



Review

Most equity markets, except in the USA, continued to perform well in February as the rotation out of technology focussed markets, primarily in the US, towards markets more exposed to 'real economy' sectors gathered momentum. The UK market, with a heavy exposure to the latter, benefited materially and the iShares UK Equity Index tracker gained an impressive +6.37% for the month.

Whilst geopolitical tensions continued to build, the primary focus for investors was the potentially profound implications of rapid advances being made by various Artificial Intelligence (AI) tools. At the forefront of investor concerns was the likely impact on large software companies and associated business models, resulting in extremely large falls in value for many companies in the space. A general view appears to be emerging that the long-term impact of AI developments will most likely be highly deflationary, and that was one of the reasons government bond yields saw a significant decline, the biggest monthly fall in a year in the case of US 10-year yields.

Elsewhere, the US Supreme Court ruled the trade tariffs President Trump introduced in 2025 were unconstitutional, creating a high degree of uncertainty as to the medium-term implications. In the short-term, President Trump immediately imposed a 10% global tariff instead, using a section of the 1974 Trade Act. Meanwhile, over in Japan, Prime Minister Takaichi won a significant majority in the snap election, leading to a further surge in Japanese stocks given the potential for additional economic support measures.

Here in the UK, it was another relatively quiet month economically with continued signs of an improvement in economic momentum in the initial stages of the new year. However, political uncertainty continued to build around the Prime Minister, with ongoing fallout over former UK ambassador to the US Lord Mandelson, and his links to Jeffrey Epstein, alongside a crushing defeat to the Green Party in the Gorton and Denton by-election – a previous Labour stronghold.

Finally, at the end of the month whilst markets were closed for the weekend, the US and Israel launched a major offensive against Iran, targeting its leadership, nuclear and ballistic missile programmes, and armed forces.

Fund performance / Activity

February was a disappointing month for our fund from a performance perspective, as we once more suffered from the very significant underperformance of medium sized companies, to which our fund is heavily exposed, compared to the largest companies in the UK market. As such, whilst our fund gained +2.28% (share class A GBP Net Accumulation) over the period, this was materially behind the iShares UK Equity Index tracker gain of +6.37% and the peer group average gain of +4.51%.

There were several individual positive contributors to performance in February including SSP Group, Wickes, Vesuvius, Harbour Energy, Victrex, and Dunelm. There were also several individual negative contributors during the month including Johnson Matthey, International Workplace, Savills, PageGroup, and Rosebank Industries. By far the biggest detractors though were Index heavyweight stocks that we do not own, whose share prices performed strongly, including HSBC, AstraZeneca, Shell, and GSK.



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

Activity was relatively muted in the portfolio during February as we introduced no completely new holdings and made no complete disposals. We added to a variety of holdings such as Burberry, International Workplace, JD Sports, Dunelm, and Great Portland Estates, and took profits in positions such as Zegona Communications, Kier, Prudential, Rio Tinto, and Anglo American.

Market Outlook

Whilst February was another strong month for global (ex-US) equities, the launch of a significant offensive against Iran, and subsequent retaliatory measures, has sent markets into a sharp risk-off move at the time of writing. The killing of the Iranian supreme leader Ayatollah Khamenei, alongside other key figures in the regime, has been met with an aggressive retaliatory response involving attacks across multiple countries in the Middle East. Markets have been left to ponder a potentially extended period of conflict, oil prices have risen sharply and may do so yet further should the Strait of Hormuz be shut for an extended period, and air traffic movements are severely restricted across the region.

The material rise in oil prices is arousing fears of a resurgence in inflationary pressures, causing a rise in government bond yields, and a reassessment of the potential for future interest rate cuts from major global central banks. Should such fears come to pass, global growth would undoubtedly slow, potentially quite dramatically, and corporate earnings growth would come under significant pressure.

Historically, these dramatic events have typically not had a material impact on economies and stock markets for an extended period. Notwithstanding that it is early days in a fast-changing situation, we are inclined to believe the same will be true this time, whilst accepting an elevated level of uncertainty and acknowledging that we must remain openminded and assess new developments as they transpire.

Consequently, for now at least, we are staying focussed on the generally positive outlook for the global economy and corporate earnings growth, aided by supportive fiscal and monetary policies, that we believe will still prevail should the impact of this conflict proves relatively short lived. Regular readers will recognise that we believe our current portfolio offers exceptional value currently. During turbulent periods such as these our approach, as we typically do, is to add to preferred holdings at what we consider to be even more incredibly attractive valuations from a medium-term perspective than were already on offer previously.

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3 March 2026

Data source (unless otherwise stated): Bloomberg & FE fundinfo 2026

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