a driver of returns in portfolios¹⁶.

European equities delivered strong returns during the quarter, gaining 10.27% in GBP terms. After a volatile start to the period, sentiment improved as energy prices eased and concerns over further geopolitical escalation moderated.

Economic activity remained relatively resilient despite weaker services activity. Performance was supported by a broad range of sectors, however, the region's more limited exposure to AI-related technology meant it benefited less from the technology-driven rally than other markets. Financials remained resilient, supported by strong earnings and capital positions, while industrials benefited from ongoing investment in defence, infrastructure and manufacturing.

UK equities delivered modestly positive returns during the quarter but lagged other major regions. Banks, energy and mining companies provided support at various points during the quarter, while investors continued to favour established businesses with resilient cash flows, dividends and share buyback capacity.

The market's defensive and value-oriented composition, together with the international exposure of many larger UK companies, provided some resilience during periods of uncertainty¹⁷. Returns were uneven as Middle East tensions and changing expectations for Bank of England policy affected sentiment. Meanwhile, the UK's limited exposure to large technology, semiconductor and AI-related companies meant it captured less of the rally that supported US and Asian markets.

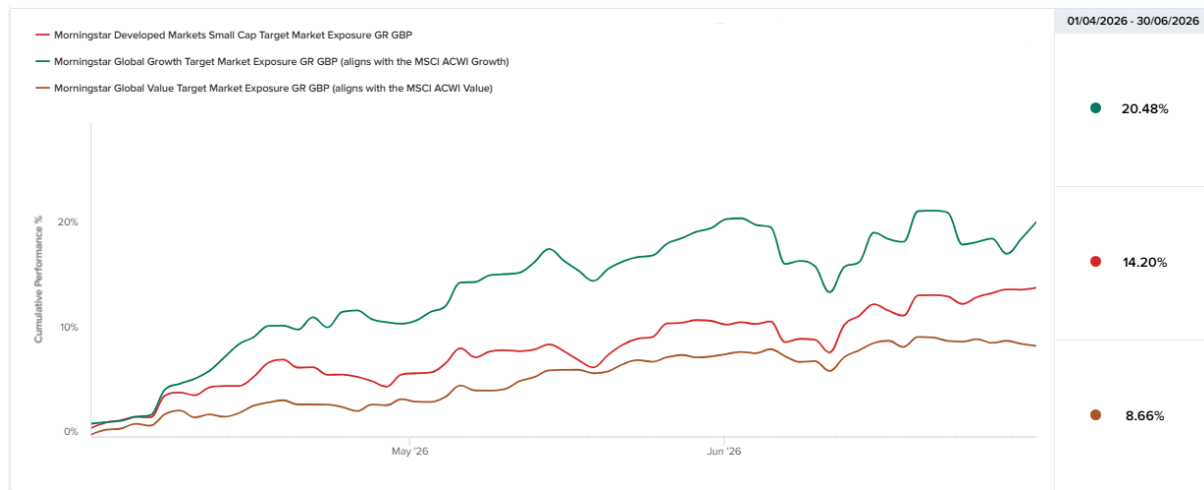
Emerging market equities were the strongest-performing major region, supported by improving investor sentiment, a weaker US dollar and strong demand for technology and semiconductor companies in Asia.

Taiwan and South Korea were clear standouts, with Korea's semiconductor exports rising 169.4%¹⁸ year-on-year in May, though their high technology exposure also made them more sensitive to sector volatility. China and India contributed mixed returns, with domestic growth concerns in China and higher energy prices in India.

¹⁶ US dollar strengthens to 13-month high on Fed rate hike expectations, Reuters, 2026.

¹⁷ UK politics: Volatility risk rises, but the equity story is nuanced, Barclays, 2026.

¹⁸ South Korea export growth hits four-decade high on AI chip boom, Reuters, 2026.



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The AI-driven rally continued to shape equity market performance during the quarter, creating a clear gap between growth, small-cap and value stocks. Growth stocks were the strongest-performing style, returning 20.48%¹⁹, supported by substantial investment in AI infrastructure. This particularly benefited mega-cap technology companies, which have a dominant weighting within growth indices.

Smaller companies and value stocks also delivered positive returns, although both lagged the strong performance of growth²⁰. Small caps rose by 14.20%²¹, ahead of value stocks, which returned 8.66%²². Small-cap performance reflected selective opportunities across technology, industrial and energy businesses.

¹⁹ Morningstar Global Growth Target Market Exposure GR GBP (22.06.26).

²⁰ Morningstar, 3 Years of the AI Stock Market Boom in Charts (22.05.26).

²¹ Morningstar Developed Markets Small Cap Target Market Exposure GR Index (22.06.26).

²² Morningstar Global Value Target Market Exposure GR GBP (22.06.26).



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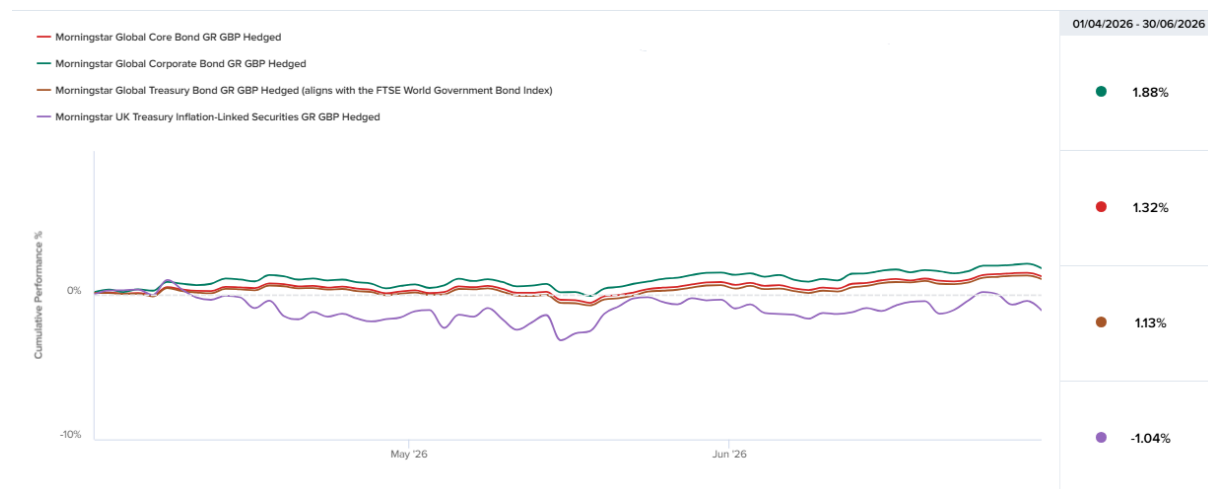
While small-cap and value stocks lagged growth during the quarter, both factors delivered strong absolute returns over the past year, returning 33.90%²³ and 31.07%²⁴, respectively, compared with 26.39%²⁵ for growth stocks.

²³ Morningstar Developed Markets Small Cap Target Market Exposure GR GBP (29.06.26).

²⁴ Morningstar Global Value Target Market Exposure GR GBP (29.06.26).

²⁵ Morningstar Global Growth Target Market Exposure GR GBP (29.06.26).

Fixed income - higher yields and renewed inflation concerns



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Fixed income markets experienced a challenging and volatile quarter. Rising energy prices and Middle East tensions increased uncertainty around inflation and interest rates, with longer-dated government bond yields reaching multi-decade highs in several developed markets. Investors demanded greater compensation for persistent inflation risks, higher expected government borrowing and fiscal uncertainty.

The US experienced a challenging and volatile environment for government bonds. Investors steadily reduced expectations for near-term interest rate cuts as the economy remained resilient despite higher energy prices and persistent inflation concerns²⁶.

The Federal Reserve kept its policy rate unchanged at 3.50%-3.75%²⁷, in June, while signalling a cautious approach as inflation remained above target. Treasury yields increased at points during the quarter as investors adjusted to the possibility that interest rates could remain higher for longer. Persistent inflation concerns, resilient economic data and higher

²⁶ Why the US economy keeps defying the odds, BBC, (14.06.26).

²⁷ Fed decision as it happened: US central bank drops bias for rate cuts as Kevin Warsh era begins, Financial Times, (17.06.26).

expected government borrowing added pressure to longer-dated Treasury yields. In May, the 30-year Treasury yield briefly rose to around 5.2%, its highest level since 2007²⁸.

Across Europe, sovereign bond markets were influenced by changing inflation expectations and developments in energy markets. The European Central Bank raised interest rates by 25 basis points in June, taking the deposit rate to 2.25%, as inflation and energy prices moved higher²⁹.

Sovereign bond yields generally rose during much of the period, reflecting concerns around inflation and government borrowing. Over the period, inflation concerns fell, and expectations for further ECB tightening were scaled back, supporting government bond markets and pushing Germany's 10-year Bund yield down towards 2.9%, its lowest level since March³⁰.

UK gilt markets remained volatile throughout much of the quarter as investors weighed concerns around government borrowing, fiscal sustainability and the outlook for inflation. Lower-than-expected inflation data and falling oil prices initially supported government bond markets and reduced expectations of further interest rate increases.

However, the Bank of England kept the Bank Rate unchanged at 3.75%³¹ and continued to highlight inflation risks, leading yields to rise following the policy announcement. By mid-June, the 30-year gilt yield was around 5.48%³², having reached its highest level since 1998 in May. Longer-dated gilts remained particularly sensitive to inflation expectations and fiscal concerns³³.

Emerging market debt delivered mixed returns during the second quarter of 2026, with performance shaped by higher oil prices, changing US interest rate expectations and currency movements. The International Monetary Fund noted that bond spreads generally widened more for oil importers than for oil exporters during the energy shock³⁴. Despite the energy pressures, emerging market debt continued to provide relatively high income, supported by positive real yields and improved policy credibility in several countries. However, returns remained highly dependent on country selection, the direction of US Treasury yields and currency movements.

²⁸ Global bonds tumble on fears of inflation shock from Iran war, Financial Times, 2026.

²⁹ Monetary Policy Decisions, European Central Bank, (11.06.26).

³⁰ Germany 10-Year Bond Yield, Trading Economics, (17.06.26).

³¹ Bank Rate maintained at 3.75% - June 2026 Monetary Policy Summary and Minutes, Bank of England, (18.06.26).

³² UK 30-Year Bond Yield, Trading Economics, (18.06.26).

³³ UK 30-year gilt yield hits highest since 1998 on political and inflation fears, Reuters, (15.05.26).

³⁴ Press Briefing Transcript: Global Financial Stability Report, Spring Meetings, International Monetary Fund, 2026.

Closing Thoughts

Over the past quarter, the same key themes have continued to influence portfolio returns for clients. AI has both been a positive contributor and detractor from global markets. Tension in the Middle East is still persistent, leaving global bond markets and central banks cautious for future moves.

The UK is likely to have some transition in leadership in mid-July, which will likely frame future policies and the Autumn Budget depending on what future route Burnham and his Chancellor decide to take with fiscal policy. Finally, mega-IPOs are likely to be key themes throughout the year, with Anthropic and OpenAI both potentially listing this year.

Despite all this uncertainty, equity markets have continued to move from strength to strength. At the midpoint of the year, equity markets are currently on course for another year of double-digit returns, although future performance cannot be predicted. With a lot still to come this year, what will happen next still remains uncertain. As investors, it's always important to remain focused on your financial plan and ignore the potential noise that can occur from the wider economic landscape.

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By using Belmayne, investors can trust that their hard-earned money is being invested in strategies designed to maintain resilience under all market conditions. This gives you the best chance of achieving your long-term investment objectives.

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If you would like to discuss the contents of this report in more detail, please don't hesitate to contact the Belmayne team on (01246) 298181 or email enquiries@belmayne-ifa.com