Management Team
Multi-Asset Solutions Investment Team

Date
04/06/26

Please read full risk warning at the end of this document.

[1]Bonds are interest-paying financial products issued by governments, companies and other institutions when they want to borrow money from investors.

[2]Earnings per share is a company's profit divided by the number of shares, indicating profitability per share.

Monthly Commentary: June 2026

Multi-Asset

Despite the Middle East conflict continuing during May, oil prices eased back below $100 per barrel following signs of progress in peace negotiations between the US and Iran. However, the situation remains uncertain, and this weighed on bond[1] markets. Meanwhile, stock markets continued to perform strongly, led by Asia and Emerging Markets.

We continue to remain focused on the inflation outlook, interest rates, global growth momentum and the prospects for company earnings, all of which are likely to influence the performance of investments over the coming months.

UK

UK equities (company shares) saw a modest recovery in May, with the FTSE 100 Total Return Index (with dividends reinvested) rising 0.7% as markets stabilised following earlier volatility. Sentiment remained fragile, shaped by ongoing geopolitical tensions impacting energy markets and a backdrop of increasing domestic political uncertainty after poor local election results for Labour. On the macroeconomic side, inflation data provided some encouragement, with headline Consumer Prices Index (CPI) inflation easing to 2.8%. Both core inflation (with volatile food and energy costs stripped out) and services inflation fell more sharply than expected. This was the result of easing demand pressure and businesses absorbing some of the impact of rising costs. Alongside weaker labour market data, this has strengthened the case for the Bank of England to hold interest rates steady in June, rather than raising them.

Europe

European equities rebounded in May, with the MSCI Europe (excluding the UK) Index rising by 4.3% as confidence improved following earlier market weakness. While the ongoing Iran conflict continued to weigh on sentiment, easing geopolitical concerns later in the month helped support investors' appetite for risk. These positive moves included constructive outcomes from US President Donald Trump's summit with Chinese leader Xi Jinping, and optimistic signals about the reopening of key Middle East energy supply routes. At a macroeconomic level, euro area inflation data was mixed, with headline inflation rising to 3.0% year-on-year in April, driven by a sharp increase in energy prices. Meanwhile, core inflation edged lower as pressure in the services sector eased.

US

US equities had a strong May, with the S&P 500 rising 6.1% to end the month at record highs, despite concerns about inflation and the impact of trade tariffs. Kevin Warsh was sworn in as the new Chairman of the Federal Reserve, with the next meeting of the rate-setting committee scheduled for 16th and 17th June. First-quarter company earnings season proved to be a strong one, with the highest earnings growth since 2021. By mid-May, 84% of S&P 500 companies had beaten estimates for earnings per share[2] (EPS). This was the highest positive-surprise rate since the second quarter of 2021. Aggregate earnings came in at 18.2% above estimates, the highest level since the first quarter of 2021. The expectation-beating earnings remained concentrated among the tech giants, with Alphabet, Amazon and Meta the largest single contributors to the EPS growth rate. At a sector level, communication services and consumer discretionary led the upgrades, while energy was the only sector to see its earnings growth rate cut.

Japan

Japanese equities performed well in May, with the Nikkei 225 Index reaching a series of record highs, taking year-to-date gains to 31% and making it one of the strongest-performing major markets globally. The rally was driven primarily by Japan's central role in the global artificial intelligence (AI) investment cycle, with technology and semiconductor-related names leading gains. This followed strong demand signals, including robust earnings from chip giant Nvidia. Stocks such as SoftBank Group, Tokyo Electron and Advantest were key contributors, with SoftBank further supported by significant profits linked to its OpenAI exposure. Performance was highly concentrated in large growth companies, with financial sector businesses also enjoying a positive month. By contrast, rate-sensitive sectors such as real estate lagged. The Bank of Japan made no changes to rates during the month and continued to signal that any rate increases will be based on a cautious, data-dependent approach.

Asia Pacific (ex-Japan)

Asia-Pacific ex-Japan delivered very strong performance in May, with the MSCI AC Asia Pacific ex-Japan Index rising 10.9%, driven by a surge in AI-related semiconductor stocks. Gains were highly concentrated in North Asia, with the MSCI Korea Index up 36.4% and MSCI Taiwan up 17.5%. They led the rally as companies such as SK Hynix, Samsung Electronics and TSMC benefitted from accelerating demand for AI infrastructure.

In contrast, performance elsewhere in the region was more mixed, with China continuing to struggle amid weak domestic demand and structural headwinds. The widening divergence between the AI-exposed markets of North Asia and the more domestically driven economies of South and Southeast Asia was the defining characteristic for the region in May.

Emerging Markets

Emerging markets delivered a strong return in May, with the MSCI Emerging Markets Index rising 10.6% and extending an already robust year-to-date performance. In line with patterns seen across Asia, gains were heavily concentrated in a small number of AI-exposed markets, while broader performance was mixed.

Elsewhere, returns were more uneven. Latin America – particularly Brazil – underperformed amid political uncertainty and currency pressures. Indonesia also stood out on the downside, reflecting ongoing macroeconomic and market-specific challenges.

Bonds

Bond markets remained volatile, driven by ongoing uncertainty about the Middle East conflict and its likely impact on energy prices and inflation expectations. Government bond yields[3] rose earlier in the month as markets priced in expectations of higher interest rates, before slipping back partially because of weaker US economic data and hopes of progress in US-Iran negotiations. UK government bonds came under additional pressure because of domestic political uncertainty and European bonds remained weak, with limited new catalysts for positive progress. Meanwhile, in Japan, government bonds with a longer time until maturity (when the borrowed money is repaid) saw a notable increase in yields. In the corporate bond[4] arena, the additional yield paid relative to government bonds to compensate for the perceived additional risk – what is often called the 'credit spread' – was reduced during the month. This was as a result of positive financial performance by companies and expectations of a de-escalation in the Iran conflict.

[3] Yield is the income paid by bonds or other investments. It is usually stated as a percentage of the value of the investment.

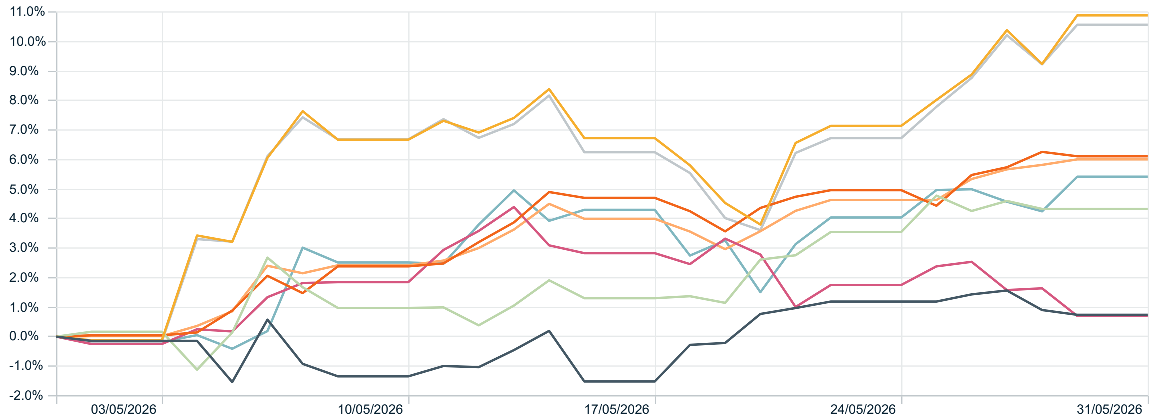
[4] Corporate bonds are bonds issued by companies.

Performance of key Global Markets

1 month performance

Time Period: 01/05/2026 to 31/05/2026

Currency: Pound Sterling

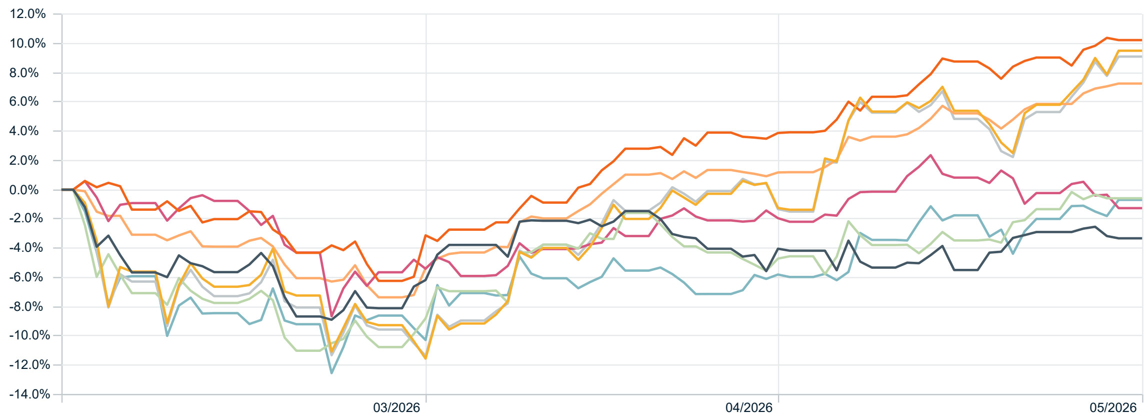


FTSE 100 TR GBP	0.7%	TOPIX TR JPY	5.4%	MSCI AC Asia Pac Ex JPN NR USD	10.9%
S&P 500 (TR) (1970)	6.1%	MSCI Europe Ex UK NR EUR	4.3%	SSE Composite Index PR CNY	0.7%
MSCI ACWI NR USD	6.0%	MSCI EM NR USD	10.6%		

3 month performance

Time Period: 01/03/2026 to 31/05/2026

Currency: Pound Sterling

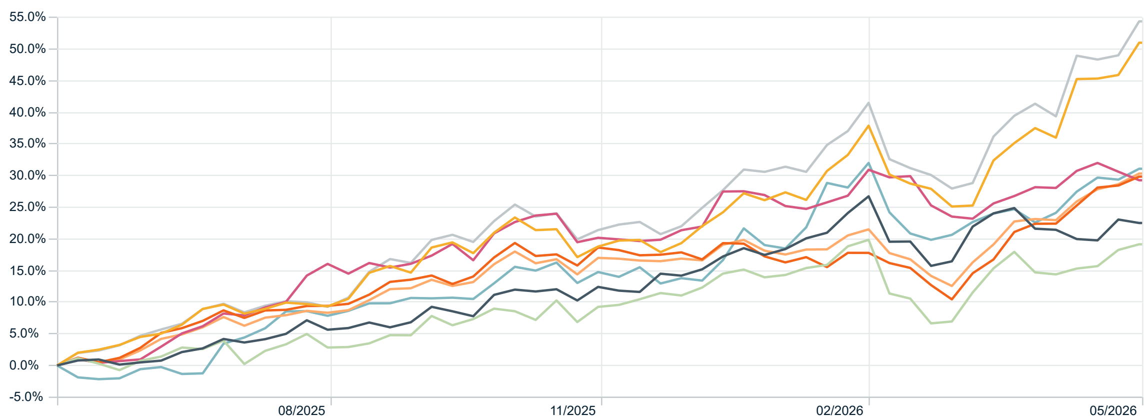


FTSE 100 TR GBP	-3.3%	TOPIX TR JPY	-0.7%	MSCI AC Asia Pac Ex JPN NR USD	9.5%
S&P 500 (TR) (1970)	10.2%	MSCI Europe Ex UK NR EUR	-0.6%	SSE Composite Index PR CNY	-1.3%
MSCI ACWI NR USD	7.3%	MSCI EM NR USD	9.1%		

12 month performance

Time Period: 01/06/2025 to 31/05/2026

Currency: Pound Sterling



FTSE 100 TR GBP	22.5%	TOPIX TR JPY	31.1%	MSCI AC Asia Pac Ex JPN NR USD	51.0%
S&P 500 (TR) (1970)	29.8%	MSCI Europe Ex UK NR EUR	19.1%	SSE Composite Index PR CNY	29.3%
MSCI ACWI NR USD	30.3%	MSCI EM NR USD	54.4%		

Source: Morningstar Direct

Risk Warnings

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