

marketmatters

Market Summary

The second quarter of 2026 saw a turn in the volatility that started the year, as the conflict within the Middle East began to de-escalate. Brent crude oil fell back to near pre-war levels from the peaks of \$120 per barrel and risk appetite returned for global markets.

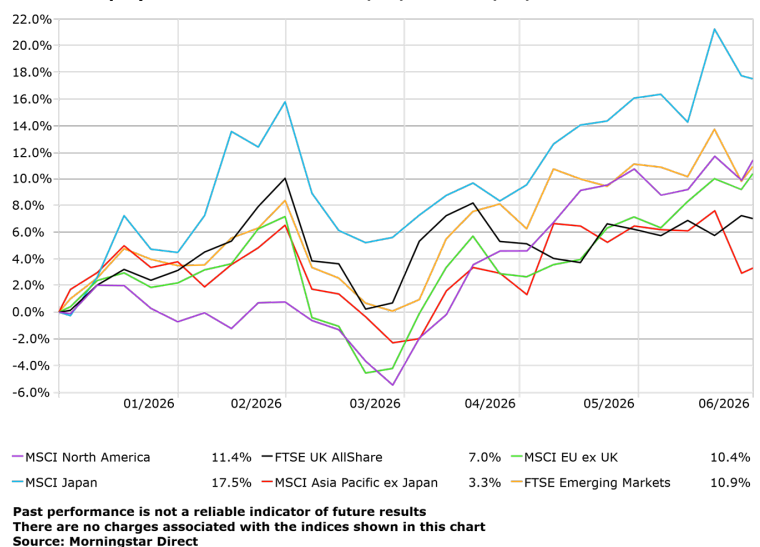
Central banks like the Bank of England, Federal Reserve & European Central Bank adopted cautious or tightening monetary policies. This had been spurred by rising inflation which has stemmed from the conflict within the Middle East.

Global equity earnings were revised upward, with the technology sector being a key driver as investors rotated back into the artificial intelligence (AI) trade. In the US, the technology sector exhibited strong corporate earnings, with NVIDIA being a focal point for investors.

Despite energy sector volatility within the energy dependent economies like Europe and the UK, equities performed positively. The key attributors in performance came from the UK Financial sector and within Europe growth and smaller company stocks. Gold which is seen as an inflation hedge endured a more difficult quarter by contrast. After having reached all time highs above \$5,589 per ounce in late January prices steadily declined through the second quarter as 'safe haven' demand cooled and capital rotated into risk assets, marking gold's worst quarterly performance in 13 years.

Equity Markets – see Chart 1

Chart 1 - Equity Market Performance - 01/01/2026 - 30/06/2026



The US equity market demonstrated returns in excess of 10% year to date. Technology and communication services sectors saw strong gains whilst the energy sector faced challenges due to geopolitical uncertainties. Returns broadened out into smaller companies however the new Federal Reserve Chair Kevin Warsh struck a hawkish tone at their June meeting.



UK equities performed strongly during the first quarter of the year though were largely sideways through Q2. The UK's heavy tilt towards energy, miners and consumer staples left it on the sidelines as the AI and technology narrative reasserted itself globally, this was further compounded by domestic political uncertainty.



European equities showed positive trends, growth stocks outperformed value stocks and smaller companies rallying. Auto motive and defensive sectors experienced volatility, though defense equities rallied due to on going conflict within Ukraine. Q2 was marked by geopolitical tensions, economic challenge and shifts in energy and trade policies.



Japan is the highest performing index year to date. Japan equities demonstrated robust gains, especially in the technology sector. Emerging markets continued their strong momentum, led by Korea and Taiwan on sustained AI demand. China struggled from woes in the consumer staple and consumer discretionary sector of the market.

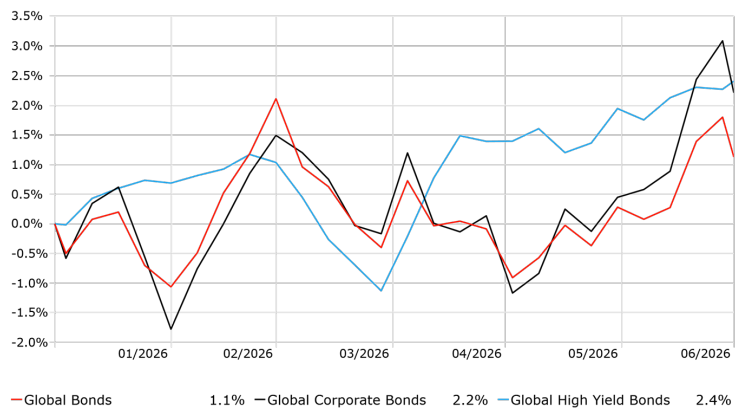
Fixed Income—see Chart 2

Bonds demonstrated positive returns year to date with high yield bonds demonstrating the highest level of returns over this period. At the beginning of the year investors expected Central Banks to continue cutting interest rates.

However with the conflict within the Middle East impacting inflation, Central Banks have adopted hawkish stances which can impact Fixed Income markets negatively. Although the key driver of returns within fixed income has been due to the yield available.

Chart 2 - Bond Market Performance - 01/01/2026 - 30/06/2026

Time Period: 01/01/2026 to 30/06/2026



Global Bonds shown by Bloomberg Global Aggregate Bond Index
Global Corporate Bonds shown by Bloomberg Global Aggregate Corporate Bond Index
Global High Yield Bonds shown by Bank of America ICE Global High Yield Bond Index
Past performance is not a reliable indicator of future results
There are no charges associated with the indices shown in this chart
Source: Morningstar Direct

Economic Update



The Federal Reserve held interest rates steady, however new Chair Kevin Warsh expressed greater inflation concerns than the market had anticipated. Employment growth exceeded expectations with a jobs gains average 175,500 across April and May. Unemployment remained steady at 4.3%.



The Bank of England held rates at 3.75% in June. CPI Inflation held at 2.8% in May which came in below expectations. GDP growth was low citing 0.6% growth in Q1 of 2026. Prime Minister, Keir Starmer, resigned and Andy Burnham looks to be taking over the Labour party, making politics a focal point this quarter.



ECB raised rates by 0.25% at its June meeting taking the deposit rate to 2.25%, citing Middle East driven inflation pressures. This marked the ECB's first rate hike since ending a run of cuts in June 2025.



Japan increased rates by 1.0% which was largely expected. Strong wage growth, rising prices for producers led to a hawkish tone from the Bank of Japan. China's inflation turned positive up 1.2% year on year in April. Elsewhere India remains among the higher growth economies while other regions such as Brazil forecast lower growth.

Portfolio Performance

The table below shows the performance of Gemini Asset Management's (GAM) discretionary risk-rated portfolios. The table compares the performance of GAM's Discretionary Models against the FTSE All Share and the most relevant Investment Association (IA) Mixed Investment sector. The weight of equity in each IA Mixed Investment sector is the main deciding factor when choosing which is the most suitable comparator to each GAM portfolios but the constitution of the GAM portfolios and the relevant IA sectors could still be different from one another. Whilst a direct comparison of GAM's portfolios with an equity index such as the FTSE All Share, or the relevant IA Mixed Investment Sector are not like-for-like, it gives an indication of volatility and performance differences on a risk-adjusted basis and can demonstrate the importance of spreading risk through diversification.

Name	Cumulative Performance (%) to 30/06/2026											
	31/03/2026		Year to Date		30/06/2025		30/06/2023		30/06/2021		16/03/2017	
	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector	GAM Portfolio	Sector
GAM Dynamic MPS 3	5.20	4.50	4.60	3.50	10.20	8.70	28.10	23.00	21.60	12.40	43.00	28.00
GAM Dynamic MPS 4	7.80	6.50	7.00	5.50	15.10	12.50	35.20	30.30	27.00	22.40	56.00	45.00
GAM Dynamic MPS 5	10.10	9.50	9.60	7.60	19.40	17.10	43.40	38.10	34.80	32.40	76.30	71.00
GAM Dynamic MPS 6	12.50	9.50	12.00	7.60	23.90	17.10	48.40	38.10	37.70	32.40	88.70	71.00
GAM Dynamic MPS 7	15.10	9.50	15.00	7.60	28.90	17.10	56.20	38.10	41.10	32.40	102.30	71.00
FTSE All Share	4.20		2.80		21.90		53.30		71.00		95.00	

Source: Morningstar Direct data 17/03/2017 - 30/06/2026 Past performance is not a reliable indicator of future results. Figures do not include initial, advice, discretionary management or platform fees, but do include fund charges/OCFs.

The sectors used as comparators with the portfolios are the respective IA Mixed Investment sectors. Gemini's GAM 3 is compared to the IA Mixed Investment 0-35% Shares sector; GAM 4 is compared to the IA Mixed Investment 20-60% Shares sector; and GAM 5, GAM 6, and GAM 7 are compared with the IA Mixed Investment 40-85% Shares sector.

The value of an investment and the income from it could go down as well as up. The return at the end of the investment period is not guaranteed and you may get back less than you originally invested.

Asset Allocation and Fund Review

The Gemini Asset Management investment team reviewed the existing asset allocation model in conjunction with the recommendations and capital market assumptions put forward by our independent actuary, Dynamic Planner. As a result of this there were changes made to the GAM discretionary models during Q2 2026.

Asset Allocation and fund changes – Quarter 2, 2026

The Gemini Asset Management (GAM) investment committee reviewed the existing asset allocation model in conjunction with the recommendations and capital market assumptions put forward by our independent actuary, Dynamic Planner. As a result of this there were changes made to the GAM discretionary MPS (managed portfolio service) models during Quarter 2 2026, with the main themes for the asset allocation changes covered below.

The table below shows the asset allocation for the Gemini Asset Management Dynamic MPS – the weight for each asset class is noted, and the colour of the text signifies whether or not a weighting has been increased, decreased or remained the same during Quarter 2 2026. An increase in weight is shown by **green text**, a decrease in weight is shown by **red text**.

Asset Class	Risk Level									
	GAM 1	GAM 2	GAM 3	GAM 4	GAM 5	GAM 6	GAM 7	GAM 8	GAM 9	GAM 10
Cash	100.0%	52.0%	20.0%	8.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Income	0.0%	40.0%	50.0%	45.0%	33.0%	22.0%	10.0%	4.0%	0.0%	0.0%
Equity - UK	0.0%	1.0%	3.0%	6.0%	6.0%	7.0%	7.0%	6.0%	2.0%	0.0%
Equity - EU	0.0%	0.0%	4.0%	6.0%	7.0%	8.0%	8.0%	7.0%	3.0%	0.0%
Equity - US	0.0%	4.0%	10.0%	16.0%	17.0%	24.0%	23.0%	23.0%	16.0%	5.0%
Equity - Japan	0.0%	1.0%	4.0%	6.0%	7.0%	8.0%	8.0%	7.0%	3.0%	0.0%
Equity - GEM	0.0%	0.0%	0.0%	2.0%	7.0%	10.0%	15.0%	26.0%	46.0%	65.0%
Equity - APAC	0.0%	0.0%	0.0%	1.0%	6.0%	8.0%	15.0%	22.0%	25.0%	30.0%
Global Alt Equity	0.0%	2.0%	9.0%	10.0%	13.0%	13.0%	14.0%	5.0%	5.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Commentary

- Small decreases to Developed Markets (EU, UK, US & Japan) in higher risk portfolios
 - ◇ GAM reduced developed market exposure particularly within Europe and the UK due to lower expected earnings growth outside the US.
 - ◇ GAM are still positive on developed regions particularly the US & Japan where earnings momentum is strong.
- Decrease within Fixed Income for a Risk 8
 - ◇ Based on relative outlooks within equities and fixed income, we tilted towards equity as central banks suggest rate pauses or hikes in the future which can hinder the performance of bonds.
- Increases within Asia Pacific Equities & Global Emerging Markets
 - ◇ Emerging markets and Asia Pacific equities have benefitted exceptional expected earnings growth.

Fund Changes

Asset Class	Switch Out	Switch In	Reasoning
Global Alternative Equity	NTAM World Quality Low Volatility Equity	Goldman Sachs Global Core Artemis SmartGARP Global Equity	Switch out of NTAM due to a fall within the strategy's AUM below our internal thresholds. Switch in to Goldman Sachs & Artemis due to enhanced quantitative processes that allow for quality and momentum factors within a global equity allocation.
Global Emerging Markets	FSSA Greater China BlackRock Global Emerging Markets	M&G Global Emerging Markets	FSSA was switched out of due to concentration reasons. BlackRock was switched out of due consistent underperformance. Switch into M&G due to a strong quality driven emerging market fund that is differentiated versus peers and the index providing greater diversification benefits

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