June Market Overview

The first half of 2026 once again demonstrated the remarkable resilience of global markets. Despite heightened geopolitical tensions in the Middle East, renewed inflation concerns and ongoing uncertainty around interest rates, global equities continued to climb to fresh highs. Investors consistently looked beyond short-term headlines, focusing instead on strong corporate earnings and the long-term opportunities presented by Artificial Intelligence. Importantly, this year's rally has been driven more by improving company profits than by expanding valuations, providing a healthier foundation for equity markets than many previous advances.

Beneath the surface, however, markets became increasingly selective. Leadership shifted away from the familiar technology giants towards companies supplying the infrastructure underpinning AI, while bond markets endured a much more challenging period as investors demanded higher yields in response to inflation and rising government borrowing. These sharp rotations between sectors and asset classes reinforced the value of active management, with diversification proving increasingly important in navigating a more fragmented investment landscape.

Portfolio Positioning

Performance for the Income model range in June was driven by a broad range of positive contributors across both equity and fixed income allocations. The largest contribution came from select Global Equity Enhanced Income funds, reflecting continued strength in global equity markets and the resilience of dividend-paying companies. Positive returns were also generated by UK Infrastructure, UK Equity Income highlighting the benefits of maintaining diversified regional equity income exposure.

Fixed income also made a meaningful contribution, with income generating strategic bond funds all adding value as credit markets remained supportive and income-generating assets continued to perform well. Offsetting some of these gains were some negative contributions from several strategic bond and equity income holdings which suffered at the hands of a more active investment market rotating towards AI and emerging markets. Given this, funds with lower levels of exposure to this area of the market were net detractors. With that being said, the month of June was positive for the income range delivering absolute return as well as income generation.

Outlook

Looking ahead, we remain constructive on the outlook for markets, although we expect the journey to become more volatile as markets become increasingly expensive. Corporate earnings remain supportive; inflation appears to be gradually moderating and investor sentiment continues to favour equities. However, geopolitical tensions, energy prices and the outlook for interest rates are likely to create periods of uncertainty, particularly as markets have already priced in a great deal of optimism. We therefore expect opportunities to emerge alongside bouts of volatility rather than a smooth path higher.

For client portfolios, our focus remains on maintaining broad diversification whilst actively identifying the next areas of long-term opportunity. Artificial Intelligence continues to represent a transformational investment theme, but we are also finding attractive value across healthcare, industrials, infrastructure, real assets and selected fixed income markets. In an environment where market leadership is becoming increasingly fragmented, we believe disciplined active management, combined with a diversified investment approach, remains the most effective way to help clients achieve their long-term financial goals.

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