INVESTMENT UPDATE

February 2026

ROCKHOLD ASSET MANAGEMENT

WWW.ROCKHOLDAM.CO.UK

ENQUIRIES@ROCKHOLDINVEST.CO.UK

ROCKHOLD

I N V E S T M E N T   U P D A T E

Index	Level 31 Dec	Level 31 Jan	Change*
S&P 500	6846	6939	+1.36%
FTSE 100	9951	10226	+2.8%
Euro Stoxx 600	592	610	+3.0%
Nikkei 225	50339	53322	+5.9%
Shanghai	3968	4117	+3.8%
US 10 Yr Treasury Yield	4.16%	4.24%	+0.08
UK 10 Yr Gilt Yield	4.47%	4.52%	+0.05
Bund 10 Yr	2.86%	2.84%	-0.02

*all returns in local currency terms. Past performance is not a guide to future returns.

Overview

Equity markets started the year in strong fashion, seemingly impervious to a host of geopolitical and economic news that one might ordinarily think difficult for markets to ignore. However, perhaps since the inauguration of President Trump, markets have become somewhat desensitised to extremes. Events started with the US extraction of Venezuelan President Maduro from his home in Caracas, which was swiftly followed by an assertive approach by Trump to acquire control of Greenland from Denmark. This was, in turn, accompanied by threats of new, higher tariffs against those European nations that sent troops to the country to demonstrate solidarity with Denmark, which was viewed as an act of defiance by Trump.

ROCKHOLD

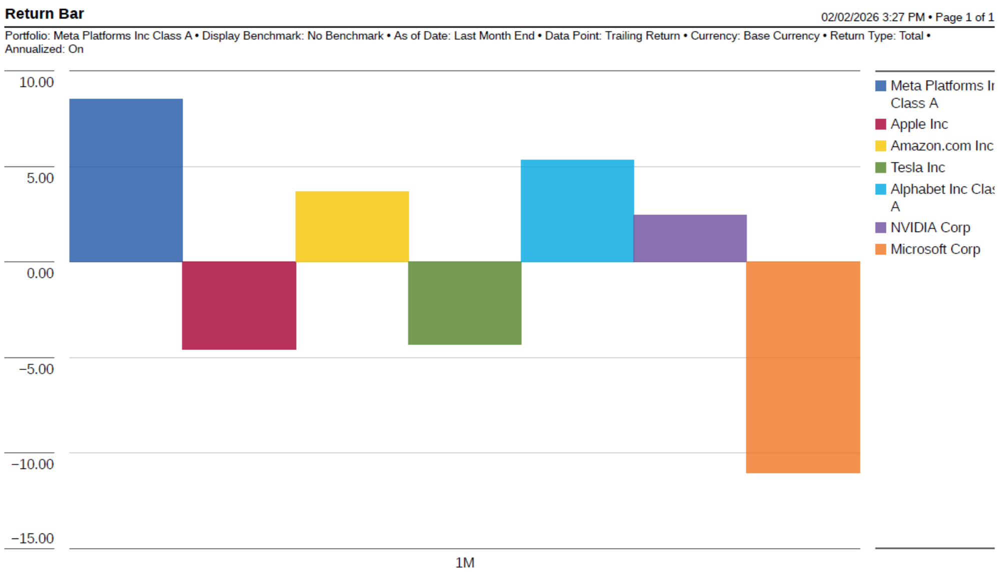
Meanwhile, the US fleet gathered in the Gulf to threaten Iran over its nuclear weapons programme. We also saw a risky snap election called by Japanese Prime Minister Takaichi, who has ambitious plans to reinvigorate the domestic economy through a programme of increased government spending. This sent Japanese bond yields to new decade-high levels and prompted possible intervention in currency markets to support the Yen. The most significant market impact of these events was on the Dollar, which weakened significantly over the month, turning a positive month for US equities into a negative one for Sterling investors. We saw a mixed set of corporate earnings, but these mainly suggested that the global economic backdrop remains supportive for business and, consequently, earnings growth.

With the obvious exception of Japan, bond markets were relatively quiet over the month, although longer-term UK government borrowing rates also crept up. This phenomenon is becoming a feature of mature economies, leading governments to increasingly rely on shorter-dated instruments for their funding needs. Corporate borrowers, however, saw the premium on their borrowing rates over governments continue to decline, reflecting the supportive economic backdrop.

Consequently, with the exception of our lowest risk portfolio, we saw positive returns across our range of solutions.

US

As mentioned earlier, while geopolitics stole the headlines, US stocks remained incredibly sanguine about the impact of the President's various decisions on this front. Instead, the focus was very much on the Dollar and fourth-quarter earnings. Although several of the top ten stocks by size reported strong earnings growth, the market's response was mixed. Whilst Microsoft's headline earnings were ahead of analysts' expectations, the level of AI-related spending spooked investors, and the share price fell sharply. This contrasted with Meta, which reported spending levels in AI-related projects well ahead of Microsoft's, yet the company's share price rallied significantly following the announcement. We are increasingly seeing a divergence in the performance of the 'Magnificent 7' stocks in the US, which was again evident in January:



Source: Morningstar 31/01/2026

However, away from the main index, we saw a continuation of the broadening of returns, which has been evident over the last three months, as mid- and small-sized company indices rose by over 4% and 5%, respectively. Value stocks also continued their recent trend of outperformance, with the S&P Value index returning over 2.5 times the main index over the three-month period.

One piece of political news that buoyed both the main market and the Dollar was Trump's announcement that he would appoint Kevin Warsh as the successor to current US Federal Reserve Chairman Jerome Powell, whose term is set to expire. Warsh has some credibility as a Fed governor for many years now and is believed to be keen on overhauling the central bank. This includes reducing the bank's level of government debt taken on as part of its quantitative easing programme. This could put him at odds with the President, as such a policy could push up longer-term borrowing rates, something the president wants to bring down. In terms of views on the impact of his appointment on interest rates, the market was still factoring in the two cuts this year following the news, and the jury is out on his likely long-term impact on interest rates.

UK

The FTSE 100 continued in January as it had left off 2025 with strong relative performance, as the index pushed above the (purely psychological) 10000 level. The principal drivers were commodity-related stocks, particularly miners, as we saw both precious and industrial metal prices continue their rapid rise, although a sharp fall in the gold and silver prices at the end of the month led to a correction in this sector. Financial stocks also performed well, as we saw positive results from the likes of Lloyds and defence-related stocks such as BAE Systems, which continued to rise on the plethora of geopolitical news.

On the economic front, we saw inflation stubbornly stuck above the 3% level. However, the Bank of England believes that lower energy bills and the slower economy mean it is likely we will see inflation fall to the Bank's target rate of 2% by the second half of the year. Domestic-related stocks seemed buoyed by the prospect, as the FTSE Mid 250 outperformed the main market, rising over 3.5%.

Europe

The technology theme was certainly still prevalent in Europe in January, as we saw the S&P European Tech Sector index up over 10%, driven by chip manufacturing equipment producer ASML's share price rise of over 30%. This aside, there was a continuation of the 2025 disparity between the markets of Germany and France, which were essentially unchanged during the month, and the southern markets of Spain, Italy and Portugal, which delivered strong returns. Despite their superior returns in 2025, the latter continue to benefit from more attractive valuations and stronger economic growth than their northern counterparts.

Politics was clearly dominated by Trump's apparent desire to annexe Greenland from Denmark, and although Trump later backed down from his threat to increase tariffs on the countries showing military support, this has caused much debate about the consequences for NATO. So, defence-related stocks, such as Rheinmetall, continued to perform strongly. On a positive note for the bloc, a trade agreement was agreed with India, which involves two regions totalling 25% of global GDP.

Japan

Japan was very much at the forefront of news flow, as recently elected Prime Minister Takaichi took a huge political gamble by calling a snap election. Although her party, the LDP, took a beating in the last election, her populist, right-wing policies seem to resonate with voters. If elected, she has ambitious spending plans to address major domestic issues and boost GDP. However, as mentioned above, the news caused a further weakening of the Yen and government bond yields rose to new highs, which puts pressure on the public purse, as the country has public debt in excess of 200% of GDP and needs to service the interest (for context, the level in the UK is around 95%). There is also an ongoing concern that the increasingly high yields on government debt may attract repatriation of institutional capital from overseas bond markets, posing issues for foreign bond issuers. Japanese exporters clearly benefit from the weaker Yen, which benefits the stock market. However, import prices rise, fuelling domestic inflation, particularly in food. Such was the extent of the Yen's move that there was intense speculation that the Bank of Japan and the US Federal Reserve were acting in unison to stem the flow, which seemed enough to reverse the decline.

Asia and Emerging Markets

Whilst the AI trade may have lost momentum in the US, the opposite was certainly the case in Asia, as Korea and Taiwan rose by over 25% and 10% respectively during the month. This level of moves highlights that the issue of concentration risk (a small number of stocks dominating an index) is not restricted to the US stock market. Samsung and Hynix, beneficiaries of the AI spending boom, represent around 50% of the MSCI Korea index, so a large move in their share prices can have a disproportionate impact on the index. This is one of the reasons that we aim to diversify our portfolios' exposure across industrial sectors as much as we do geographies, since stocks that go up by double-digit amounts in a short period of time on good news can also do the reverse on bad news. There was a useful reminder of this principle, as we saw MSCI warn of the possibility of removing Indonesia from its emerging markets indices on trading opacity concerns. The threat of index funds having to sell their holdings caused the stock market to fall by double-digits, before recovering slightly.

Latin America as a region experienced strong returns in January. However, the driver here was more of a natural resource-led theme, as we saw positive moves in commodity prices reflected in energy and mining stock prices.

Summary & Outlook

January demonstrated that, in the US at least, the market now seems to be differentiating between winners and losers in the AI trade. Investors are also focusing on lower-valued domestic options, as well as generally looking beyond the US. This should be regarded as healthy, given the dramatic upward movements we have seen in some AI-related stocks. Early indications are that corporate earnings remain strong, we see no signs of recession, and with interest rates in many countries forecast to fall this year, this backdrop remains supportive for the foreseeable future. There will no doubt be geopolitical events hitting the headlines, which may seem unnerving, but as we have learnt, the lesson is to remain disciplined and stay diversified.

Rockhold Asset Management, with contributions from 7IM, February 2026

ROCKHOLD

ROCKHOLDAM.CO.UK

ENQUIRIES@ROCKHOLDINVEST.CO.UK

IMPORTANT INFORMATION