



Market Commentary

Global equity markets were mostly weaker over the month of September when the concerns over the higher oil price and increased yields in bond markets were again factors in a complicated world. The persistence of inflationary pressures was behind an increase in interest rates, which are expected to move higher. There were signs of strength in the US economy and the technology sector remained resilient in spite of debate over the course of Artificial Intelligence.

The price of Brent crude futures, the usual benchmark, rose above \$110 on renewed clashes in the war between the US and Iran. Attacks from Iraq led to the temporary closure of the Saudi East-West pipeline and the Houthi rebels in Yemen took control of the Bab al-Mandeb, the strait aptly named as the Gate of Grief, which had become an important alternative route for oil exports after the restrictions in the Strait of Hormuz, although there were indications that shipments of crude oil through the strait were returning to pre-war levels. The oil price fell back from its highs, if rising by 8% over the month, but diesel prices remained high, with the US threatening to stop its exports.

The US declined to support Saudi Arabia in its conflict with the Houthis and admitted it had weapons in space. America also announced tighter financial sanctions on Iran and in time on its trading partners, which risked complications in relations with China which took 90% of Iranian oil exports in 2025. Negotiations continued on a possible end to the war in Iran, if being unlikely to succeed ahead of the November mid-term elections. The US and Canada imposed mutual tariffs and the latter's premier, Mark Carney, courted the European Union, which proposed an associate membership. President Xi Jinping of China went to the US for his first state visit since 2015 and a conciliatory tone prevailed in his meetings with Donald Trump; the trade truce between the two countries due to expire in November was extended to January. President Xi also met his Indian counterpart Narendra Modi at an annual gathering of the BRICS nations, attended by Vladimir Putin. Russia intensified its missile and drone attacks on Ukraine. The ruling United Russia party retained its parliamentary majority in an election result that held no surprises. In Germany by contrast the Christian Democrats fared poorly in elections, losing Saxony-Anhalt to the far-right AfD which also won in Mecklenburg-Vorpommern. Denmark and Greenland reached a defence agreement with the US.

Bond markets were weak on concerns over the impact of energy prices on the rate of inflation as well as high government spending on the level of sovereign debt, which in the US continues to rise even before the possible impact of finding some \$1.3trn to fund Donald Trump's offer of \$5,000 to each American adult if the Republicans win the mid-term elections. The yield on 30-year Treasuries closed the month at around 5.6%, which might deter both business and consumer spending.

For now the US economy has looked resilient. The latest data for the labour market showed the surprising creation of 162,000 jobs in August while the loss of 23,000 jobs in July was revised to an increase of 21,000 in yet another example of extensive amendments which might challenge the initial market reaction. The unemployment rate

remained at 4.1%, and retail sales increased, although housing starts fell. The purchasing manager indices showed the strongest private sector expansion since mid-2021, across services and manufacturing. The UK economy expanded at a strong reported rate of 0.4% in July, the same as in the second quarter, with the services sector benefitting from AI-led technology demand. European manufacturing appears to be enjoying its best spell of growth in four years, although certain sectors remain vulnerable to Chinese competition. China saw a continued divergence in its economy, with little increase in retail sales in August, up 0.4% on the prior year, and with fixed asset investment declining by 7.1%, whereas industrial production rose by 5.2% and exports jumped 25%, dominated by technology.

In the US the consumer price index (CPI) was unchanged at 3.4% in August while the core rate declined slightly from 2.5% to 2.4%. The core rate for the personal consumption expenditure index rose by only 0.2% on the prior month, which was less than expected. In the UK the CPI rose further from 2.9% in July to 3.1% in August, reflecting higher petrol prices and energy bills. In the eurozone the rate of inflation also rose again, to 3.3% in August from 2.9% in July, with energy prices key, although the core rate dropped to 2.4%. In Japan the headline rate of inflation was unchanged at 1.9%.

Central banks moved to raise interest rates, the US Federal Reserve for the first time since 2023 to a new range of 3.75-4% from the previous 3.5-3.75%. Its chair Kevin Warsh noted that inflation had been too high for too long and the central bank would secure price stability. Twelve of the nineteen committee members expected another quarter-point rise in 2026 and four of them two such moves, with only three seeing no further change this year. The European Central Bank raised its deposit rate from 2.25% to 2.5%; its president Christine Lagarde expressed concern that inflationary pressures would be longer-lasting, with the expected rate averaging 2.5% over 2027 if nearing the target of 2% by the end of that year. The Bank of Japan raised its rate to 1.25% with its president Ueda Kazuo suggesting there were more rises to come. The Bank of England did hold interest rates at 3.75%, in a vote of 6-3 on the monetary policy committee, although it changed its approach with the proposed sale of £20bn of gilts a year.

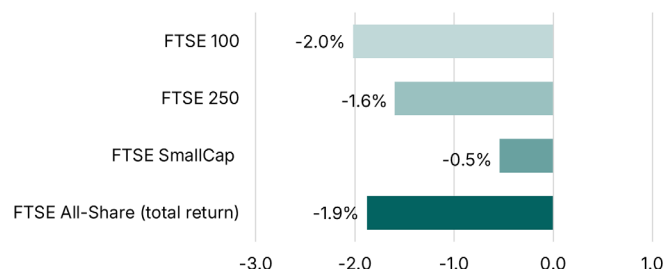
Corporate earnings have underpinned investor confidence and have been helped by the level of share buy-backs, which at \$572bn in the second quarter of 2026 were 27% higher than the previous year, with the technology sector prominent. Company profits are high with no sign as yet of the margin compression that had been apparent ahead of all recessions in the US going back to the 1950s. There remains debate over the effectiveness of the high capital expenditure for Artificial Intelligence while there were further worrying security breaches, prompting a call for restraint, if not from Donald Trump; he also proposed re-naming AI as 'super intelligence', at least not 'American Intelligence' as he had looked to do with parts of the globe. America's current perspective saw it as the only country at the UN General Assembly to vote against plans to dispense with the standard Mercator map.



United Kingdom

The FTSE 100 index was down by 2.0% over the month to 10,606 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index were down by 1.6% and 0.5% respectively.

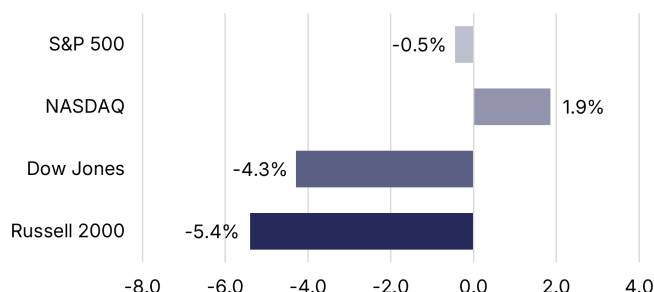
The total return for the FTSE All-Share index, including income, was down by 1.9% in the period.



United States

In the US the S&P 500 index was down by 0.5% in the month, while the equal weighted version fell by 5.0%; the technology oriented NASDAQ index rose by 1.9%, and the Dow Jones Industrials index fell by 4.3%.

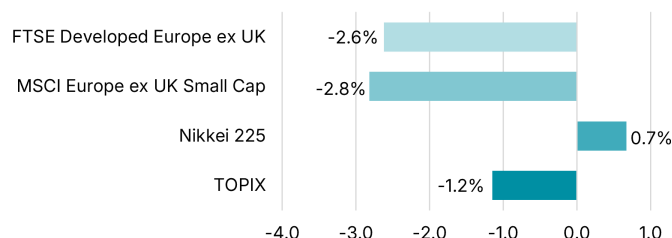
The Russell 2000 index of smaller companies was down by 5.4%.



Europe & Japan

The FTSE Developed Europe ex UK index was down by 2.6% over the month. The MSCI Europe ex UK Small Cap Index including income fell by 2.8%.

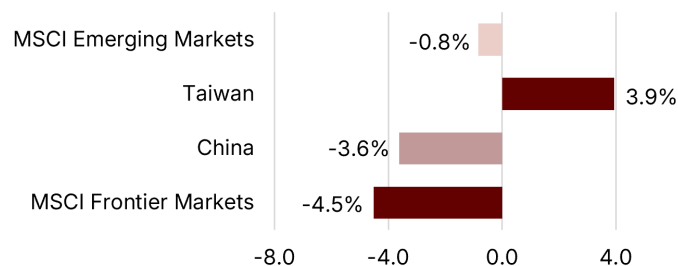
In Japan the Nikkei 225 index rose by 0.7% and the more representative TOPIX index fell by 1.2% in the period.



Emerging Markets

The MSCI Emerging Markets index in US\$ was down by 0.8% in the month; there was a gain of 3.9% in Taiwan, while India fell by 5.8% and the Brazilian market was up by 5.0%. The Korean market saw a gain of 0.3%. The Shanghai index was down by 3.6% and the Hang Seng index in Hong Kong fell by 3.7%.

The MSCI Frontier Markets index was down by 4.5% for the month while the Vietnamese market fell 3.5%.

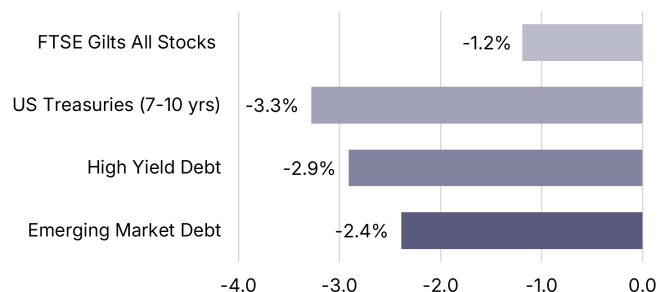




Bond Markets

The UK 10-year gilt yield increased from 5.06% to 5.42% and the total return for the FTSE Gilts All Stocks index in the month was a negative 1.2%. In Germany the 10-year bund yield moved from 3.32% to 3.59% and in the US the 10-year yield was higher at 5.28% from 4.75%.

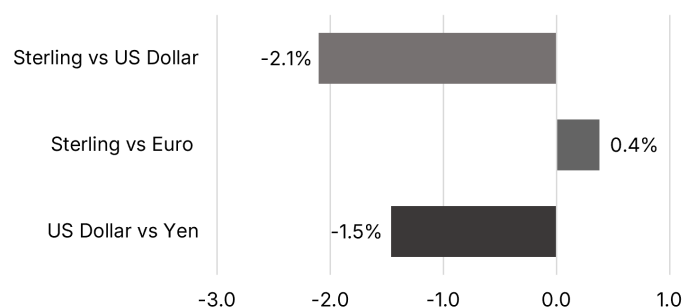
The major bond markets were down in the month, with the Emerging Market local debt index seeing a negative return of 2.4%.



Currencies

Sterling was down by 2.1% against the US\$ in the month, ending at a rate of \$1.33:£, while against the euro it was up 0.4% to end at a rate of €1.17:£.

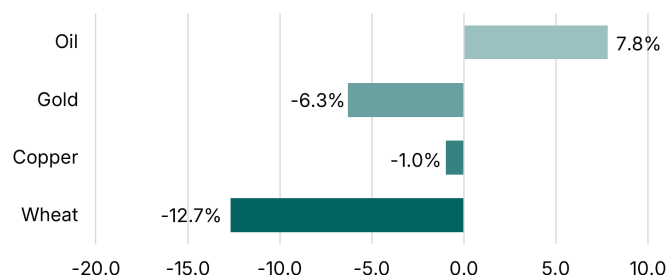
The US\$ was down by 1.5% at ¥157:\$ against the Japanese Yen.



Commodities

The price of Brent crude oil ended the month up by 7.8% at a level of \$98 per barrel. Gold was down by 6.3% to close at \$4,157 per troy ounce.

The main metals had negative returns in the month, with copper down by 1.0%, and the main agricultural commodities were also down, with wheat decreasing by 12.7%.



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.

