

July Market Overview

Global stocks moved higher in July, boosted by a robust set of 2nd quarter corporate earnings announcements with all major central banks holding interest rates steady.



MARKET DRIVERS

Q2 corporate earnings were strong, while major central banks kept interest rates unchanged.

Global economic growth continues to be mixed, with softer Chinese manufacturing data weighing on some European (DAX -2%) and Asian markets. Conversely, buoyant US consumer data and upbeat US Tech earnings helped to propel the US market forward (S&P500 +2.2%). Investors remain broadly bullish moving into August with global ETF's and tracker funds seeing good levels of inflow which, whilst positive, we don't believe has reached "euphoria" yet. Likewise, investor positioning is undoubtedly positive towards equities but we don't see this as overstretched which is an important distinction. This indicates a level of cautious optimism which we think is healthy given the uncertain economic backdrop.

INVESTOR SENTIMENT

Global ETFs and tracker funds are seeing positive inflows, reflecting bullish but cautiously optimistic investor sentiment.



Finally, bond yields fluctuated in the face of central bankers weighing the benefits of cutting interest rates further but also cautious on not exacerbating an already volatile global inflation picture.

Portfolio Positioning

Trading activity over the period was focused on implementing modest tweaks to the Enhanced Passive portfolio's exposures with the most notable change being an increase in US equity exposure via the introduction of the Robeco 3D US Equity ETF, replacing the HSBC US Multi-Factor fund. Robeco's approach is rooted in a systematic, signal-driven process that blends traditional factor exposures with alternative data inputs, allowing the strategy to adapt as market conditions evolve. The use of alternative data adds an additional layer of responsiveness, helping

the strategy identify shorter-term opportunities that may be missed by conventional models. This shift not only increases US exposure but enhances the quality of that exposure.

INCREASE IN US EQUITY EXPOSURE



ROBECO
The Investment Engineers

INCREASED EXPOSURE TO INFLATION PROTECTED TREASURIES



We have also increased exposure to inflation-protected Treasuries to hedge against the risk of an upward surprise in inflation. While headline inflation has moderated, underlying price pressures remain elevated in several sectors, supported by ongoing supply chain constraints and robust consumer demand, particularly in the US.

Outlook

Looking ahead, we anticipate continued US market leadership as economic data holds up, inflation remains contained and central banks look towards rate cuts in the second half of the year. Summer volatility is likely as trade talks conclude and economic data points are closely analysed. The summer holiday season always induces low trading volume, amplifying market moves in both directions.



US market leadership is expected to continue, supported by solid economic data, contained inflation, and potential rate cuts in the second half of the year.

The dollar appears oversold, setting the stage for a possible rebound in the coming months. In bonds, we

favour sitting the quarter out in actively managed bond funds which can rotate between corporate bonds to boost performance and sovereign bonds to increase defence should economic data turn sour. On a macro level we favour shorter dated, and inflation protected bonds in the near term as the resultant inflation spike from US tariffs has yet to be fully felt in the US.

Europe presents a stable but slower growth profile, with potential for modest outperformance if earnings surprise and global diversification accelerates. These two markets represent active opportunities to outperform both in the short and longer term for TAM.

The UK remains cheap but good quality. Politically the situation is cloudy but recent rate cuts bode well for UK consumer positivity. Income remains attractive in the UK as buybacks and a lack of investor appetite provide more potential upside than downside. Given seasonal volatility, we maintain a cautious about bouts of sharp volatility but broadly constructive on stocks, particularly in US large caps which certainly have the momentum back behind them for now.

Looking ahead, we anticipate continued US market leadership as economic data holds up, inflation remains contained and central banks look towards rate cuts in the second half of the year.



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