PACIFIC MULTI-ASSET SOLUTIONS

MONTHLY INVESTMENT COMMENTARY

JULY 2026

MARKET OVERVIEW

Market performance in July was shaped by three main forces: renewed tension in the Middle East, a sharp rotation away from AI and semiconductor-related equities, and a more unsettled interest-rate backdrop following the US Federal Reserve meeting.

Doubts around the scale, funding and ultimate returns from AI infrastructure spending triggered a reversal across equity markets. The S&P 500 finished the month 2.1% lower, with our exposure to US Value being a detractor, after a very strong contribution to returns in the first half of the year and having reduced our exposure in May. Thematic exposures across global equities were also impacted by this rotation, with positions in L&G Global Robotics and Automation, L&G Healthcare Technology & Innovation, and iShares Clean Energy detracting slightly from performance.

UK equities, particularly FTSE 100 exposure, where the index's bias towards energy, financials (which posted strong earnings over the month) and other traditional sectors proved helpful as the region outperformed. RIT Capital made a strong positive contribution over the month after announcing a share buyback programme. In aggregate, despite volatility, our equity sleeve was positive over the month.

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The re-escalation between the US and Iran pushed oil prices higher again, reviving inflation concerns and contributing to a rise in long-dated government bond yields alongside a Fed meeting which took no interest rate action yet committed to its 2% inflation target. Our decision to remain exposed to shorter-dated bonds, as well as inflation-linked bonds proved additive to performance relative to a full duration index.

Diversifying assets provided an important offset, with our position in AQR Style Premia contributing strongly, showcasing the importance of the asset class and its uncorrelated nature with equity and bond markets.

Overall, July was a month of greater dispersion rather than broad market weakness. Exposure to UK equities, investment trusts and diversifying assets helped the funds finish the month with positive returns despite a challenging market backdrop.

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