



VINTAGE
asset management

Investor Insights

Quarterly Report

Autumn 2026

Overview

- / More varied returns in quarter with bond markets weak
- / Issues including oil price and AI concerns
- / Global growth proving resilient if modest overall
- / Rate of inflation still sticky and interest rates higher
- / Corporate earnings remarkably robust

Markets: the third quarter of 2026 saw a small advance in equity markets if with mixed returns and an element of volatility, notably in South Korea; the technology sector again proved robust over time and the UK fared well, although emerging markets were down overall; the oil price rose 32% in the period, adding to wider inflationary pressures which reflected also strength in the US economy; higher bond yields in turn reflected these and the high level of government debt, which passed \$40trn in the US and looked worrying in France, and there were negative returns from fixed interest assets; the gold price was up and most commodities gained in value; the excitement over AI was tempered by concerns on the huge investment and the possible risks to society.

Politics and other issues: the Iran war proved intractable and the position worsened with renewed Houthi attacks on Saudi Arabia, which impacted shipping and oil exports; the conflict in Ukraine persisted; the US and Canada imposed mutual tariffs and the latter courted the European Union; President Xi Jinping of China made a first state visit to the US since 2015 and a conciliatory tone prevailed in meetings with Donald Trump, whose popularity faded ahead of the November mid-term elections; in Germany the ruling CDU party struggled in state elections in which the far-right AfD polled strongly.

Economy: the world economy proved resilient with the US labour market seeing a surprisingly strong level of job creation in the data for August, although the numbers have been variable and prone to revision; the UK economy was reported to have grown further in July and confidence in European manufacturing increased; the Chinese economy diverged between plentiful exports and weak domestic demand.

Inflation and interest rates: in the UK the consumer price index (CPI) rose to 3.1% in August from 2.9% in July and 2.6% in June, while in the US it moved from 3.5% in June to 3.4% for the next two months; in the eurozone the inflation rate was up at 3.3% and in Japan at 1.9%; the European Central Bank lifted its deposit rate from 2.25% to 2.5%, the Bank of Japan raised its rate from 1% to 1.25% and the US Federal Reserve from 3.5-3.75% to 3.75-4%, although the Bank of England held rates at 3.75% for now.

Profits and earnings: earnings growth in the US was again substantial in the second quarter of 2026 while the rest of the world also saw material increases, driven by the technology sector above all; corporate activity was plentiful but might have peaked.

Outlook

- / Reasonable economic growth in prospect if risks
- / Central banks expected to raise interest rates further
- / Still strong corporate profits for now and liquidity high
- / Considerable political and geopolitical factors
- / Prospects broadly positive with potential volatility

Economy: the outlook for global economic growth is reasonable in spite of the many challenges in particular from the war on Iran and the wider regional conflict, where a lasting peace deal looks elusive; the restrictions in the Strait of Hormuz and the Bab el Mandab have contributed to higher energy prices; oil exports through the Strait have returned to levels near to those before the war but at a price with shipping charges substantially higher such that energy costs have remained high, with a particular pressure on diesel and natural gas; the International Monetary Fund (IMF) has noted the resilience and revised its expectations, reversing earlier caution over the impact of energy and tariffs; its base case is that global growth will be 3.1% for 2026, nudged up from an expected 3% in July, if still down on a figure of 3.5% in 2025; the IMF again raised modestly its expectation for the UK, where the economy expanded by 0.1% in the latest data covering August, when manufacturing rather than services was key; the US economy is showing encouraging signs of strength if with mixed data – capital expenditure is strong if concentrated, dominated by the large AI technology companies; governments have been ready to spend and consumers likewise by adding debt or drawing on substantial household savings; the El Niño event may be one of several factors tilting the outlook.

Inflation and interest rates: the IMF expects the global rate of inflation to average 4.7% in 2026, driven by energy costs and AI spend, then 4.1% in 2027; in the US the CPI increased to 3.7% in September from 3.4% in the two prior months, with energy the principal factor; hopes that the rate of inflation will moderate have largely evaporated and markets have priced in a series of rate rises in the US and the UK in particular, although any resolution to the war over Iran or indeed in Ukraine might see a sharp shift in expectations as the supply shock eases.

Profits and earnings: company profits have underpinned the broad expansion in equity markets with forecasts for earnings in 2026 being increased by 13% so far for the companies in the US S&P 500 index, when usually default expectations at the start of the year slip; the indicative level for growth in net income is still in the order of 20% for the year to June 2027, driven by the technology sector in the US and elsewhere but not exclusively so; share buy-backs have boosted earnings while dividends should increase steadily, anticipated to rise worldwide by 8.7% in the next twelve months with a rise of 10% in the US; the reporting season for the third quarter has started reasonably well, if with the sense that markets are more wary on any potential disappointment, and cash earnings are key.

Politics and geopolitics: the world remains in a complex state with plenty of political noise and geopolitical nuisance; the conflict in the Middle East, the continued war in Ukraine and the underlying threat to Taiwan remain problematic against a background of friction and shifting alliances with new ominous AI or human agents at work, although markets can ignore much of this if it does not impinge on earnings; the mid-term elections in the US in November are likely to dominate the news and the ultimate scenario is as hard to predict as its impact, although the latest polls suggest that Donald Trump may become a lame duck president, which could provoke all manner of reaction; the populist pressures in Europe are weighing on confidence in France and Germany.

Prospects: equity markets have retained their element of momentum given a broadly positive outlook although the recent pressure on fixed interest investments from higher bond yields might point to increased challenges to come; in the short-term too AI and in particular semiconductor-related stocks have proved volatile given various issues in customers shifting towards lower cost or open source models, more complex financing structures to fund the build-out of data centres (which have also met much local opposition) and calls to slow frontier model development in favour of greater emphasis on AI safety; rapid AI investment and development has been motivated by both corporate and national prerogatives and a slowdown, even a reduction in the rate of growth, might have a notable impact; if company profits prove as promising as predicted then there is scope for equity markets to move higher yet, if with greater volatility; liquidity and financial conditions have been supportive despite the rise in yields and they might tighten, if central bank policy proves more restrictive or a rise in uncertainty prompts the need for a higher return.

Asset Allocation

The quarterly investment committee in October opted to maintain the overall asset allocation for each mandate while being mindful of a shift in the risk/reward ratio; the broad diversification in portfolios and a blend of styles has underpinned good returns in recent years, particularly on a risk-adjusted basis given a relatively low level of volatility, while in the latest quarter value-oriented funds improved; we retain a modest and selective exposure to the technology sector in the US and Asia, where the growth potential is seducingly substantial but the risks remain, including on financing; we see positive dynamics in Japan as the economy sees renewed growth and value in its market, as in the UK and Europe; we retain our confidence in the array of emerging markets, including in their debt instruments; the weighting to fixed interest reflects the attractive level of income while we are focused on credit quality as well as on largely short duration to minimise potential capital volatility; we use alternative assets to help to offset the variations in bonds and equities and our preferred exposure is to commodities within a range of options; the return on any cash that we hold in portfolios in money market funds remains reasonable with interest rate rises set to continue.

Here is a summary of the current asset allocation by mandate, largely unchanged if with scope to do so promptly as needed, as well as the wider available ranges, which are as before.

Mandate		Bonds	Equities	Alternatives	Cash
Cautious	Range	35 - 60%	15 - 35%	10 - 35%	0 - 25%
	Current	43%	23.5%	19%	14.5%
Cautious Balanced	Range	25 - 50%	30 - 50%	10 - 30%	0 - 25%
	Current	35.5%	38.5%	18.5%	7.5%
Balanced	Range	15 - 40%	45 - 65%	10 - 30%	0 - 20%
	Current	26.5%	53.5%	15%	5%
Balanced Growth	Range	5 - 30%	60 - 80%	5 - 30%	0 - 20%
	Current	16.5%	67%	14.5%	2%
Growth	Range	0 - 20%	70 - 90%	0 - 25%	0 - 20%
	Current	7%	80%	12%	1%
Equity Growth	Range	0 - 2.5%	80 - 100%	0 - 20%	0 - 20%
	Current	0%	93%	6%	1%

Asset Considerations

Developed markets: the resilient level of global economic growth and the high level of capital expenditure has helped many companies to grow, while the increase in revenues has fed through to impressive enhancements in earnings and dividends, with profit margins at their highest level on record in the US notably; corporate debt positions have been modest overall although free cash flow is much reduced in the technology sector following heavy capital expenditure and interest costs are rising again; the sharp increase in earnings has meant that valuations look less stretched in the US technology sector, if still above the long-term average, although the substantial capex points to the need for clarity on cash given accounting quirks; there seems to be less concern that AI might damage or destroy business models in certain sectors and a hope for enhanced productivity; concentration challenges persist in the US and we see value still in a wider exposure comprising the UK, Europe and Japan where the economic prospects are more encouraging and where individual companies can flourish globally.

Emerging markets: in China the domestic economy has remained subdued given the persistent strains in the property market, while the strength in exports has continued – in September they were up 36.3% on the prior year; the Indian economy has faced challenges but should see strong growth, with the IMF increasing its forecast rate of expansion to 7% for 2026 and 2027 while also reducing that for China to 4.5% then 4%; the technology sectors in South Korea and Taiwan have seen fast growth but have brought considerable volatility; we remain wary of the concentration risk while finding attractive opportunities.

Sectors: we retain our exposure to a number of global sectors through funds, which have a sizeable exposure to the American market which reduces our underweight position on a direct basis; such sectors include technology, where we favour a specialist approach, natural resources, where we see powerful cyclical dynamics, and insurance, where the returns have been steady over time while also tending to act to counter to momentum in wider markets; global smaller companies, in practice mostly mid-sized businesses, have looked attractive if as usual awaiting a catalyst to perform and providing more variable returns, such that we keep them under review.

Alternative assets: we still see the potential for a sustained run in the wider commodity sector after its strong performance in the third quarter driven primarily by the energy component; the price of gold may remain volatile reflecting shifts in interest rates and wider perceptions of risk, while elements of demand are variable if seeming to increase at central banks; an interesting option is in the wider infrastructure sector where governments are investing heavily and there is often a hedge against inflation; we have adjusted our approach to absolute return or defensive funds on the basis that performance can be less than compelling against cash and more volatile; trend-following strategies including managed futures retain their appeal.

Fixed interest: fixed interest assets offer increasingly attractive yields if less so in real terms as inflation stays a little higher, while the rise in bond yields has weighed on their capital value and reduced the potentially attractive total return; we still favour quality, given some pressure on credit ratings, and short duration, and we remain wary of the potential fall-out from the private credit market; we favour emerging market debt given the improved financial position and policy of many countries.

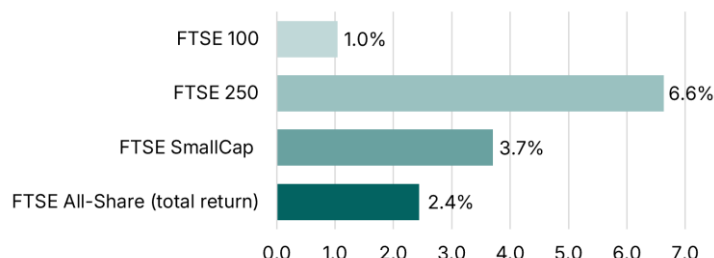
Currencies and cash: we might still anticipate that the recent variable US policy will contribute to a shift from US assets that will weigh on the US\$, although each potential rival reserve currency has its typical issues and the US\$ has benefitted from the global concerns affecting bond yields; as before our policy is to hedge out the risk from currency in fixed interest if not usually in our equity exposure; the expected returns from cash on deposit and from money market funds remain reasonable for now with interest rates increasing.

Asset Returns

United Kingdom

In the UK the FTSE 100 index was up by 1.0% in the third quarter to 10,606 to make a return of 6.8% for the year to date.

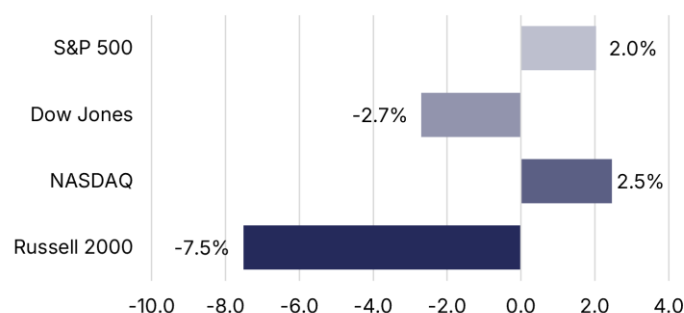
The FTSE 250 index of mid-sized companies gained 6.6% and the FTSE SmallCap index rose by 3.7%. The total return for the FTSE All-Share index including income was 2.4% in the period.



United States

In the US the S&P 500 index was up by 2.0% in the quarter, while an equal-weighted index was down by 2.3%.

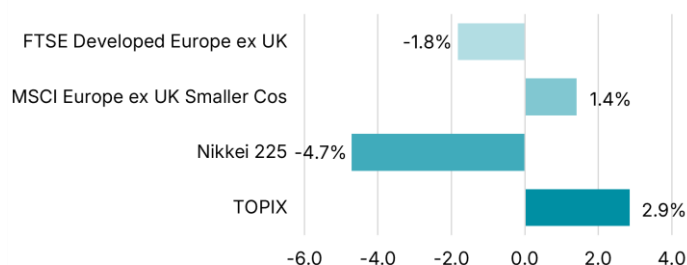
The Dow Jones Industrials index declined 2.7% while the technology-oriented NASDAQ index gained 2.5%. The Russell 2000 index of smaller companies fell by 7.5% in the period.



Europe & Japan

The FTSE Developed Europe ex UK index was down by 1.8% over the quarter which saw negative returns in most of the major markets, France faring worst with a fall of 5.2% in the CAC 40 index. The MSCI Europe ex UK Smaller Companies Index was up by 1.4%.

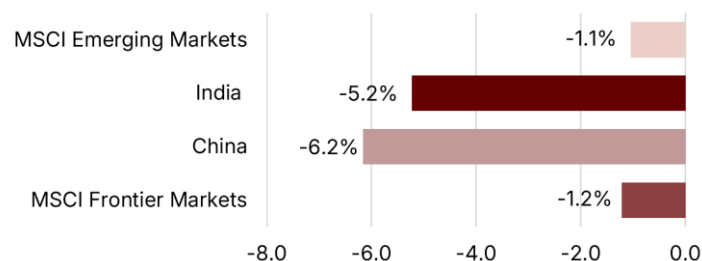
In Japan, the Nikkei 225 index fell by 4.7% and the more representative TOPIX index rose by 2.9% over the quarter.



Emerging Markets

The MSCI Emerging Markets index in US\$ fell by 1.1% in the quarter. The Indian market was down by 5.2%, and the Korean market saw a significant fall of 19.3%, driven by the dominant technology shares.

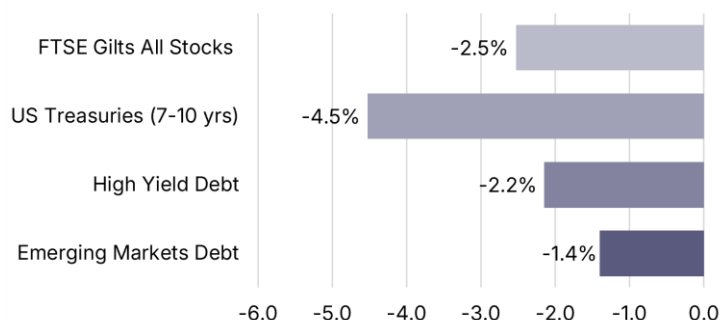
In China the Shanghai index lost 6.2% while the Hang Seng index in Hong Kong rose by 7.6%. The MSCI Frontier Markets index was 1.2% lower with the Vietnamese market down by 4.9%.



Bond Markets

In bond markets the UK 10-year gilt yield rose sharply from 4.76% to 5.42% and the total return for the FTSE Gilts All Stocks index in the quarter was a negative 2.5%.

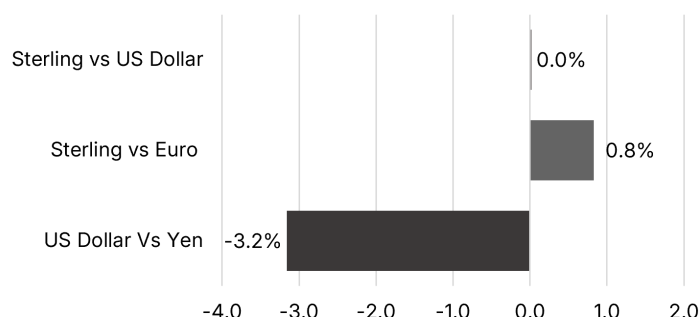
In Germany the 10-year bund yield moved from 2.86% to 3.59% while the US ten-year yield rose from 4.47% to 5.28%. There were declines across the main bond markets.



Currencies

Sterling was largely unchanged against the US\$ and closed at a rate of \$1.33:£ while against the euro Sterling was up by 0.8% in the period to end at a rate of €1.17:£.

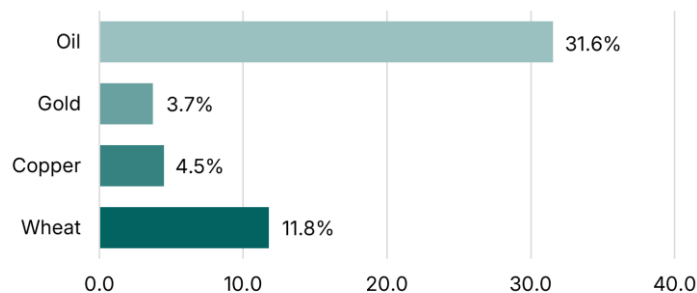
The US\$ was down by 3.2% in the period at ¥157:\$ against the Japanese yen.



Commodities

The price of Brent crude oil rose by 31.6% in the quarter to \$98 per barrel. Gold rose by 3.7% to end at \$4157 per troy ounce, if being weaker in September.

The prices of major metals were mostly positive in the period, with copper up by 4.5%, and the main agricultural commodities were mostly higher, with wheat up by 11.8%.



19th October 2026



VINTAGE
asset management

IMPORTANT NOTICE: Vintage Asset Management Limited (VAM) is registered in England and Wales under number 06694183 and its registered office is at: 7a Wyndham Place, London W1H 1PN. Vintage Asset Management is authorised and regulated by the Financial Conduct Authority, FCA number 489408. This document has been prepared for information purposes only and is not a solicitation or an offer to buy or sell any security. It does not purport to be a complete description of our investment policy, markets or any securities referred to in the material. The information on which the document is based is deemed to be reliable, but we have not independently verified such information and we do not guarantee its accuracy or completeness. You may not recover what you invest. Changes in exchange rates may have an adverse effect on the value, price or income of foreign currency denominated securities. The level of yield actually achieved on your investment will be dependent on the tax treatment of the product you have invested in and your personal tax circumstances. Levels and bases of taxation can change, investments or investment services referred to may not be suitable for all recipients. Real portfolio performance may vary from model performance due to the timing of investment. This factsheet does not provide individually tailored advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this factsheet may not be suitable for all investors. VAM recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular strategy will depend on an investor's individual circumstances and objectives.