



Review

June was a mixed month for global equity markets despite seemingly positive geopolitical developments. Specifically, the signing of the U.S-Iran Memorandum of Understanding to end the war, and subsequent significant fall in oil prices, brought welcome relief from global stagflationary fears. Whilst this did not produce universally positive equity market performances, the UK market did make progress, and the iShares UK Equity Index tracker gained +1.24% over the month.

Despite continued escalation of the conflict early in the month, a 'deal' was eventually reached to potentially end the war, with the agreement including reopening the Strait of Hormuz and an additional 60-day window for further negotiations around highly contentious issues such as Iran's nuclear programme. Whilst tanker activity through the Strait has been slow to pick up, markets have still anticipated a swift return to some form of normal and consequently oil prices have fallen sharply, with Brent ending the month at c.\$73 per barrel, almost back to pre-conflict levels. The easing of stagflationary fears also helped global government bond yields fall materially during June.

Monthly economic data continued to prove generally robust, particularly in the US, and this led to several central banks becoming incrementally more 'hawkish' with respect to the future path for interest rates. Despite keeping rates on hold for now, the commentary from the US Federal Reserve, under the new chairmanship of Kevin Warsh, led the way. Meanwhile, the European Central Bank delivered their first rate hike since 2023, and the Bank of Japan also lifted their policy rate by 0.25%.

Here in the UK, Andy Burnham returned to Westminster following a landslide victory in the Macclesfield by-election, taking 55% of the vote. Following intense party pressure, Kier Starmer announced his resignation as UK Prime Minister and, with no current sign of a serious alternative candidate, it is likely that Burnham will be appointed the new party leader, and hence UK Prime Minister, as early as mid-July. Quite what this will mean for the UK economic and market outlook remains to be seen, although we may get an early indication with the announcement of who will become the new Chancellor of the Exchequer, with Rachel Reeves seen as unlikely to remain in this vital role.

Fund performance / Activity

After two relatively strong months of performance for our fund, June was considerably more disappointing. Positive performance was once again focussed on the largest market constituents, with mid-sized companies, where our fund has significant exposure, declining during the month. Consequently, our fund fell -2.49% (share class A GBP Net Accumulation) over the period, materially behind the iShares UK Equity Index tracker gain of +1.24% and the peer group average gain of +1.28%.

There were a number of individual holdings that delivered positive attribution to performance in June, including SSP, DFS Furniture, Informa, Great Portland Estates, and Wickes. Not owning index heavyweights Shell and BP was also positive as their share prices underperformed with the falling oil price. There were also several individual negative contributors during the month including Bodycote, DiscoverIE, RS Group, Zegona Communications, Harbour Energy, and Victrex. Not owning HSBC, Barclays, and Unilever were significant detractors given their strong share price performances.

After several relatively quiet months, we were considerably more active in the portfolio in June. We introduced three completely new holdings - B&M Retail, Autotrader, and IntegraFin, and we made three complete disposals – Kier, Prudential, and Gamma Communications.



We were also active in adding to holdings that have been relatively weak such as Rosebank Industries, Ashmore, PageGroup, and Persimmon. We funded these additions through taking profits in holdings such as Polar Capital, SSP, Informa, and MONY Group.

Market Outlook

For global stock markets, the first half of 2026 has been dominated by two key issues. Firstly, the rapid developments in the artificial intelligence (AI) industry, with associated enormous capital expenditure plans from US technology companies. Secondly, the evolution of the US-Iran conflict, its impact on oil markets, and the consequences for the inflation and interest rate outlook. Notwithstanding fears of a 'bubble' around the former, and worries over global stagflation from the latter, equity markets have proven extremely resilient and, by and large, delivered good returns during the year so far.

As we look to the balance of 2026, whilst mindful of potential investor overenthusiasm relating to AI, it is the likely resolution of the second issue that gives us significant cause for optimism. Economic and corporate profit growth has already shown surprising resilience thus far, and the prospect of falling oil prices, contained government bond yields, and eventual easing of concerns as to the potential for significant interest rate increases, ought to allow a further acceleration in global growth in due course.

We have noted many times the fundamentally healthy shape that corporate and consumer balance sheets are generally in. What has been lacking, in a highly uncertain environment, is the confidence to deploy those balance sheet resources in a pro-growth way. We remain optimistic that this confidence can be restored, should a degree of geopolitical stability start to emerge.

Specifically, regarding the UK outlook, there is obviously the added uncertainty of yet another change in Prime Minister – the seventh in the last ten years. Whilst clearly unhelpful in the short term, we remain hopeful that a higher degree of political stability is possible over the next few years than has been the case in recent years, and that too ought to assist in the unleashing of private sector spending and investment capacity.

As with previous months, we remain hugely excited by the upside potential we see in our portfolio today. Undoubtedly it will not all be plain sailing but, as we are prone to repeat regularly, we firmly believe that value ultimately prevails in equity markets, and we truly believe our portfolio offers outstanding medium-term value at this current time.

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