

Q1 2026 Market Overview

The first quarter of 2026 began positively, with markets rising through February and extending the optimism of 2025. Beneath the surface, however, leadership was shifting. Investors rotated away from the US into international markets, with emerging economies leading the advance on improving fundamentals and a weaker dollar. Europe and the UK also performed well, supported by more attractive valuations and expectations of lower interest rates.

For Sharia investors, this broadening in market leadership was encouraging. Performance became less concentrated in a narrow group of US mega-cap technology stocks and more supportive of areas such as industrials, infrastructure and healthcare, where Sharia-compliant strategies are often better represented. More broadly, Sharia portfolios tend to favour businesses with stronger balance sheets, lower leverage and tangible business models, qualities that can become more valuable as markets grow more selective.

March, however, reset the tone. Escalating conflict in the Middle East pushed oil prices sharply higher, forcing markets to reprice inflation and interest rate expectations, which negatively affected equities and precious metals. Emerging markets came under pressure, while the FTSE 100 proved more resilient, helped by energy exposure and a weaker pound. Sukuk continued to play an important stabilising role during this period. For Sharia portfolios, that combination of resilience and diversification remains especially valuable in more unsettled market conditions.

Portfolio Positioning

March saw no trades after an active start to the year, which included a number of changes to align portfolios with our views for 2026 and beyond. Over the medium to long term, dollar weakness remains a core conviction in our positioning, reflected in our exposure to Emerging Markets and in maintaining our precious metals allocation despite recent volatility.

Within the Sharia portfolio range, we continue to favour high-quality global equities, Sukuk strategies that provide resilience and diversification, and selective exposure to emerging markets. Precious metals also remain an important part of portfolios, both as a store of value and as a source of diversification, despite a sharp sell off as central banks needed liquidity. We see this as a short and sharp move down, with both gold and silver recovering back to all time highs in the second quarter of the year. While periods of volatility are inevitable, they continue to offer useful

protection in an environment shaped by geopolitical tension, inflation uncertainty and shifting currency trends.

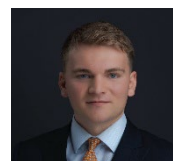
Outlook

Looking ahead, the outlook for 2026 remains closely tied to oil. Energy prices will continue to shape inflation, interest rate expectations and growth, while the fragility of the recent ceasefire suggests volatility is likely to persist. Our base case remains a partial resolution, with oil settling at elevated but stable levels and markets adjusting accordingly.

Within a Sharia framework, this backdrop reinforces the importance of discipline, resilience and selectivity. Sharia-compliant portfolios are naturally aligned with businesses that have lower leverage, stronger asset backing and clearer links to the real economy. We continue to see opportunities beyond a narrow group of US mega-cap technology stocks, particularly across emerging markets and selected international markets where valuations remain more attractive. Precious metals should also remain relevant in this environment, offering a degree of protection against uncertainty while complementing the defensive role played by Sukuk.

Overall, we remain constructive but measured. While the near-term path may stay volatile, the long-term case for diversified exposure to high-quality equities, Sukuk and real assets remains intact for Sharia investors.

Overall, we remain constructive but measured. The near-term path may be more volatile, but for long-term Islamic investors the case for staying diversified across high-quality equities, Sukuk and real assets remains firmly intact, with portfolios positioned to participate in growth while remaining anchored to Sharia-compliant principles.



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