

July 2026 Positioning

What changed in the portfolios this quarter, what we considered, and what would make us act.

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Q2 was a shock that tempted us to de-risk. Q3 has been a rally that tempts us to re-concentrate. The energy premium has faded, oil has drifted back toward the \$80 to \$90 range, and the market's leadership has narrowed again. US mega-cap and the semiconductor supply chain are back in front, and the broadening we spent the first half positioning for has stalled.

Both quarters asked the same question in opposite forms: would we let the market's mood dictate the portfolios? The answer this quarter is the same as last.

Our objective is not to outperform every quarter. It is to compound wealth through disciplined diversification, while avoiding decisions driven by short-term market sentiment.

What changed

Nothing. All four portfolios (Defensive, Balanced, Growth, High Growth) are unchanged.

Why

The gains this year have been driven primarily by earnings rather than multiple expansion. US first-quarter results delivered the strongest earnings beat in four years, and revisions have been strong enough that valuations eased in several regions even as prices rose. When prices rise on the back of earnings, we do not need to trim into strength.

On rates, our base case is that the Fed holds from here and that current pricing overstates the odds of near-term hikes. We take the same view on the Bank of England, where we part from the houses expecting a hike this year on energy pass-through. A softening labour market, weaker wage-setting, and the absence of 2022-style second-round effects argue for patience rather than tightening.

The value and quality tilts

Value has held up well this year. It led through the energy shock, when energy and materials outperformed, and has given back only some of that ground as the megacap leaders recovered. The tilt has done its job.

We are keeping it on grounds that do not depend on any single quarter: cheaper starting valuations, exposure to the financials, industrials and energy that benefit as market breadth widens, and lower concentration risk than a cap-weighted index re-crowded into a handful of names. If rates surprise higher it protects the portfolio too. Quality sits alongside it for balance-sheet resilience through a still-volatile tape.

What we considered

Re-concentrating into US mega-cap and semiconductors. Powerful momentum, and semiconductor earnings are growing far faster than the hyperscalers'. We passed. The concentration we spent two quarters reducing has re-formed, and the strain beneath it is visible: AI capex now runs near 93% of the hyperscalers' operating cash flow, up from a third in 2023, and the S&P 500's free-cash-flow yield is the lowest in twenty-five years.

A defence and security thematic. We flagged this in March, and the case has strengthened. But we hold one thematic by design, and our infrastructure and grid sleeve already captures the industrial and power buildout that has to happen regardless of the defence or generation mix. It stays on the list.

What we're watching

Credit is the main one. It remains one of the few areas where stress can spread quickly across markets, which is why we watch it more closely than its current calm might suggest. The software-linked stress we flagged in April has appeared in pockets, chiefly retail private-credit redemptions and technology-exposed loans, but the signs remain contained rather than systemic, and bank exposure to the asset class is modest. Credit exposure is unchanged.

We are also watching the gap between the market's leaders and everything else. Gold had a quieter quarter and lagged through the acute phase of the conflict, which is the point of holding it: it earns its keep in the moments the bond hedge fails, not by leading returns. It stays at 5% across Balanced, Growth and High Growth, and 10% in Defensive.

What would change our positioning

We are disciplined, not stubborn. We would reassess if:

- inflation broadens beyond energy into wages and core services,
- earnings revisions turn negative rather than continuing to support valuations, or
- valuation dispersion between the leaders and the rest of the market widens materially.

Each would change the inputs behind the current structure. None is met today.

Portfolio implications

Full sleeve weights and ETF detail are on the portfolios page. The architecture, unchanged from Q1 by deliberate choice:

- **US equity below market-cap-weight in every portfolio.** Balanced sits near 35% on a look-through basis against roughly 62% in a cap-weighted global benchmark. This quarter's re-concentration is exactly why we hold it there.
- **Value and Quality as structural tilts from Balanced upward.** 4% Value and 3% Quality in Balanced, scaling up in Growth and High Growth with Small Cap Value added.
- **Fixed income held at the short end,** for income and ballast rather than duration.
- **Defensive without factor tilts.** 30% core equity, 60% bonds, 10% gold: the lowest-risk portfolio is the simplest.
- **Infrastructure and AI grid as the only thematic.** GRID plus V9N, roughly 60/40, at 5% in Growth and 7% in High Growth. The quarter's shift toward power and infrastructure reinforces it.

Q2 tested whether we would sell into a shock. Q3 tested whether we would chase a rally.

Markets will keep swinging between fear and enthusiasm. Portfolio architecture exists so that investors do not have to.

Stay invested. Stay diversified. Stay disciplined.

See you next quarter, unless something important changes.

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