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PRIVATE CAPITAL

Monthly Market Update



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"Resilient company profits supported equities throughout Q3, while stubborn inflation pushed bond yields to multi-year highs."



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Q3 2026 Commentary

Global equities made modest gains over the third quarter, despite more challenging market conditions. Renewed tensions in the Middle East pushed energy prices higher and led to concerns about inflation, and several central banks responded by raising interest rates. These concerns affected bond markets more than equities. While bond investors focused on inflation and government borrowing, equity investors were encouraged by an economy that performed better than many had expected, with employment remaining healthy and company profits often ahead of forecasts. Continued interest in artificial intelligence also supported equities.

United Kingdom

FTSE All Share: 2.44%

UK equities rose over the quarter, with energy companies performing best as oil prices increased. Telecoms, technology and mining-related companies also rose, while healthcare companies were weaker. Higher energy costs pushed inflation up to 3.1% in August. The Bank of England kept interest rates unchanged at 3.75%, although Governor Andrew Bailey indicated that a rise may be needed soon to keep inflation under control. Andy Burnham replaced Sir Keir Starmer as Labour leader and Prime Minister, with little reaction from markets.

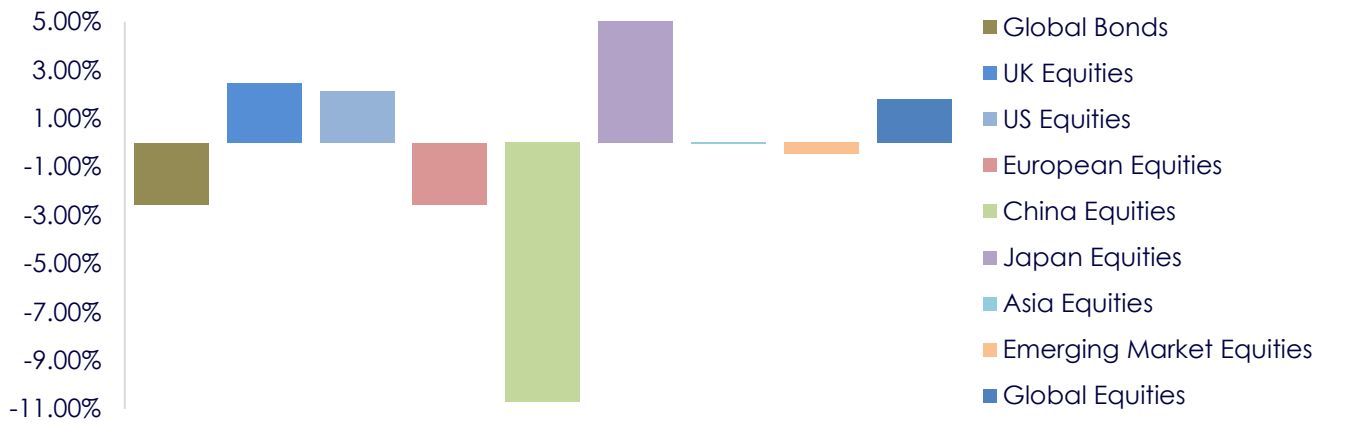
Investors later began to look ahead to the Budget on 28 October, while housebuilders benefited from a new scheme to help first-time buyers.

United States

S&P 500: 2.13%

US equities rose over the quarter. Investors were largely unconcerned by falling bond prices and focused on steady economic growth and healthy company profits, with many businesses remaining profitable despite higher borrowing costs. Energy was the best-performing sector, supported by higher oil prices, concerns over global supply and a strong outlook for earnings. Technology also performed strongly. Healthcare made solid gains after the US government finalised drug-pricing talks with pharmaceutical firms, providing greater certainty. Utility companies were weaker, as higher interest available on bonds made their dividend payments look less attractive.

Discrete Quarterly Performance as at 30/09/2026



Europe

FTSE Developed Europe ex UK: -2.55%

European equities ended the quarter lower, although some areas performed well. Energy companies did particularly well as oil prices rose, while financial companies and raw materials producers also made gains, helped by good results from several banks. However, weakness in other areas, including property companies and businesses selling non-essential goods, outweighed these gains. Higher energy costs pushed eurozone inflation up to 3.2% in August, and the European Central Bank raised interest rates by 0.25% to 2.5% in September, noting that higher prices could continue into 2027. Encouragingly, the economy continued to grow, with business activity at its highest level in more than three years.

China

CSI 300: -10.73%

Chinese equities had a mixed quarter. They performed well in July, as investors moved money away from Korea and Taiwan, where technology companies had fallen, and looked for opportunities elsewhere in the region. However, this improvement did not continue, as China's economy remained slow and investors became more cautious later in the quarter. Higher interest rates and energy prices across Asia also affected confidence, with the wider region ending the quarter almost unchanged. As a result, Chinese equities lost their earlier gains by the end of the period.

Japan

MSCI Japan: 5.86%

Japanese equities performed well over the quarter, although markets moved up and down at times. This reflected changing expectations for US interest rates, tensions in

the Middle East and joint action by Japan and the US to support the value of the yen. In July, investors moved away from AI and computer chip companies towards businesses that tend to do well when the economy grows, such as manufacturers and shipping companies. Good company results helped the market rise in August. In September, banks and insurers performed strongly as the Bank of Japan raised interest rates to 1.25%, which typically supports their earnings, while AI-related companies also did well.

Emerging Markets

MSCI Emerging Markets: -0.46%

Emerging market equities ended the quarter slightly lower. The strong rise in AI-related companies earlier in the year ended in July. Korea was among the weaker markets, as memory chip makers fell on concerns over spending by large US technology firms and growing competition from China. India was also affected by higher oil prices, the possibility of higher interest rates and companies that looked expensive. Some markets did well. South Africa benefited from higher metals prices and lower-than-expected inflation, Brazil was helped by higher commodity prices and an interest rate cut, and Greece, Colombia and Poland each returned more than 10%.

Global Bonds

Bloomberg Barclays Global Agg: -2.55%

Global bond markets had a more challenging quarter. Higher energy prices, caused by the US–Iran conflict, increased concerns that inflation could remain high, and central banks responded by raising interest rates. The US Federal Reserve made its first increase since 2023 and indicated that more could follow. Government bond yields, the interest return investors receive, rose to their highest levels for several years. This led to lower bond prices, as existing bonds become less attractive when newer ones pay more interest. Bonds issued by companies performed relatively well for much of the period, as most companies were able to meet their interest payments, but also ended the quarter lower.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 30/09/2026

	5 Years %	3 Years %	1 Year %	Volatility %
Global Bonds	-7.61	2.80	-1.13	5.02
UK Equities	68.23	53.93	16.84	10.48
US Equities	89.53	68.51	16.88	12.75
European Equities	52.96	48.79	13.47	12.13
Japan Equities	61.84	64.56	28.33	12.62
Asia Equities	123.83	131.72	67.93	20.60
China Equities	-0.67	27.88	3.41	19.16
Emerging Market Equities	55.74	75.58	30.95	15.51
Global Equities	77.99	64.39	16.78	11.47

Data source FE Analytics 30.09.2026. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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