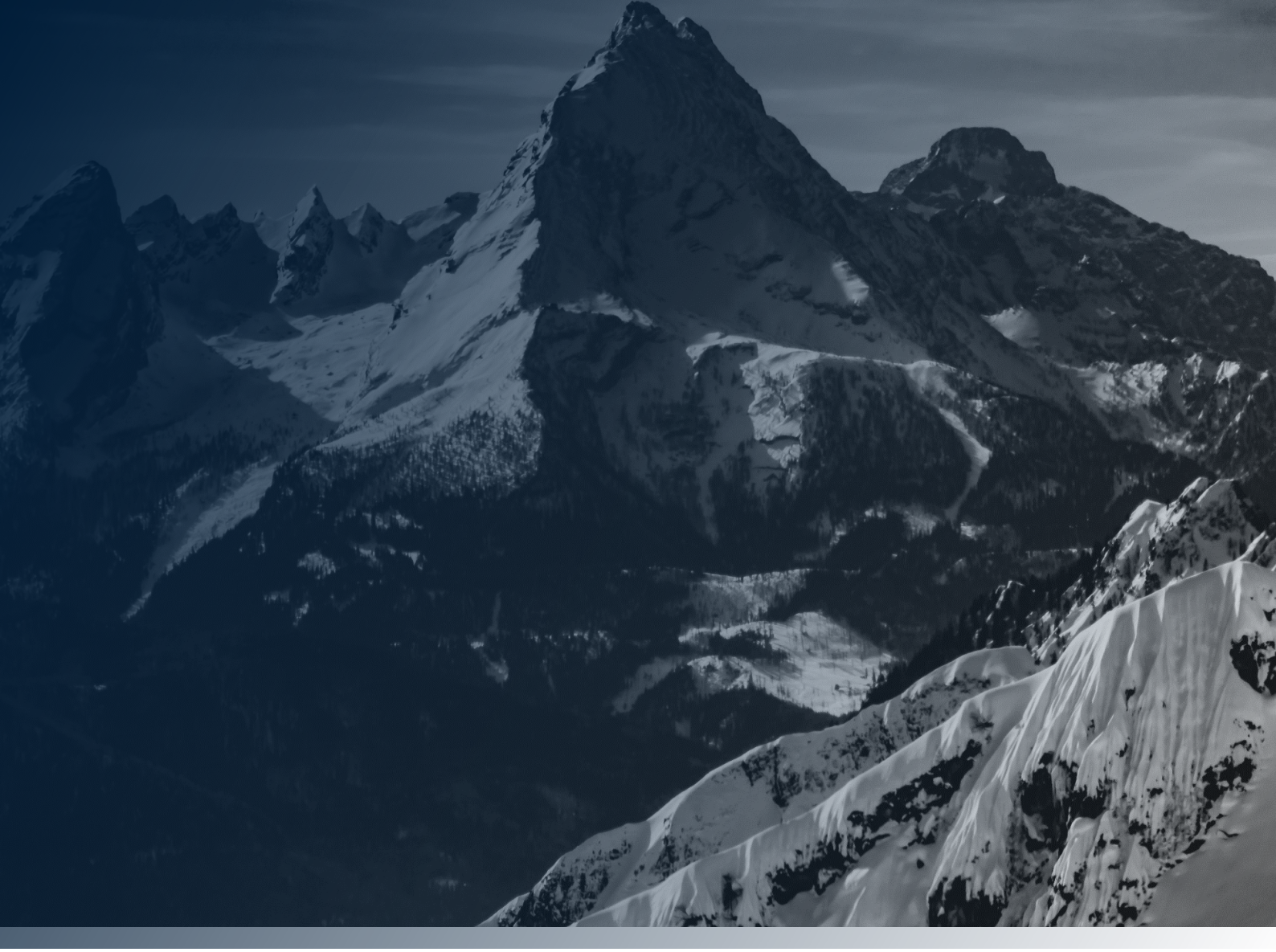


INVESTMENT UPDATE

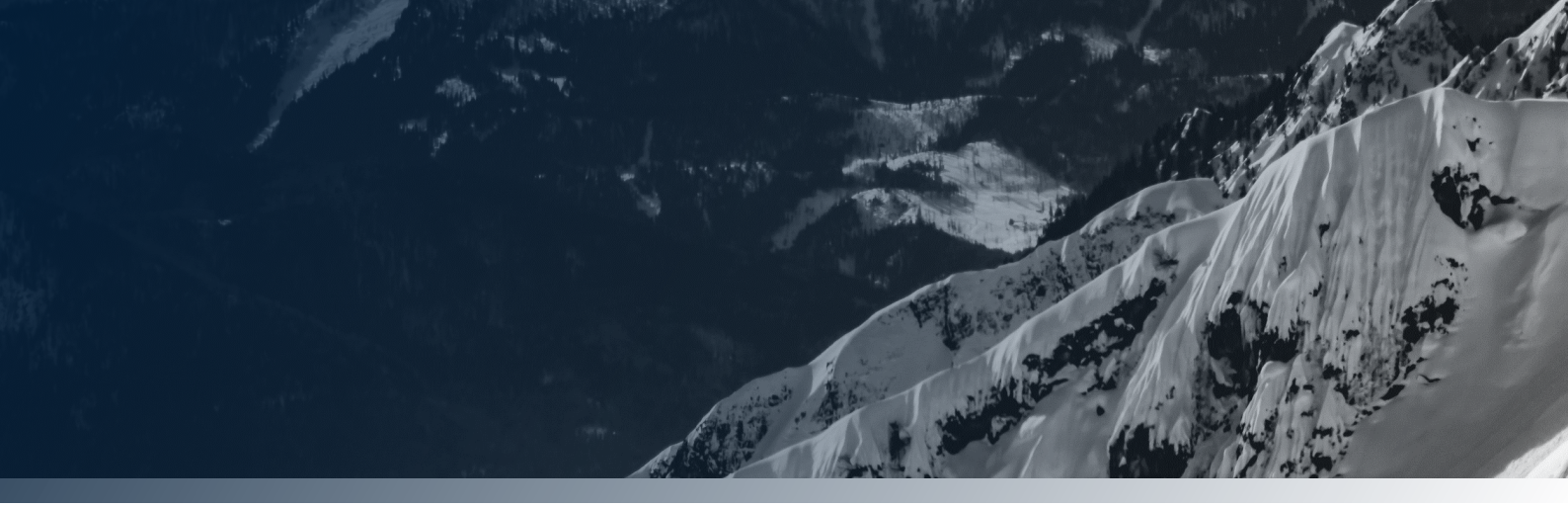
November 2026

ROCKHOLD ASSET MANAGEMENT

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ROCKHOLD



INVESTMENT UPDATE

Index	Level 30 Sept	Level 31 Oct	Change*
S&P 500	7,651	7,580	-0.9%
FTSE 100	10,606	10,729	+1.2%
Euro Stoxx 600	634	647	+2.0%
Nikkei 225	66,753	63,290	-5.2%
Shanghai	3,842	3,599	-6.3%
US 10 Yr Treasury Yield	5.30%	4.90%	-0.40
UK 10 Yr Gilt Yield	5.42%	5.30%	-0.12
Bund 10 Yr	3.57%	3.32%	-0.25

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

Overview

October was certainly a month of two halves. Having started the month fairly quietly, increasing anxiety over the sustainability of the trend in AI spending led to a pickup in volatility towards the end of the month. In Asia, this was triggered by a 10% fall in Samsung's share price, despite reporting record-breaking earnings in the third quarter. There was greater volatility in the tech sector in the US, as Google shares fell over $500bn in one day, as the company admitted that the increased use of AI agents had dented its traditional search engine business, impacting profits. Intel shares also fell dramatically on lower PC chip sales and falling margins. However, the impact of the volatility in the technology sector in the US was largely compensated for by the Energy, Consumer Staples and Utility sectors, which all registered double-digit gains, as oil producers in particular reported strong earnings on the back of sustained higher oil prices.

This had the effect of limiting the falls, which were led by the Magnificent 7, with Alphabet (Google) being a member of this group. In the UK, this theme was repeated through strong earnings from BP, which enabled the FTSE 100 to demonstrate its portfolio diversification properties due to the index's small exposure to AI-related spending and higher weighting to oil producers. The volatility in the US was also heightened by the prospect of the US midterm elections, as speculation grew about the likely impact of the results on Congress and the Senate. Some of this was focussed on President Trump's likely reaction to any adverse result, particularly in the Senate where there was the possibility of him becoming a lame duck president, should the Democrats win control.

Despite the falls in many equity markets, bond holdings helped to dampen the impact as global government bond market yields retreated from their recent highs, with US 10-year Treasuries falling below 5%. In the UK, we saw little impact on gilts from the budget, but yields did retreat as elsewhere. However, France proved the exception, with yields there rising to levels not seen since the Eurozone crisis following widespread social disorder, rising to over 5% at one point.

Whilst wide diversification helped to limit the effect of the sell-off in technology stocks, most portfolios, with the exception of the most cautious, were down over the month.

US

It's a theme we've become accustomed to in markets recently: large rotations coupled with extreme short term moves across sectors, and October was another example of this. The sell-off in AI spending-related stocks saw the Communications Services sector (where a number of the Magnificent 7 sit) fall 15% and the Technology sector retreat by over 6%. Conversely, we saw the sectors mentioned in the overview register double-digit gains. This reflected the 'risk-off' sentiment prevailing ahead of the midterm elections, as well as the worries over AI spending. To further illustrate how focussed selling was in the latter, we saw both the Mid and Small Cap indices register decent gains. However, there can be no better way of demonstrating the extremes the market was driven by than when we look at the performance of the equal-weighted version of the S&P 500 versus the highly tech-oriented cap-weighted version, with the former outperforming by 6%; its biggest excess return since 2009. All of which reminds us of why we do not bet on single themes or sectors, but rather rely on prudent diversification.

On the economic front, the US economy continues to be robust, with GDP growth accelerating from 2.2% in Q2 to 3.37% in Q3. However, this in turn causes issues for the Federal Reserve, as the growth has been accompanied by persistently higher-than-target inflation, with a reading of 3.7% for September. Despite this, the Fed decided to hold rates at its October meeting, although it was no longer as forthcoming with forward guidance.

Politically, it was a relatively quiet month in the US, as the President's attention turned to the midterms. Whilst, at the time of writing, we now know the result, we shall reserve comment until next month's bulletin. However, a conclusive result is considered better for markets longer term.

UK

As mentioned previously, the UK stock market demonstrated its diversification properties in October, rising in the face of the tech sell-off elsewhere, partially because of its minimal exposure to the theme but also due to its high exposure to the energy sector. Politically, John Healey's first budget was generally considered a damp squib, with the new Chancellor clearly intent on not putting greater pressure on gilt

yields, effectively deferring the tough decisions required to address the fiscal deficit. However, he has indicated that he will be looking closely at the social welfare system, something that seems to fly in the face of the Prime Minister's left-leaning policies, and where a climb down in this area was probably the beginning of the end for the previous Labour leader.

The Bank of England faces a difficult decision at its November meeting, as inflation here too continued to climb with September CPI coming in at 3.5%. The dilemma is caused, as elsewhere in the world, by this being 'push' inflation, i.e. rising prices caused by external events such as the war in the Gulf. There is much debate over whether rising interest rates will dampen these price pressures as people cut spending elsewhere to compensate for higher fuel and heating costs. The upside is that, should we see a resolution in the Middle East following the US midterms (also debatable), then we could see a rapid reversal of inflation and thus interest rates. Meanwhile, the economy continued to exceed economists' expectations, growing 1.4% year on year, a reasonable percentage of which was due to AI infrastructure-related spending.

Europe

In Europe, the 'risk-off' nature of markets and the relative weighting of Health Care, Energy and Consumer Staple stocks, led to the region being the top performer in October. Whilst the tech sector was down as elsewhere, good earnings and business pipeline numbers from ASML helped to limit the impact on the wider market.

Much attention was focussed on France's domestic troubles, as protests over the cost-of-living escalated into widespread violence and looting in major cities. This, and the government's seemingly impossible task of tackling the country's fiscal deficit given the political backdrop, were factors that pushed up government bond yields. To put this in perspective, investors look at the premium (spread) that other European countries pay to borrow over Germany's equivalent bonds and in October this premium went to around 1.6%, a level not seen since the Eurozone crisis of 2011 and higher than both Italy and Greece.

On a wider economic front, once again economic growth exceeded expectations and, the composite Purchasing Managers' Index (PMI) increased to 53.1 (a reading above 50 is positive), the highest for three and a half years. The ECB kept rates on hold but warned that inflation was on track to remain above target until well into next year due to higher energy prices, prompting expectations of a further rate hike in December.

Japan

Japan's stock market performance echoed that of the US, as the 'risk-off' trade promoted defensive stocks, such as utilities and consumer staples in favour of tech-related ones. The Bank of Japan declared its war on deflation over but then proceeded to take a hawkish tone on keeping a lid on inflation, due to the external price pressures caused by higher energy prices. At the same time, the bank dampened sentiment by announcing an acceleration of its ETF sales, which it had previously bought to provide market support.

Asia and Emerging Markets

Emerging markets as a group were hit by a double whammy in October. Firstly, in Asia, the sell-off in AI-related stocks, most notably semiconductors, was exacerbated here. The impact was felt most keenly in Korea and China, the former driven by the dominance of the index by Samsung and SK Hynix, both semiconductor manufacturers. In Latin America, the Brazilian presidential election run-off ended with a

surprise win for the left-leaning Luiz Inácio Lula da Silva, which led to the stock market falling by 17% and the currency 10%. Market participants had previously pushed the market up in the expectation that the apparent favourite, right-leaning Flavio Bolsonaro, would address the country's burgeoning budget deficit. Following the result, Bolsonaro fled the country due to fears of being arrested on corruption allegations.

Outlook

Whilst the falls in AI-related stocks have tended to dominate the headlines, we would simply point to the fact that not every equity sector or market has declined; indeed, the opposite. It is unlikely that the rollout of AI will cease, but perhaps it may slow down. Meanwhile, economic growth, which has only been partially reliant on the spending, is positive, as is corporate earnings growth across the board. So, well-diversified portfolios, as they have recently demonstrated, are to a significant extent unreliant on the theme, which is something we regularly observe in these bulletins. Moreover, bonds have played their part this month, rising as yields have fallen, thus providing another element of non-correlation as well as offering higher real yields. In some portfolios, the addition of alternative style investments performs a similar role.

It may be that stocks related to the AI trade decline further, but this is normal market behaviour for a sector that has performed exceptionally well and, as always, we stay invested through volatility and let diversification reduce its impact on portfolios.

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



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