Eden Park

Q2 2026 quarterly report

Overview

- Geopolitics drove volatility, but markets finished the quarter strongly
- Regional leadership broadened beyond the US
- Strong corporate earnings and AI investment continued to underpin equity markets

Macroeconomic landscape

The second quarter felt unsettled at times, predominantly driven by flare-ups in the Middle East and the impact this had on oil prices. Energy prices were volatile and that, combined with the prolonged closure of the Strait of Hormuz, naturally pulled inflation worries back into focus. This led investors to rethink how quickly central banks might cut interest rates. Even so, markets didn't really break stride when looking at the full quarter figures. After the initial swings, sentiment settled and attention drifted back towards company earnings and long-term growth prospects. Global equities ended the period stronger overall, with the MSCI World up 12.35%.

Asia ex Japan led the way by some distance, with the MSCI AC Asia ex Japan up 28.23%, while broader emerging markets followed at 24.12%. Growth in these regions has been supported by improving sentiment, demonstrated in Q1, and continued demand linked to AI and technology supply chains. Semiconductor-heavy economies were obvious beneficiaries. After a long period where the US did most of the heavy lifting, this year has felt more balanced, with the benefits of owning a diversified portfolio rewarding investors.

AI was still the dominant narrative, but the tone shifted slightly this quarter. It wasn't just about excitement anymore, it was about results. Large technology companies continued to invest heavily in AI infrastructure, yet at the same time they delivered earnings that justified a lot of that spending. That mattered for sentiment and the MSCI USA returned 15.18%, supported by those mega-cap tech results, while Japan at 16.68% also benefited from its exposure to automation and industrial technology. Outside of tech, corporate earnings across sectors held up better than expected too, which helped take some pressure off the broader market backdrop.

The conflict in the Middle East weighed more heavily on regions with greater exposure to imported energy. The MSCI Europe ex UK Index returned 13.85%, benefiting from improving corporate earnings but remaining sensitive to higher energy costs, while the UK lagged other developed markets with a return of 3.44%, reflecting its heavier exposure to more defensive sectors such as energy, consumer staples and financials, rather than the high-growth technology companies driving returns elsewhere. This resulted in a market where returns were positive across the board, but the gaps between regions were materially wide. While periods of uncertainty are inevitable, history has consistently shown that markets tend to reward patient, long-term investors who remain focused on fundamentals rather than reacting to short-term headlines. For investors, the emphasis remains on diversification and not over-committing to any single outcome or narrative.

For a more detailed summary of the Q2 investment landscape, including insights from LGT's CIO Sanjay Rijhsinghani and other key team members, **click here.**

Why resilience matters for long-term investing

Written by Ben Palmer, Team Head, Sustainable Portfolios

Resilience is the capacity to withstand disruption and recover quickly when conditions become more difficult. It has always been a desirable quality, but the turbulence of recent years has pushed the idea of building resilient systems to the centre of political, economic and social debate.

Two major developments in 2026 have brought this into sharper focus. First, the rapid build-out of AI has shown just how dependent economic growth is on strong physical infrastructure. Expanding data centre capacity is driving a sharp rise in electricity demand and exposing pressure points across power systems. Second, the Middle East energy crisis has been a reminder that global energy markets remain vulnerable to geopolitical shocks, price volatility and supply disruption.

This is why the energy transition should not be viewed only through an environmental lens. Investment in renewable power, grid modernisation and storage does more than support decarbonisation. It can also improve energy security, strengthen reliability, and make economies better able to cope with future shocks. In a world shaped by rising power demand and geopolitical uncertainty, resilient clean energy systems are becoming essential infrastructure.

The need for resilience extends well beyond energy. Water stress, pollution and years of underinvestment can disrupt communities and industrial activity alike. Businesses that improve water treatment, reduce leakage or help modernise networks are therefore not just addressing an environmental problem. They are helping to strengthen the foundations of economic stability.

The same is true in food systems. Recent fertiliser shortages following the closure of the Strait of Hormuz showed how quickly disruption can spread through global supply chains. More regenerative farming methods, better crop science and smarter use of technology can help create a food system that is more reliable and better able to adapt to external shocks. Sustainable agriculture, in this sense, is not only about reducing harm. It is about building a system capable of feeding populations in a less predictable world.

Healthier and more financially secure populations are generally better placed to cope with disruption. Companies that improve access to healthcare, insurance and basic financial services can therefore support stronger societies, while better labour standards help reinforce the reliability of global supply chains.

For investors, resilience fundamentally connects sustainability with long-term economic value. The opportunity lies in identifying businesses that strengthen the foundations of modern life for example in: resource management, energy, and health. In that sense, resilience is not a new theme, it is the frame that increasingly brings many sustainability themes together.

If you would like to learn more about how LGT thinks about building resilient systems across its business please read our recently published LGT 360 Report available **here**.

Q2 2026 Sustainable MPS performance

Model portfolio performance as at 30 June 2026

Portfolio	3 months	6 months	1 year	3 years	Since inception
EPIM Sustainable Defensive	4.37%	3.00%	6.97%	20.26%	21.85%
EPIM Sustainable Cautious	6.70%	4.69%	9.80%	24.35%	32.23%
EPIM Sustainable Balanced	9.16%	6.70%	12.95%	27.83%	45.68%
EPIM Sustainable Growth	12.57%	10.53%	18.46%	34.01%	58.11%
EPIM Sustainable Adventurous	15.51%	13.54%	23.03%	38.14%	67.06%

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Source: Morningstar

Performance of all LGT WM funds in Q2 2026

Robeco Smart Materials (+36.87%)

Polar Capital Emerging Markets (+24.78%)

HC Global Equity (+17.10%)

Vanguard US Government Bond (+0.33%)

Source: Morningstar, as at 30/06/2026

Sustainable MPS Q2 2026 performance update

Written by Ben Richards, Trainee Portfolio Manager, Sustainable Portfolios

Global equities rebounded strongly in the second quarter of 2026 after the broad based March sell off, although market leadership remained narrow and heavily concentrated in AI, semiconductors and related capital expenditure beneficiaries. April saw a sharp risk on recovery as investors looked through ongoing Middle East tensions, including disruption risks in the Strait of Hormuz and Brent crude moving above $110 per barrel, helped by the April ceasefire and a resilient Q1 earnings season. Technology led the rebound in the US, whilst Asia and emerging markets were the standout areas, supported by semiconductor exposure and strong momentum in names such as Samsung and SK Hynix. Europe lagged given its greater sensitivity to the energy shock, although the **Stoxx 600** and **FTSE All-Share** still advanced in April. By May and early June, the AI and semiconductor cycle remained the dominant market driver, but participation was increasingly narrow and highly sensitive to sentiment around memory, hardware and capex related stocks. Sticky inflation, with eurozone and US inflation still elevated, kept bond markets volatile and tempered expectations for near term rate cuts, whilst softer oil futures and inflation expectations reduced near term support for gold and inflation linked assets despite their ongoing diversification value.

Within the sustainable portfolios, the quarter was marked by a strong recovery from the March drawdown, with higher risk profiles benefiting most from exposure to **Robeco Smart Materials** and **Polar Capital Emerging Markets** both with higher allocations to the AI capex cycle. By the end of June, the portfolios had produced strong three month gains, led by Adventurous and Growth, whilst the other portfolios also recovered steadily. The narrowness of the rally was visible in fund level returns: Robeco and Polar Capital were the key contributors, whilst more diversified quality managers generally lagged the technology led rebound. As expected in this market environment bonds tended to lag equities.

The **Robeco Smart Materials** fund (+36.87%) for the third quarter was our top performing fund in our Growth and Adventurous portfolios over the quarter. The fund had an exceptional strong April followed by a choppy May and June. Its top holding Samsung at ~5% gaining over 300% in the quarter showcased the benefits of a strategy focused on the bottlenecks of advanced materials and smart manufacturing that enhance resource efficiency through scalable, cleaner and more energy efficient technologies.

The **Polar Capital Emerging Markets** fund (+24.78%) was the second best performer. Like the **Robecco Smart Materials** fund the **Polar Capital EM** fund benefited from its large holding in Samsung and other semiconductor holdings that have had an exceptionally strong quarter.

The **HC Global Equity** fund (+17.10%) was the third best performing fund over the quarter. The fund has a strong focus on industrials and is particularly overweight Europe. Performance was supported by its holding in Belimo, a Swiss industrials company that manufactures high quality components for building climate control systems. This provided useful diversification in a market that remains highly concentrated and narrowly driven.

The **Vanguard US Government Bond Index** (+0.33%) was the weakest performing fund in the portfolios. The fund was held back by a difficult backdrop for US Treasuries, as energy price volatility, sticky inflation, resilient economic data and renewed fiscal concerns pushed bond yields higher and reduced expectations for near term Federal Reserve rate cuts. This was particularly challenging for a duration sensitive government bond strategy, as rising yields translated into falling bond prices. The strong recovery in equity markets also meant there was less demand for traditional defensive assets, with investors instead rotating back into risk assets, particularly AI, technology and emerging market related areas. Whilst the fund detracted over the quarter, it continues to play an important role as a high quality defensive allocation, offering liquidity and diversification should economic growth weaken or risk appetite deteriorate.

Portfolio changes and rationale

Increased allocation to real assets via Foresight

The Committee increased exposure to real assets, funded from global core and alternatives at the lower end of the risk spectrum, and from UK equity at the higher end. This reflected a desire to improve diversification and access areas of structural growth whilst retaining a balanced overall allocation.

Sold Morgan Stanley

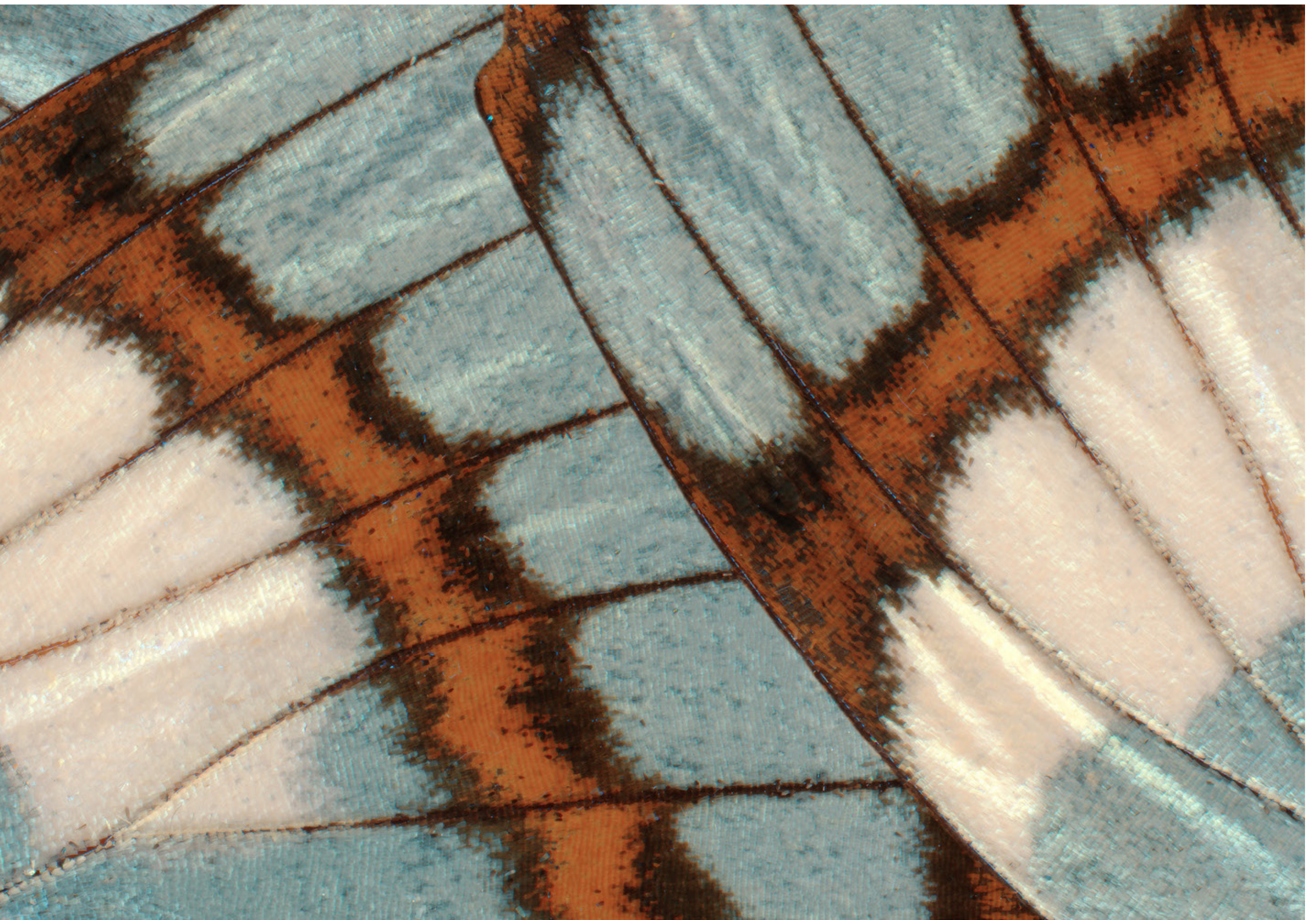
Following the decision to build exposure to **HC Resolution**, the **Morgan Stanley Global Quality Select** position was fully sold and the proceeds reinvested into **HC Resolution**, completing the move into the preferred real assets strategy. In addition, the remaining **AB Sustainable US Thematic Equity** holding was switched into the hedged share class to preserve the portfolios partial US dollar hedge, which had previously been expressed through the Morgan Stanley position.

Switched Stewart Asia Pacific into Rathbone Asia

Implemented the switch from **Stewart Asia Pacific into Rathbone Asia**. Given the strong run in Asia and elevated volatility, some of the Stewart proceeds were reallocated to global and US equity at the lower end of the risk range. In Growth and Adventurous, a small portion was redirected to Japanese equity, recognising that Stewart had historically provided some Japan exposure whereas Rathbone Asia does not.

Reduced Robeco Smart Materials modestly

Following a very strong run, with the strategy up around 50% year-to-date, the Committee agreed to take some profits from **Robeco Smart Materials**. Whilst the fund remains an important source of exposure to the AI capex theme, valuations had become more stretched, so proceeds were recycled into other thematic satellites, including **Foresight Listed Infrastructure** and **Ninety One Global Environment**, to retain thematic exposure in a more diversified manner.



Glossary

Absolute Return Funds	A form of alternative asset. They actively adjust their positions between equities, bonds, gold and other asset classes, typically with the aim of providing investment return across all market conditions.
Active fund	A portfolio of investments that is selected by a professional investment manager and managed on an ongoing basis with the aim of achieving an outperformance objective.
Beta Strategies	Investment approaches that aim to match or closely follow the performance of a market index, reflecting the overall market movements.
Bonds	Bonds are debt securities issued by governments and corporations to raise money. Similar to an IOU, the investor lends money with the agreement that it will be paid back by a specific date, and they will receive periodic interest payments along the way. Bonds come under the umbrella of '**fixed income**' investments.
Credit Spreads	The difference in interest rates between two bonds, typically one being riskier than the other. It's a measure of the extra return investors demand for taking on additional risk.
Cyclical company	Companies with a direct relationship to the performance of the wider economy as consumers may purchase their goods when the economy is doing well but cut spending during downturns.
Defensive	Defensive positions prioritise preserving capital over growth. It is important to hold such positions in periods of market turbulence.
Diversification	Spreading your money across different types of investments, such as equities, bonds, and property, instead of putting all your money in just one type of investment. By doing this, you can reduce the overall risk of your investment portfolio.
Duration	The sensitivity of the price of a bond to changes in interest rates. A bond with a longer duration will typically be more sensitive to changes in interest rates than a bond with a shorter duration.
Fixed Income	Investments that provide regular, set interest payments, such as bonds or treasury bills, and return the principal at maturity.
Gilt:	A type of fixed income investment issued by the UK government. They are considered to be among the safest investments available. They have a fixed interest rate and a specific maturity date, which can range from a few months to several decades.
Growth vs Value	Most stocks are classified as either value stocks or growth stocks. Generally, a value stock trades for a cheaper price than its financial performance and fundamentals suggest it's worth. A growth stock is a company which comes at a higher price however, its profits are expected to grow significantly in the coming years as the company develops – this is typical for technology firms.
Hawkish	Describes a stance by central banks or policymakers that favor higher interest rates to control inflation, even if it might slow down economic growth.
High Yield Bonds	High yield bonds pay investors a higher level of interest due to a great risk the borrower may default.
Index	A fund that aims to track the performance of a market index.
Market Capitalisation (Market Cap)	Market 'cap' is the market value of a company based on its current share price and total number of shares. Ultra-large cap companies have the largest market capitalisation. The largest companies by market cap are currently Apple, Microsoft, Alphabet (Google), Amazon, Nvidia and Meta (Facebook).
Maturity	The length of time until the bond issuer must repay the original bond value to the investor.
Passive fund	A passive fund aims to follow a market index, offering a low-cost way to invest in a broad range of stocks or bonds.
Quality	Quality investing is an investment style that focuses on selecting stocks of companies with strong financial health, stable earnings, and solid management.
Rally	A market rally is a sustained increase in stock prices driven by positive investor sentiment and economic conditions.
Sentiment	Market sentiment is the overarching attitude or outlook of investors towards a particular security, sector of the market or economy as a whole.
Soft vs Hard landing	A soft landing refers to a gradual economic slowdown or adjustment, usually avoiding a recession, while a hard landing is a sudden and severe economic downturn often leading to a recession.
Volatility	The degree of fluctuation in a security's price or a market's performance over time. A highly volatile share experiences larger price changes compared to more stable investments, indicating higher risk.
Yield	The income you receive on an investment, such as dividends from shares or interest from bonds.
Yield Curve	A visual depiction of how the yields of bonds vary at different maturities. It shows how much you'd earn. if you invested your money for a short time, e.g. 6 months, versus if you invested it for a longer time, e.g. 10 years.

Cover image Bauer brothers, Hortus Botanicus, detail from "Lilium," 1776/1804
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