



Strait back to it

2026 Q2 review by Jake Winterton, Fund Manager

After a negative start to the year, global equities rebounded from their lows in Q2 with the S&P 500 recording its best quarterly performance since the post-pandemic recovery in 2020. The quarter was dominated by two key themes: the rapidly evolving situation in the Middle East and a renewed surge of enthusiasm around artificial intelligence.

The war in Iran remained a major focus for investors. Disruption to the Strait of Hormuz resulted in oil prices spiking higher heading into the quarter. While much uncertainty remains, progress in US-Iran peace negotiations helped ease fears of a prolonged supply shock, allowing oil prices to retrace most of their earlier gains by the end of the quarter. WTI Crude fell over 30% during Q2 despite oil flowing out of the Strait meaningfully below pre-war levels. The resulting reduction in inflation concerns provided support for bond markets, although gains were tempered by more hawkish rhetoric from new Federal Reserve Chair Warsh, and the ECB hiking rates.

Easing signs of stagflation also supported equities. The dominant driver was growing optimism around an AI investment supercycle. Technology stocks were the standout performer over the quarter (Chart 2), with the S&P tech sector experiencing its best quarterly return since 2001 driven largely by a surge in chip stocks. Regions such as Korea and Taiwan delivered exceptionally strong returns given their large exposure to semiconductor manufacturers and broader AI-related supply chains.

Our diversified and active approach to multi asset investing includes an allocation to real assets which hedge inflation. The inclusion of an allocation to commodities has been beneficial year-to-date, despite the recent correction in energy prices (Table 1). On a tactical level, portfolios benefitted from a preference for the technology sector and allocations to US and emerging market equities. The Investment Clock has moved towards Stagflation, but this could change rapidly if oil prices stay where they are, or fall further, and inflationary pressure eases. Please see the [Investment Clock blog](#) for our latest views.

Chart 1: Oil prices and Strait of Hormuz ship tracking

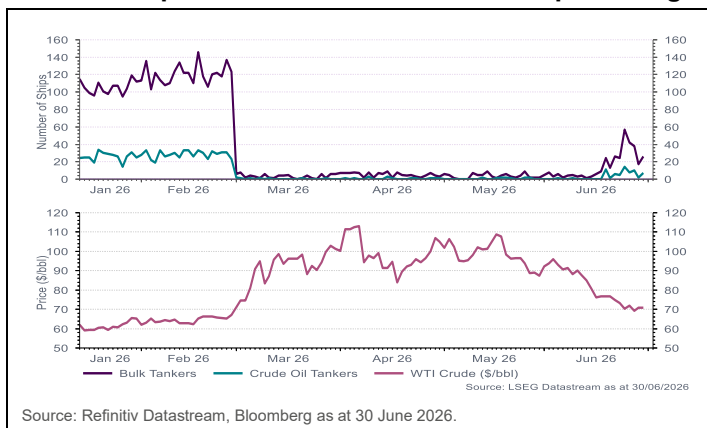


Chart 2: Tech stocks drag US stocks to historic quarter

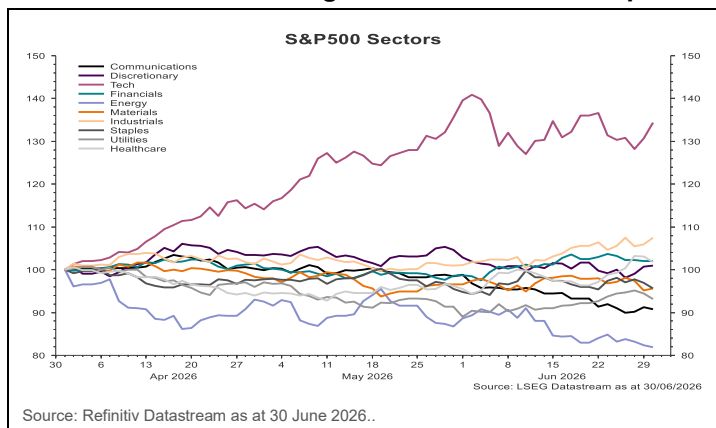


Table 1: Sterling-based annual returns from major asset classes 2019 – 2026 Q2

Year	2019	2020	2021	2022	2023	2024	2025	YTD
1	Global Stocks +22.6%	EM Stocks +15.0%	Commodities +28.3%	Commodities +30.7%	Global Stocks +16.0%	Global Stocks +20.2%	EM Stocks +25.1%	EM Stocks +25.7%
2	UK Stocks +19.2%	Global Stocks +14.3%	Global Stocks +20.0%	Cash +1.0%	Global Credit +8.0%	EM Stocks +10.0%	UK Stocks +24.0%	Commodities +15.9%
3	EM Stocks +14.3%	Gilts +8.3%	Property +19.9%	UK Stocks +0.3%	UK Stocks +7.9%	UK Stocks +9.5%	Global Stocks +14.3%	Global Stocks +13.1%
4	Global Credit +10.6%	Global Credit +7.2%	UK Stocks +18.3%	Global Stocks -7.8%	Multi Asset +6.5%	Commodities +7.3%	Multi Asset +9.5%	UK Stocks +7.2%
5	Multi Asset +9.9%	Multi Asset +5.7%	Multi Asset +7.6%	Multi Asset -9.1%	Cash +4.4%	Property +7.0%	Commodities +7.8%	Multi Asset +5.5%
6	Gilts +6.9%	Cash +0.3%	Cash +0.0%	EM Stocks -9.6%	EM Stocks +4.0%	Multi Asset +6.8%	Property +7.1%	Property +2.2%
7	Commodities +3.5%	Property -1.0%	Global Credit -1.0%	Property -10.1%	Gilts +3.7%	Cash +5.3%	Global Credit +7.0%	Cash +1.9%
8	Property +2.1%	Commodities -6.1%	EM Stocks -1.3%	Global Credit -15.3%	Property -0.1%	Global Credit +3.3%	Gilts +5.0%	Global Credit +1.3%
9	Cash +0.7%	UK Stocks -9.8%	Gilts -5.2%	Gilts -23.8%	Commodities -13.1%	Gilts -3.3%	Cash +4.4%	Gilts +0.1%

Past performance is not a reliable indicator of future results. Source: RLAM, Refinitiv Datastream as at 30 June 2026; property as at 31 May 2026. 'Multi Asset' returns are based on the benchmark weights of Royal London GMAP Balanced Fund. Indices used are FTSE All Share, FTSE World, MSCI Emerging Markets Index, MSCI/AREF UK All Balanced Quarterly Property Fund, Bloomberg Commodity Index, BoAML BB-B Global Non-Financial High Yield Constrained Index, iBoxx Sterling Non-Gilt Index, Bloomberg Barclays Global Aggregate Corporate Index, FTSE Actuaries UK Index Linked Gilts, Bloomberg Barclays UK Government Inflation Linked Bond 1-10 year Index, Bloomberg Barclays World Government Inflation Linked Bond (ex UK) 1-10 year, FTSE Actuaries UK Conventional Gilts Index, JPM Global ex-UK Traded Index, FTSE Actuaries UK Conventional Gilts up to 5 Years Index, SONIA. Total returns in sterling terms.

Markets: AI exuberance returns

- Global equities rebounded over the quarter as the conflict between the US & Iran eased and AI exuberance returned to the forefront.
- S&P 500 had its largest quarterly jump in six years, with technology shares leading the way. The tech sector had its best quarter since 2001 and the Philly semiconductor index rose over +88%.
- The strong performance of chip stocks extended across Asia, where exceptional performances of Korean stocks (+67%) and Taiwan (+40%) were particular bright spots.
- Commodities retreated sharply from their highs on progress towards peace in the Middle East. Oil prices ended the quarter close to pre-war levels and gold fell below \$4,000 for the first time since November 2025.
- Bond returns were modestly positive over the quarter, as retreating energy prices reduced stagflation fears and supported the asset class despite a hike from the ECB and increased hawkish commentary from the Fed.
- Sterling moderately appreciated over the period, despite the resignation of Kier Starmer.

FX	1 GBP buys	%chg Q2 (vs GBP)	%chg 2026 (vs GBP)
USD	1.33	-0.3	1.5
EUR	1.16	-1.4	-1.3
CHF	1.07	-1.2	-0.4
JPY	215.5	-2.5	-2.1
AUD	1.92	0.1	5.2
CAD	1.88	-2.2	-2.0

CB rates	Rate (%)	chg in Q2 (%)	chg 2026 (%)
Fed	3.75	0.00	0.00
BoE	3.75	0.00	0.00
ECB	2.25	0.25	0.25
BoJ	0.98	0.25	0.25

Bond Yield	Yield (%)	chg in Q2 (bps)	chg 2026 (bps)
US 10 Year	4.47	15	30
UK 10 Year	4.76	-16	28
EU 10 Year	2.86	-14	0
JP 10 Year	2.66	32	62

Multi Asset	Local Currency		GBP	
	Q2	2026	Q2	2026
UK Stocks	4.7	7.2	4.7	7.2
Global ex UK Stocks	15.6	12.5	14.6	13.1
Gilts	2.0	0.1	2.0	0.1
UK Cash	0.9	1.9	0.9	1.9
UK Property	0.8	2.2	0.8	2.2
Commodities	-8.1	14.4	-8.7	15.9

Equity Regions	Local Currency		GBP	
	Q2	2026	Q2	2026
UK	4.7	7.2	4.7	7.2
North America	15.0	10.1	14.2	11.4
Europe ex UK	14.1	11.8	12.5	10.3
Japan	15.9	19.8	12.8	17.1
Pacific ex Japan	39.5	53.6	38.5	53.0
Emerging Markets	11.7	10.5	11.4	10.5

Global Equity Sectors	Local Currency		GBP	
	Q2	2026	Q2	2026
Consumer Discretionary	6.8	-4.2	5.9	-3.7
Industrials	13.2	17.2	12.0	17.2
Financials	11.7	5.3	10.8	5.6
Consumer Staples	1.9	6.1	1.2	6.8
Utilities	0.5	9.8	-0.4	10.3
Healthcare	6.8	2.6	6.0	3.3
Energy	-12.7	17.7	-13.4	18.2
Materials	0.2	7.7	-0.5	8.3
Communication Services	-6.2	2.1	-7.2	1.9
Technology	39.4	30.8	38.3	31.6

Bonds	Local Currency		GBP	
	Q2	2026	Q2	2026
Conventional Gilts	2.0	0.1	2.0	0.1
Index Linked Gilts	-1.1	0.2	-1.1	0.2
GBP Credit	2.6	1.0	2.6	1.0
Global High Yield	2.9	2.3	3.0	2.5

Commodities	Local Currency		GBP	
	Q2	2026	Q2	2026
Energy	-13.3	38.7	-13.9	40.5
Agriculture	-3.1	4.7	-3.7	6.1
Industrial Metals	1.9	6.6	1.3	8.0
Precious Metals	-14.9	-7.6	-15.4	-6.4

Note: Standard indices sourced from DataStream and Bloomberg as at 30 June 2026; property data as at 31 May 2026.

Jake Winterton is a fund manager within Royal London Asset Management's multi asset team. The team manages portfolios including the Governed Range pension portfolios, the Global Multi Asset Portfolios (GMAPs), Multi Asset Strategies Fund (MAST) which is available on third party platforms and the euro based multi asset funds that form the core of the Royal London Irish pensions offering.

Investment risks – RL GMAP fund range

Investment risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Credit risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Derivative risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the fund could lose significantly more than the amount invested in derivatives.

EPM Techniques: The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the fund to increased price volatility.

Exchange Rate risk: Changes in currency exchange rates may affect the value of your investment.

Interest Rate risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Emerging Markets risk: Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Fund investing in Funds risk: The fund is valued using the latest available price for each underlying investment, however it may not fully reflect changing stock market conditions and the fund may apply a 'fair value price' to all or part of its portfolio to mitigate this risk. In extreme liquidity conditions, redemptions in the underlying investments, and/or the fund itself, may be deferred or suspended.

Liquidity and Dealing risk: The fund invests indirectly in assets that may at times be difficult to value, harder to sell, or sell at a fair price. This means that there may be occasions when you experience a delay in being able to deal in the fund, or receive less than may otherwise be expected when selling your investment.

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