



STRATEGY OUTLOOK

JULY 2026

An aerial photograph of a coastal area. The top half shows a dark, textured green area, possibly a forest or a large body of water. Below this is a rocky shoreline. In the foreground, there is a large, light-colored body of water, possibly a lagoon or a bay, with a sandy beach and a small structure on the shore. The text "SUCCESS. TOGETHER." is overlaid in white on the water.

SUCCESS. TOGETHER.

-Staying invested through exponential change as markets climb wall of worry.

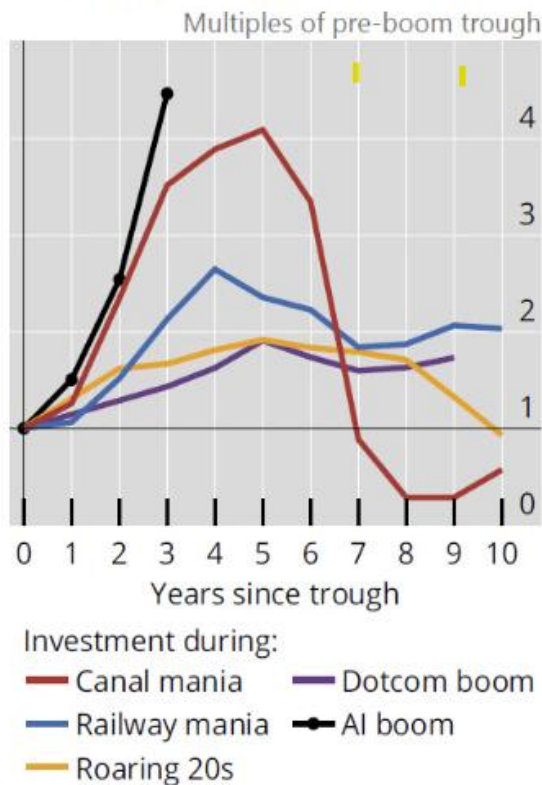
“But how do we know when **irrational exuberance** has unduly escalated asset values, which then become subject to unexpected and prolonged contractions as they have in Japan over the past decade “.
A. Greenspan 1996

Greenspan’s “irrational exuberance” warning remains a useful lens for today’s market backdrop. It was not an immediate market-timing signal; rather, it was a reminder that periods of genuine innovation can still end in overextension. That distinction matters. The AI investment cycle is supported by real demand, visible capex and accelerating earnings momentum, **but markets have a habit of turning compelling long-term stories into short-term excesses.**

Our conclusion is therefore deliberately balanced: we remain invested in the major long-term themes, while becoming more selective, more valuation-aware and more disciplined around portfolio construction. Calling a market top is rarely a repeatable investment process. **Staying exposed to structural growth**, while maintaining ballast through hard assets and energy, is a more robust approach.

	June	YTD
S&P	-1.2%	10%
Rest of the World	-0.4%	13.6%
US Treasury	0.4%	0.5%
Gold	-12.6%	-8.2%
Bitcoin	-17.9%	-34.5%
WTI Crude	-20.4%	21%
USD Index	2.4%	3%

C. Boom-bust cycles are a regular feature of past major innovations



The graphic from the Bank of International Settlements (BIS) is an example of the narrative that will increasingly start to seep into investors thought processes as to where on this exponential curve we are.

The underlying demand story remains powerful. Micron’s recent results highlight the intensity of AI-related memory demand, with sharply higher revenue, stronger pricing and expanding margins.

Export data from South Korea (first graph overleaf +53% yoy) also points to continued strength in the semiconductor cycle. These data points support the view that the AI build-out is not merely a narrative; it is visible in corporate revenues, margins and trade flows.

That said, investors should be careful not to extrapolate exponential change in a straight line. The risk is not that technology is unimportant; **the risk is that the market eventually prices the good news too perfectly.**

The Nikkei's strong relative performance versus the S&P 500 and Nasdaq over the past five years (second graph) is a reminder that leadership can broaden and rotate, even within powerful multi-year themes.



Portfolio positioning and recent changes.

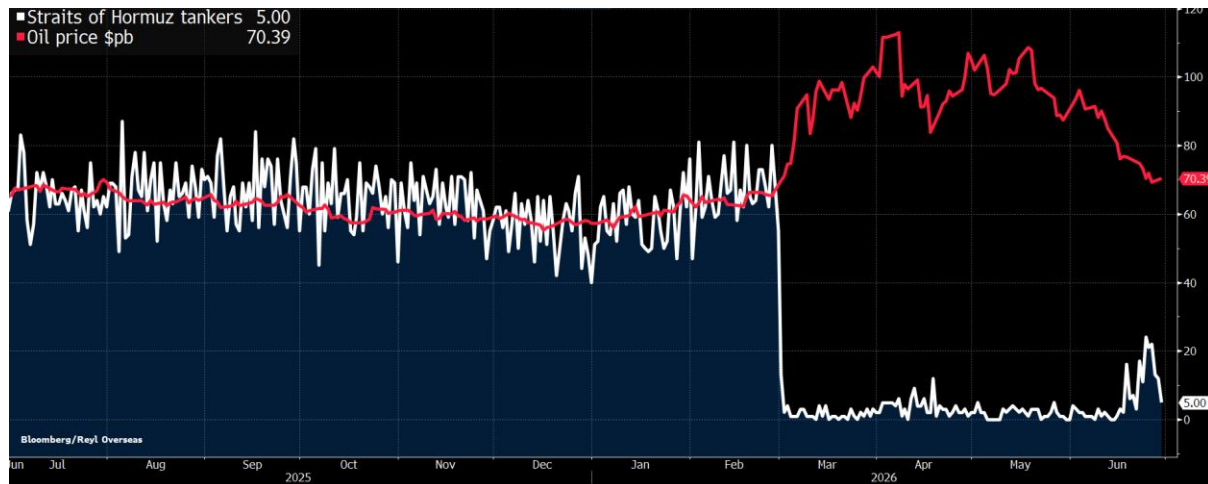
We have added exposure to healthcare, where valuations and sentiment remain subdued despite meaningful scope for productivity gains and efficiency improvements. We have also rebuilt exposure to silver following a significant drawdown from its highs. Silver remains attractive as a medium-term allocation because demand is linked to data center's, semiconductor manufacturing, consumer electronics and infrastructure, while supply is relatively inelastic, given that silver is primarily mined as a by-product and new mine supply can take decades to develop.



Energy and hard assets remain strategic.

Oil has reversed the gains associated with the Strait of Hormuz conflict, helped by the official reopening of the Strait (third graphic). However, the underlying geopolitical risk has not disappeared. This issue may linger in the background, much as the Ukraine/Russia conflict has done, moving in and out of the headlines without being fully resolved. OPEC's latest World Oil Outlook **reinforces the structural case for energy exposure**: it does not forecast peak oil demand, identifies non-OECD economies as the dominant growth engine, highlights India as the largest incremental demand contributor,

and estimates that fossil fuels will still represent around 70% of the energy mix by 2045. The key market risk is therefore not simply demand destruction, but underinvestment, with cumulative oil investment needs estimated at \$14 trillion.



Gold also continues to play an important defensive role, particularly for investors exposed to sterling. The UK is now on its soon to be 7th prime minister in 10 years in almost comical emerging markets type drama. The UK's political risk premium has eroded materially, and gold remains a credible hedge against currency weakness and policy uncertainty.

Policy regime : interest rates have less sensitivity.

The first FOMC meeting under Chair Kevin Warsh delivered a more hawkish message, including the elimination of forward guidance and broader structural reforms. Markets have adjusted quickly: interest-rate pricing has moved from expectations of multiple cuts at the start of the year to a meaningful probability of a hike. This shift helps explain recent strength in the US dollar and weakness in gold and oil.

We do not believe rate hikes are the most likely outcome. Labour-market data and announced corporate job reductions suggest that policy makers will need to balance inflation credibility against the economic impact of higher rates. Indeed, this year Oracle announced 21k job losses, VW 19k (further speculation of 100k in total), Amazon 16k, Meta 16k, Dell 11k, UPS 30k, Estee Lauder 9k and Cognizant 15k.....

A key question for the new regime is how traditional interest-rate policy should operate in an economy increasingly driven by AI capex, fiscal constraints and the Treasury's elevated interest burden.

Macro backdrop: strong but jobs and confidence are weak.

The macro data is better than the prevailing mood suggests. A large share of global manufacturing PMIs is now in expansionary territory, forward earnings revisions are improving, and economic surprises have turned positive. Yet confidence remains subdued, partly because the K-shaped divergence in the economy is becoming more visible. This creates a market environment in which aggregate data can look healthy while the lived experience across households, sectors and regions remains uneven.

Summary – stay invested but aware that markets are still cyclical.

We are living through an exponential shift, and conclusions based on linear thinking are likely to be unreliable. Investors will continue to move between fear and greed, and the challenge is to remain exposed to the themes that matter while avoiding the temptation to suspend valuation discipline.

Our long-term thematic focus remains unchanged: energy transition, digitalization including AI, hard assets and demographics. We would expect volatility into the Mid-terms, particularly in higher-beta areas of the market. If systemic risks remain distant, that volatility should create opportunities for the next stage of the cycle, rather than a reason to abandon structural exposure.



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