

Management Team
Multi-Asset
Solutions
Investment Team

Date
05/10/26

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

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

Yield is the income paid by bonds or other investments. It is usually stated as a percentage of the value of the investment. When yields rise, bond prices fall.

Monthly Commentary: October 2026

Multi-Asset

During September, global financial markets contended with a complex backdrop, as investors balanced resilient economic data, heightened geopolitical risks and changing expectations for interest rates.

Stock markets were volatile and performance was mixed. Strong artificial intelligence (AI)-related capital expenditure and robust company earnings supported US equities (company shares). However, European stocks fell, weighed down by increased energy prices and rising government bond yields*, which reached their highest levels in well over a decade.

The aggressive sell-off in government bonds was driven by inflation concerns and expectations that interest rates will remain higher than previously expected. The increased yields available on government bonds meant yields on higher-quality corporate bonds rose too, resulting in price falls.

Oil prices spiked significantly, averaging over \$100 a barrel, because of the conflict in the Middle East. This reinforced inflation concerns. Meanwhile, gold prices slumped during the month. This was because of the increased income available on government bonds and the stronger US dollar, which makes gold (priced in dollars) more expensive for investors using other currencies.

UK

The FTSE 100 fell by 2.0% in September, with investors concerned about higher government borrowing costs and Budget uncertainty. During the month, the Labour Party held its annual conference and investors were given greater insight into what to expect from Prime Minister Andy Burnham's government. More ambitious policy measures, such as proposed changes to the state pension 'triple lock', are, though, likely to be delayed until after the next general election. Chancellor John Healey gave little away about his Budget, which is due on 28th October. However, he did acknowledge the precarious state of the UK's public finances, which he contrasted with the position of the 'New Labour' government elected nearly 30 years ago.

Europe

It was a difficult month for European equities, with the MSCI Europe (excluding the UK) index falling 2.8%. The conflict in the Middle East, higher oil prices and the impact on inflation continued to weigh on investors' minds. This particularly matters because Europe is a net importer of energy and the European market has a high proportion of companies that use a lot of energy. This could squeeze profit margins during a period of elevated oil prices.

US

The S&P 500 returned 1.7%, with gains driven almost entirely by the technology sector. The Federal Reserve raised interest rates by a quarter of a percentage point to a target range of 3.75% to 4.00%. This was the central bank's first hike since 2023. Inflation remains above target, partly reflecting higher oil prices amid the ongoing conflict with Iran. US mortgage rates rose above 7%, weighing on an already subdued housing market.

Japan

Japanese equities rose, with the MSCI Japan index returning 3.6%. The month opened with a sharp sell-off, as rising US bond yields hit AI-linked companies. However, semiconductor stocks and technology investment giant SoftBank Group led a late recovery. The Bank of Japan raised rates to 1.25%, a 31-year high, supporting bank stocks. Overall, financial and technology companies led the way, while consumer, real estate and healthcare stocks lagged.

Asia Pacific (ex-Japan)

Stock markets in Asia Pacific edged higher, with the MSCI Asia Pacific (excluding Japan) index returning 1.2%, although gains were concentrated in technology stocks. The MSCI Korea index led the way, with a return of 5.1% as memory chipmakers extended their AI-driven run. Australia was the main drag on the region, with the MSCI Australia index down 3.1%. The Reserve Bank of Australia's fourth rate hike of the year, taking the rate to 4.60%, weighed on banks, property and consumer companies, and miners were also weaker. Hong Kong and Singapore drifted lower too, with their respective MSCI indices falling 1.4% and 0.6%, amid the rising global bond yields and renewed Middle East tensions.

Emerging Markets

Emerging markets rose modestly overall, with the MSCI Emerging Markets index up 1.5%. However, there were contrasting performances by individual stock markets. In Asia, Taiwan benefited from the AI-led rally, with the MSCI Taiwan index up 6.3%, while MSCI Indonesia fell 5.7%, MSCI India was down 5.0% and MSCI China dropped 2.6%. Brazil led the way in Latin America, with the MSCI Brazil index up 5.3%, as banks and Petrobras rallied on shifting polls ahead of the October election. Elsewhere, the MSCI Poland index was up 3.4%, while MSCI South Africa slumped 7.0%.

Bonds

Bond yields rose in a way reminiscent of the worst of the market moves in 2022 and 2023, despite a very different macroeconomic situation today. Inflation may be frustratingly stubborn, but it is in the 2% to 4% range rather than the 6% to 10% range it reached back then. Central banks may be raising rates, but they are doing so reluctantly and cautiously.

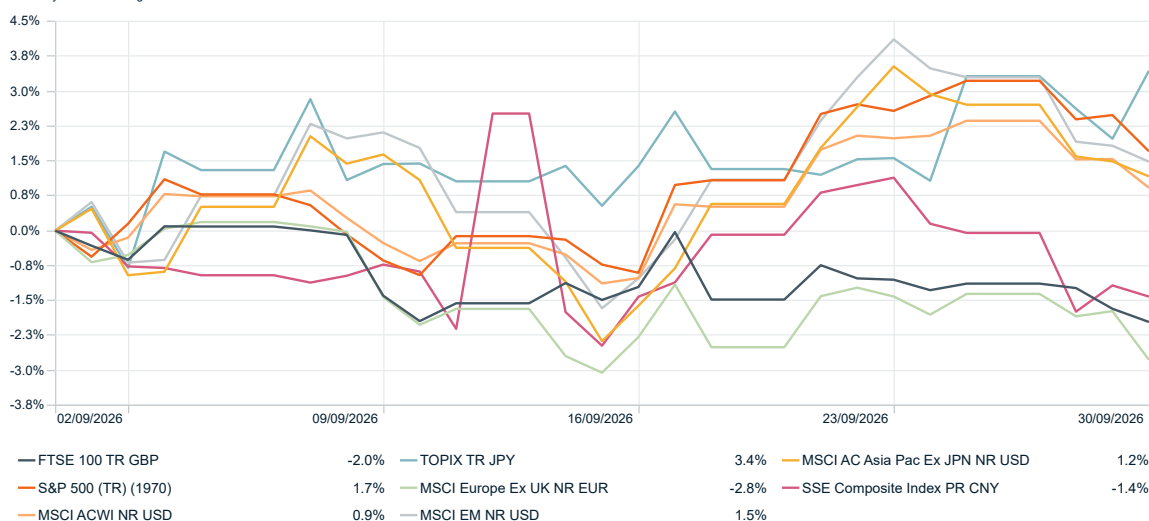
While the financial press has taken to listing myriad reasons for the weakness in bond markets, what most of these narratives miss is the extent to which many of these factors are already reflected in bond prices. We believe government bond markets are increasingly witnessing the sort of market dynamics which equities have long demonstrated. In our view, they are often being driven by investors using computer algorithms focused only on price, or hedge fund types with little to no tolerance for volatility, who become forced and repeated sellers as bond prices fall and volatility rises. These are painful times for bond investors, but the yields now on offer could provide an attractive opportunity for those taking a longer-term view.

Performance of key Global Markets

1 month performance

Time Period: 01/09/2026 to 30/09/2026

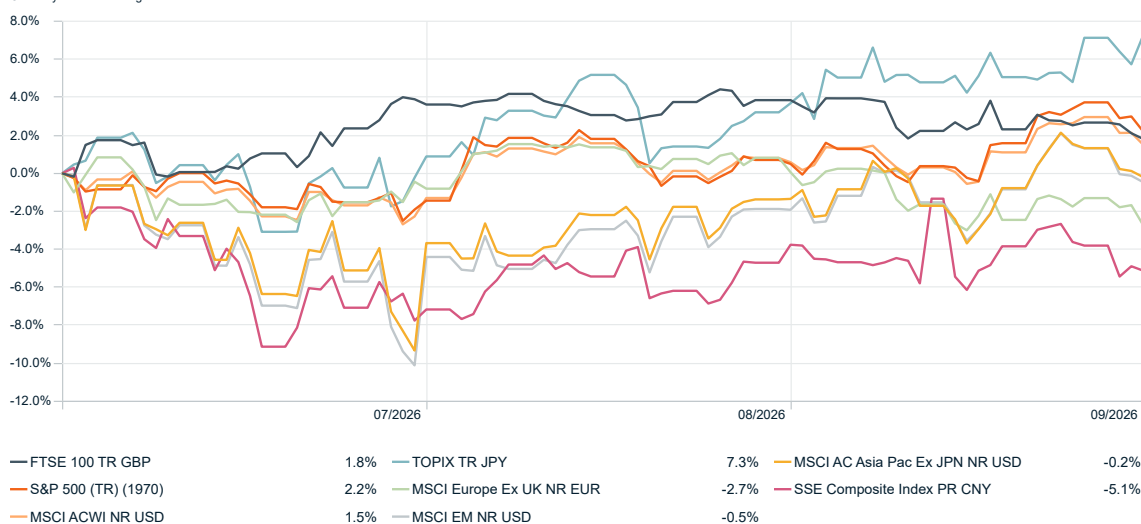
Currency: Pound Sterling



3 month performance

Time Period: 01/07/2026 to 30/09/2026

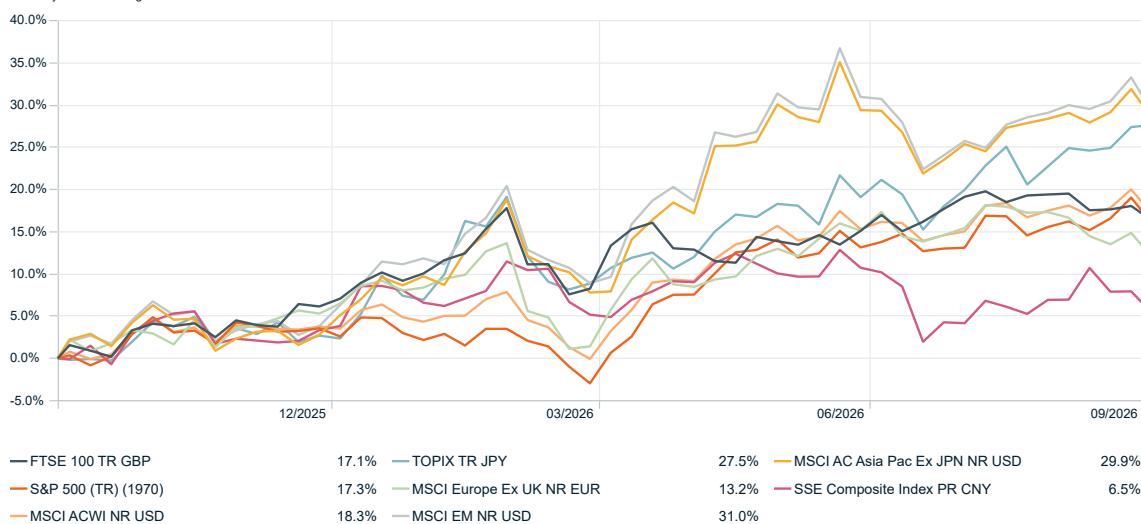
Currency: Pound Sterling



12 month performance

Time Period: 01/10/2025 to 30/09/2026

Currency: Pound Sterling



Risk Warnings

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The fund is registered and approved under section 65 of CISCA. South African investors must read this document with the latest Minimum Disclosure Document & General Investor Report.

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