New Capital
Global Balanced Fund

Quarterly Commentary | As of 30 June 2026

Market overview

Global markets delivered strong gains during the quarter, supported by easing geopolitical tensions, resilient corporate earnings, and continued enthusiasm for artificial intelligence (AI)-related investments. Equity markets rebounded sharply in April and extended their gains in May as indirect dialogue between the US and Iran reduced concerns over the economic impact of the Persian Gulf conflict.

Investor sentiment was further supported by strong first-quarter earnings results and upward revisions to 2026 and 2027 profit forecasts, particularly within the technology sector. The MSCI All Country World Index rose strongly over April and May, led by the US and emerging Asian markets, before giving back some gains in June as investors took profits in technology stocks following an extended rally.

Monetary policy remained a key market driver. The appointment of Kevin Warsh as Chairman of the Federal Reserve initially boosted market confidence, although his first policy meeting in June was viewed as more hawkish than expected. This contributed to higher US rate expectations and supported the US dollar. In Europe, economic weakness and differing inflation dynamics led to a more mixed bond market environment, with European yields generally lower earlier in the quarter before the European Central Bank raised interest rates in June.

Commodity markets reflected the changing geopolitical backdrop. Oil and industrial metals rose in April due to disruption risks surrounding the Strait of Hormuz but later retreated as tensions eased and negotiations between the US and Iran progressed. By quarter-end, energy prices had largely returned to pre-conflict levels, helping to moderate inflation expectations. Despite some consolidation in June and growing scrutiny of elevated technology valuations following the successful SpaceX IPO, the combination of strong earnings growth, improving geopolitical conditions and confidence in AI-driven productivity gains continued to support a constructive outlook for risk assets.

Fund performance and positioning

During the quarter, the Fund posted a positive return of 7.9%, in line with the composite benchmark . Relative to peers, the Fund outperformed over the quarter, with ARC Sterling Balanced Asset PCI delivering an estimated return of 5.5%. Equities were the dominant driver of performance, despite accounting for just over half of the portfolio by weight.

Our alternatives allocation – comprising of hedge funds, insurance-linked strategies, and gold – was a marginal detractor. During the period we reduced our gold exposure while increasing hedge fund allocations. In fixed income, a broad rise in benchmark yields generated some rates volatility, but the Fund still achieved a positive contribution from credit, supported by spread compression and low default rates.

Global equities delivered strong absolute returns. European equities posted their best quarter since 2020, with the STOXX 600 gaining 10% over the second quarter, closing at a record high driven by technology. Emerging market equities recorded their best quarter since 2009, up 23%, led by South Korean and Taiwanese artificial intelligence (AI)-linked names. US equities were supported by strong earnings momentum, S&P 500 profits were tracking ~14% year-on year (YoY) growth, the fastest since 2024. The Fund's equity exposure benefited from exposure in AI-adjacent semiconductors, Asian tech, and a tactical allocation to healthcare following the June rotation.

In terms of stock specific allocation, Samsung Electronics was one the portfolio's strongest individual contributor during the quarter. Their earnings results were materially ahead of expectations, with operating profit of 57.2tr won versus consensus of 39.3tr won, driven by a 48-fold surge in chip profit on AI spending demand. The semiconductor division's operating profit margin was set to exceed 70% in Q2, up from 65.7% in Q1, supported by favorable DRAM and NAND pricing. Samsung Group also announced plans for an investment package over the next decade, focused on semiconductors. BESI Semiconductor delivered strong performance underpinned by robust order momentum and upward revisions to long-term targets.

Elsewhere the AI theme extended to Applied Materials as the company guided Q3 2026 revenue to approximately $8.95bn, well above consensus of $8.2bn, and now expects its semiconductor equipment business to grow more than 30% in calendar 2026.

In tandem we saw Infineon move higher with AI data center demand as a key driver. These gains were partially offset by weakness in energy (Diamondback Energy), financial exchanges (CME Group), and Chinese technology (Alibaba), where a combination of revenue misses, regulatory actions, and sector-level headwinds weighed on returns.

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	New Capital Global Balanced Fund	50% MAWD Index (MSCI ACWI Net GBP Index), 40% UR0V Index (ICE BofAML 1-5 Year Sterling Corporate Index), 5% L1BP Index (ICE BofA SONIA 1-Month Constant Maturity Index), 5% HFRXGLG Index (Hedge Fund Research HFRX Global Hedge Fund GBP Index)	Difference
1 Month	+1.16%	+0.29%	+0.87%
3 Months	+7.87%	+7.90%	-0.03%
6 Months	+4.71%	+7.15%	-2.44%
YTD	+4.71%	+7.15%	-2.44%
1 Year	+10.50%	+16.83%	-6.33%
3 Years	+29.47%	+43.56%	-14.09%
5 Years	+17.90%	+43.29%	-25.39%
Since Inception Annualised	+6.63%	+8.78%	-2.15%
Since Inception (21/12/2018)	+62.03%	+88.37%	-26.34%

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Outlook

The first half of 2026 was turbulent but resilient. Despite the Iran war, AI-driven volatility, and a hawkish Fed pivot under new chair Kevin Warsh, equities logged their best quarter in years. The S&P 500 gained 14.9% and the Nasdaq 21.4% in Q2. June itself was more mixed, where early strength gave way to tech weakness, a brief geopolitical relief rally on the US-Iran ceasefire, and a volatile month-end sell-off in semiconductors. The AI trade remained intact but is beginning to show cracks. Looking ahead, current headwinds are expected to persist for some time, however, the overall market backdrop remains fundamentally robust. Despite all the volatility experienced across risk assets the MSCI World in USD terms was up by 14% for Q2. The support levers we see are robust earnings growth, with revisions edging higher, support from fiscal measures, through the US tax refund season, offsetting domestic fuel prices.

Whilst the forward interest rate expectations outlook has evolved, we find it hard to expect central banks to raise rates significantly, as the narrative shifts from inflation to potential growth via demand destruction through higher energy prices. Furthermore, financial conditions remain broadly accommodative, with stress indicators such as the VIX index and high yield credit spreads edging higher, but well below previous geopolitical events. Importantly, we are not seeing the typical pre-conditions for larger selloffs, such as renewed Fed rate hikes or clear signs of economic slowdown or recession. Even significant market downturns in the past, like the bursting of the dot-com bubble in 2000, occurred alongside broader macroeconomic slowdowns rather than in isolation. As a result, the key drivers of recent market resilience continue to be in place. Whilst we remain optimistic, we are also aware of the tail events which could arise during 2026, and here we are able and willing to put in place protection if needed. Lastly, we accept we may not be past the “peak” in geopolitical uncertainty, however, from experience we have found these periods of volatility have proven to be a good opportunity to add to high conviction themes.

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