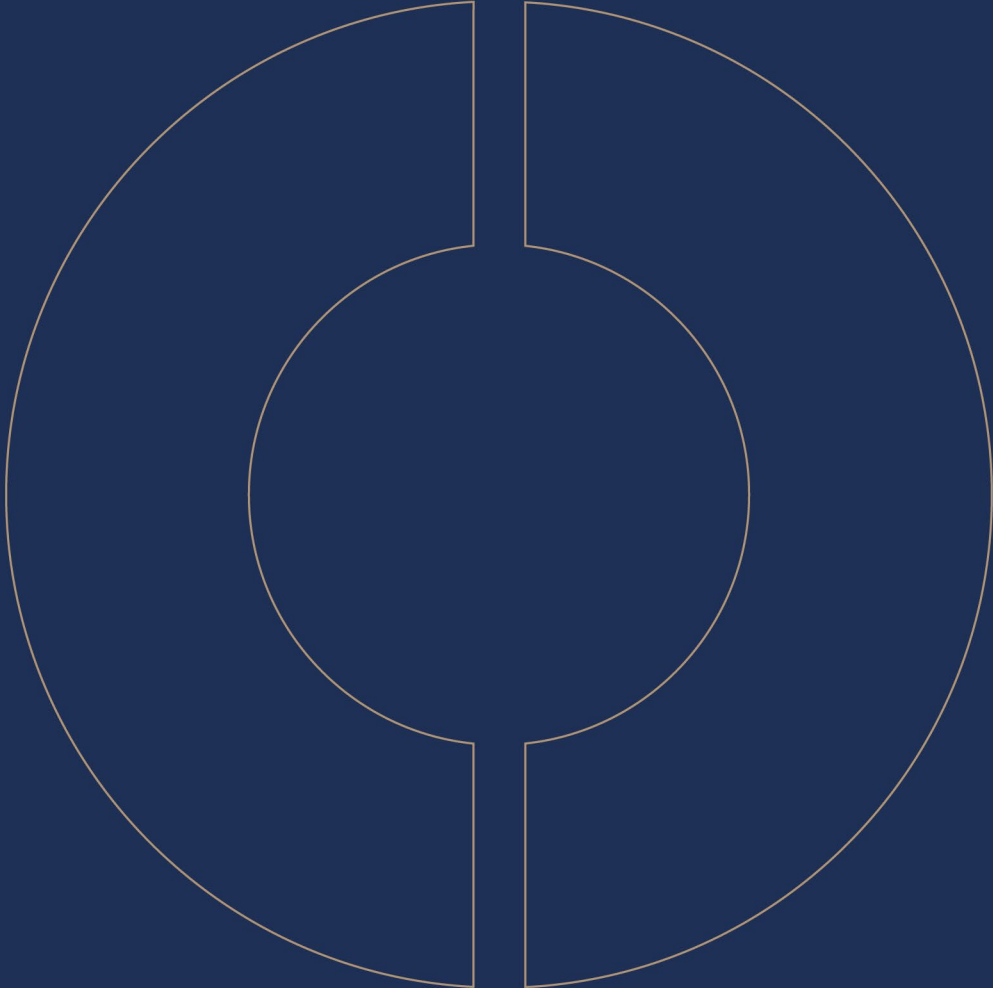
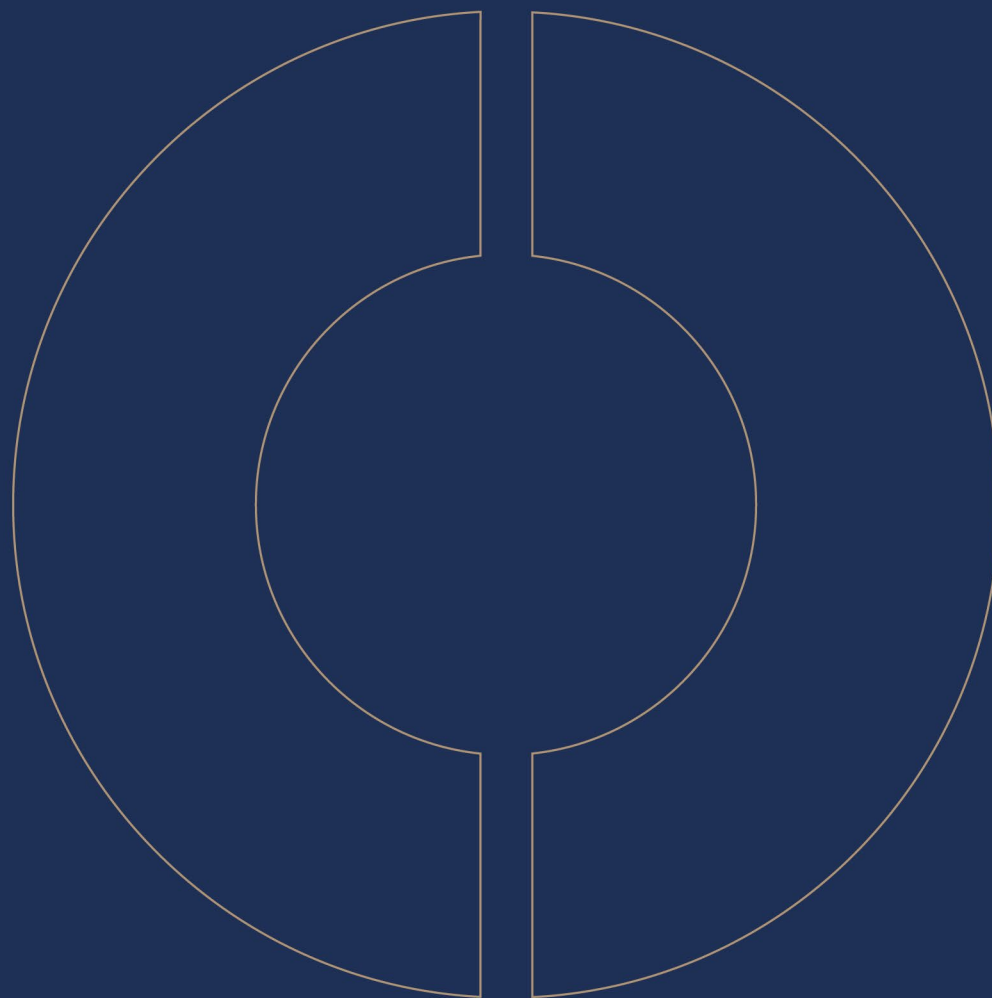


Market update and economic outlook

Caspar Rock
Chief Investment Officer
April 2026



Market outlook



Disclaimers, risk warnings and regulatory status

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Disclaimers, risk warnings and regulatory status

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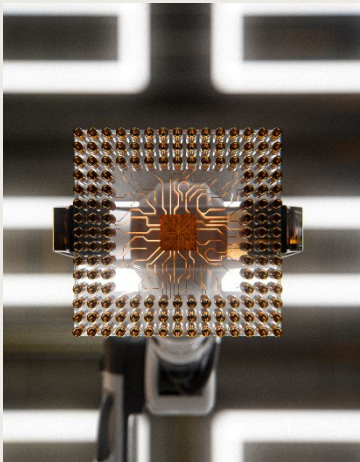
Investment lessons from the last twelve months

The past year delivered strong returns, but it was not without periods of market volatility



1

Volatility breeds opportunity



2

Adapt not predict



3

Conviction counts



4

Politics makes noise, not always waves



5

Regime shifts rewrite the rules



6

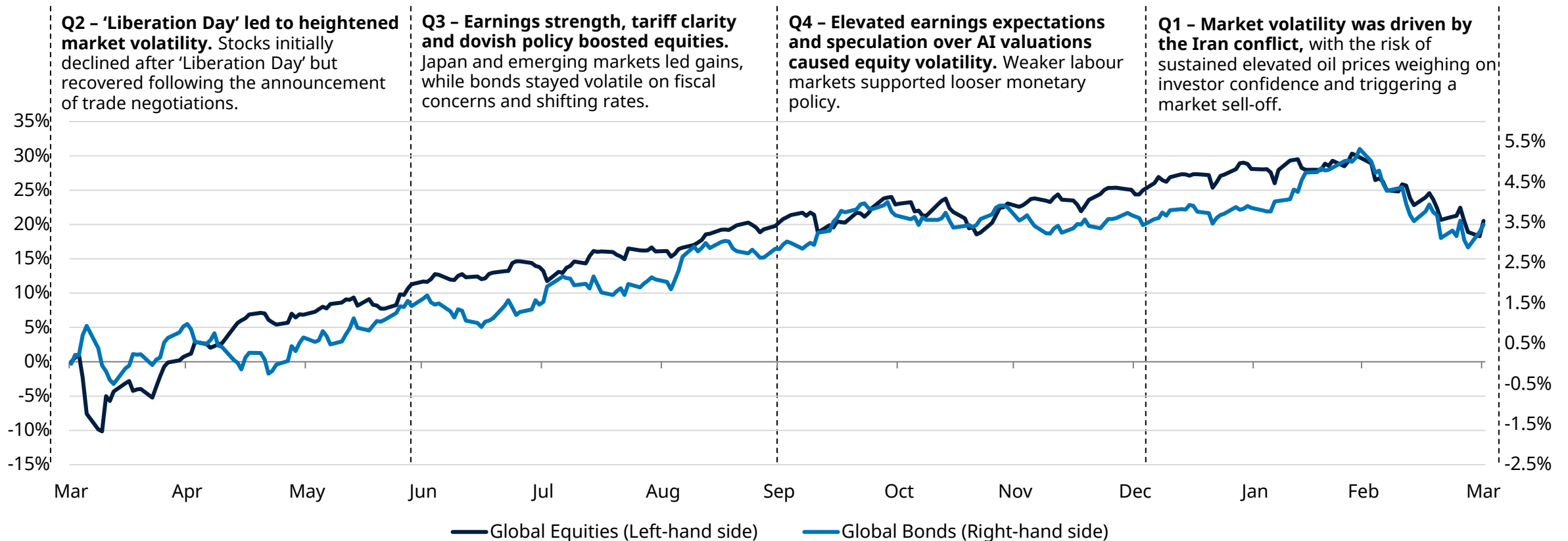
It still pays to be brave

Despite intra-year volatility, markets have shown resilience



Equities and bonds both remain positive over the past twelve months

Performance of Global Equities vs. Global Bonds (\$)

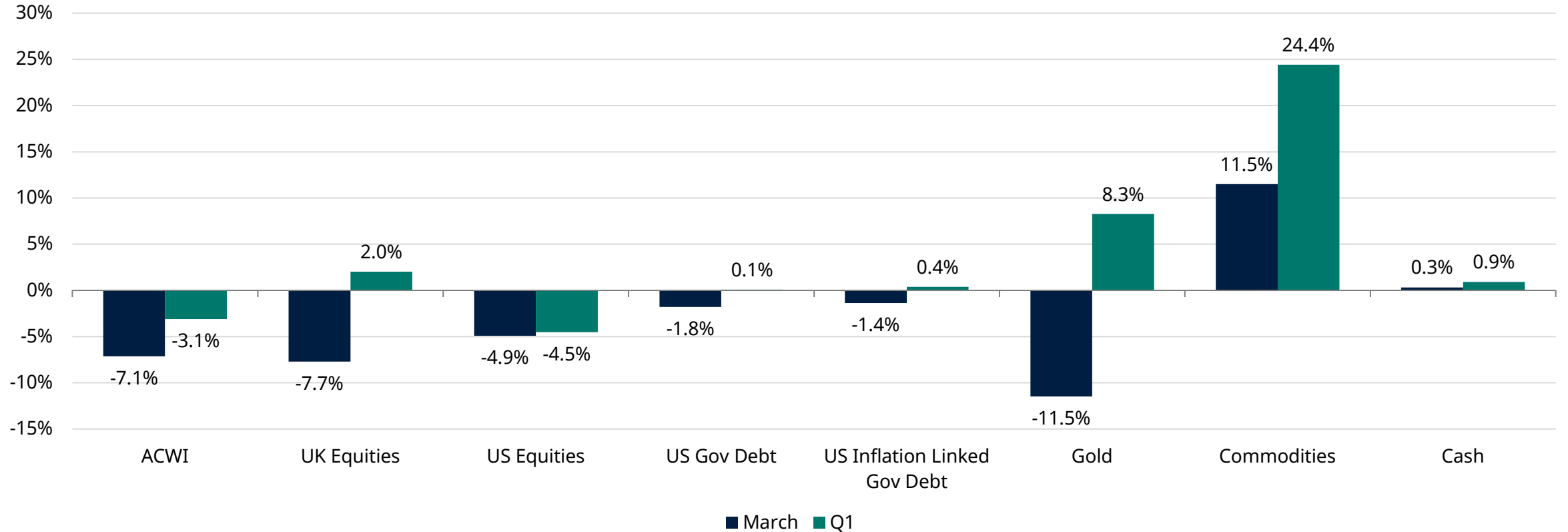


Past performance is not an indicator of future returns and may not be repeated.

Source: Cazenove Capital, LSEG. Performance data in USD, total return. Performance of Global equities uses MSCI All Country World Index (unhedged) and Global Bonds uses the Bloomberg Global Aggregate Total Return Index (hedged). 31 March 2026.

Cross asset performance

Following the US-Iran conflict, equities and bonds sold off with only commodities higher

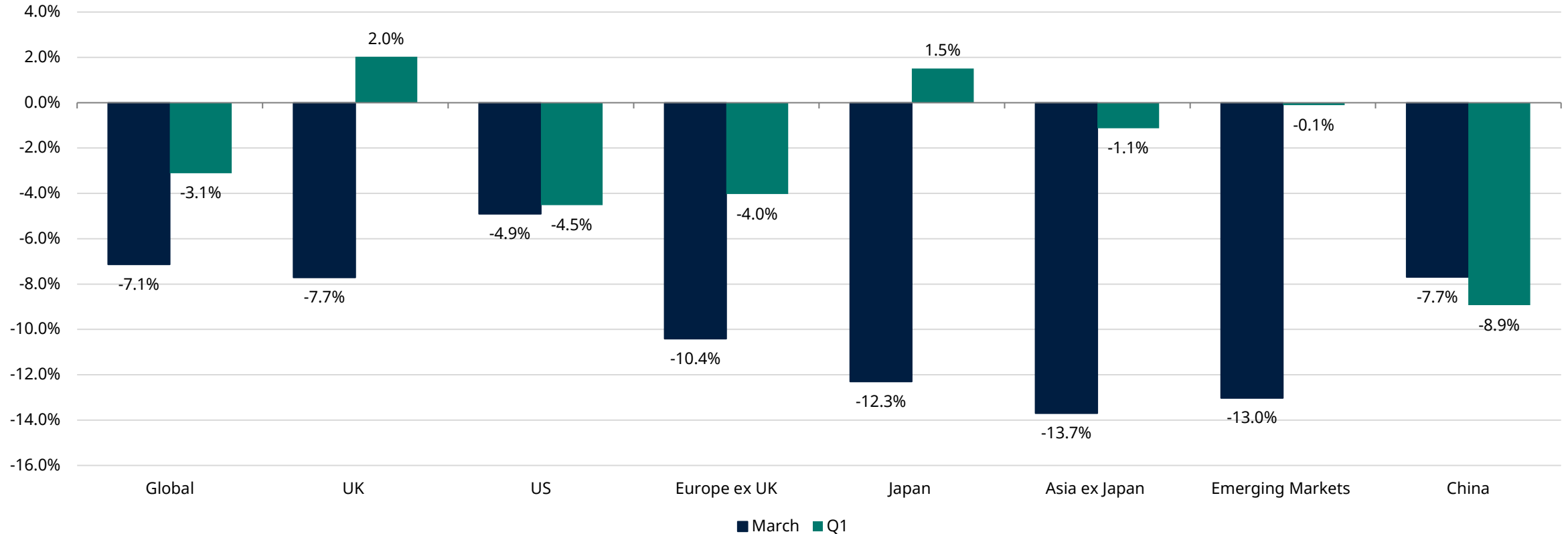


Past performance is not an indicator of future results and may not be repeated.

Source: Cazenove Capital 31 March 2026. Equity performance in USD. Bonds, commodities, gold and cash in local currency.

Equity market performance – region

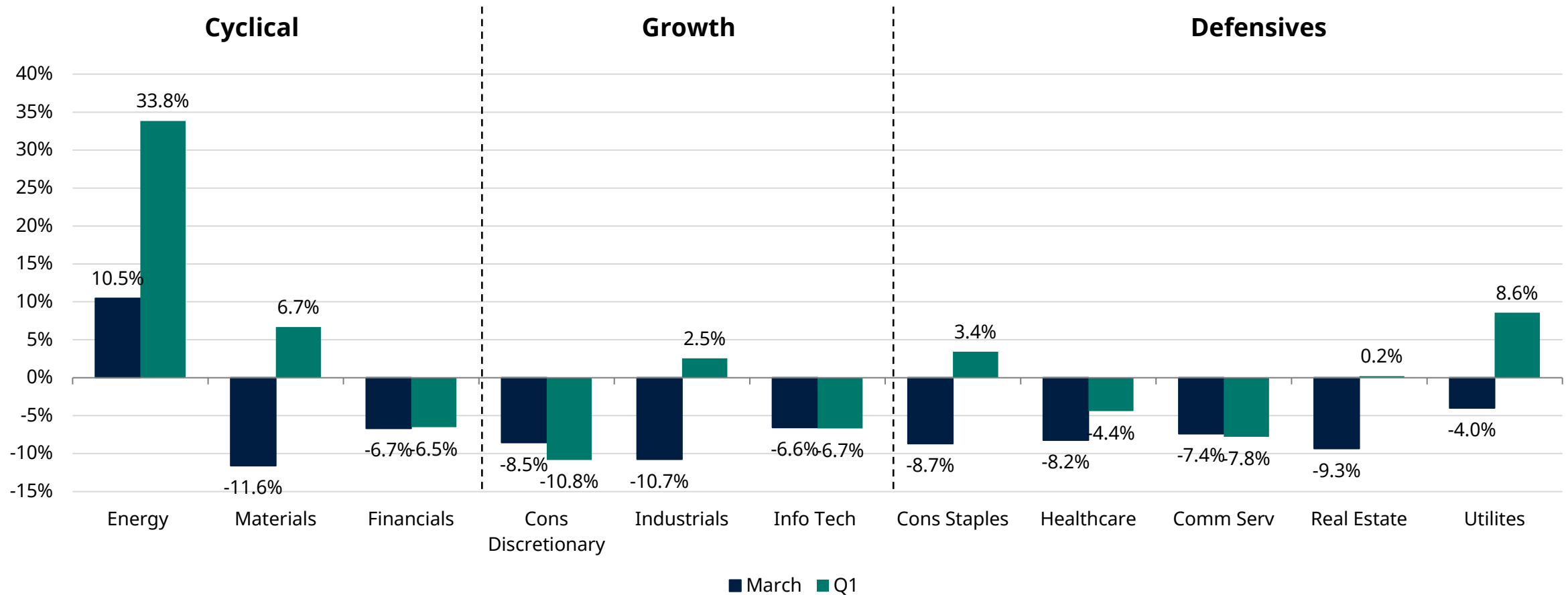
Equities saw significant declines in March, particularly in Asia due to oil export sensitivity



Past performance is not an indicator of future results and may not be repeated.
 Source: Cazenove Capital 31 March 2026. All indices are MSCI for consistency. All data total return in USD.

Equity market performance – sector

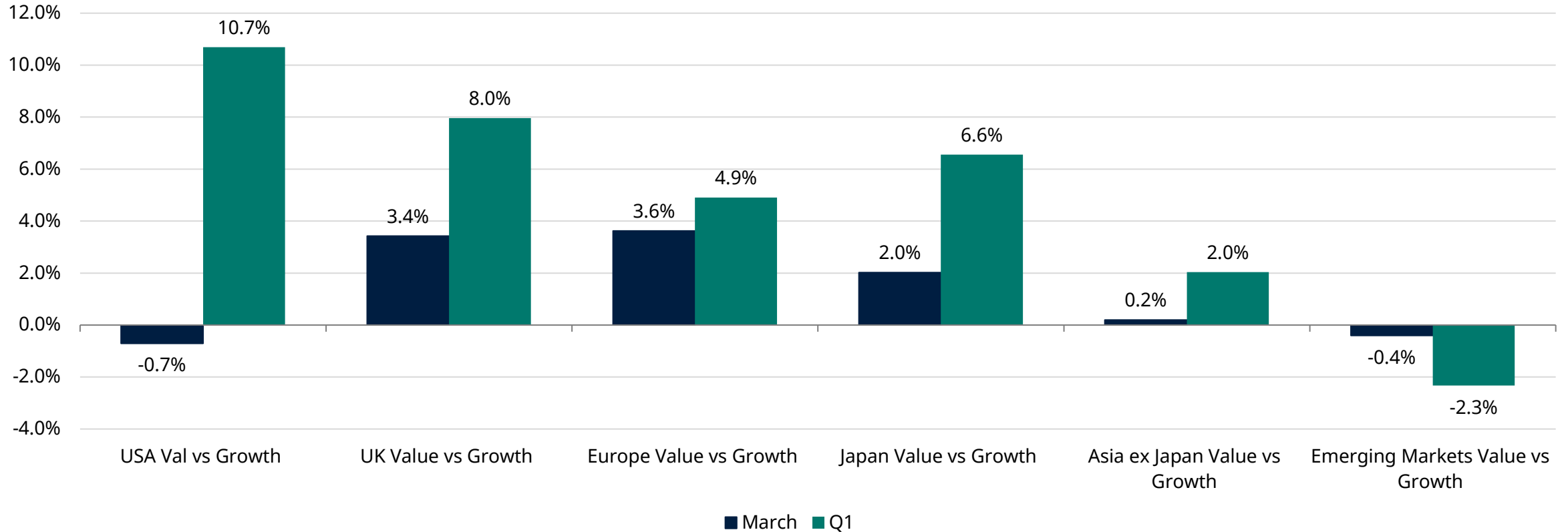
All sectors saw declines in March except energy which strongly outperformed



Past performance is not a guide to future returns and may not be repeated.
 Source: Refinitiv DataStream. 31 March 2026. All indices are MSCI for consistency. All data total return in USD.

Equity market performance – value vs. growth

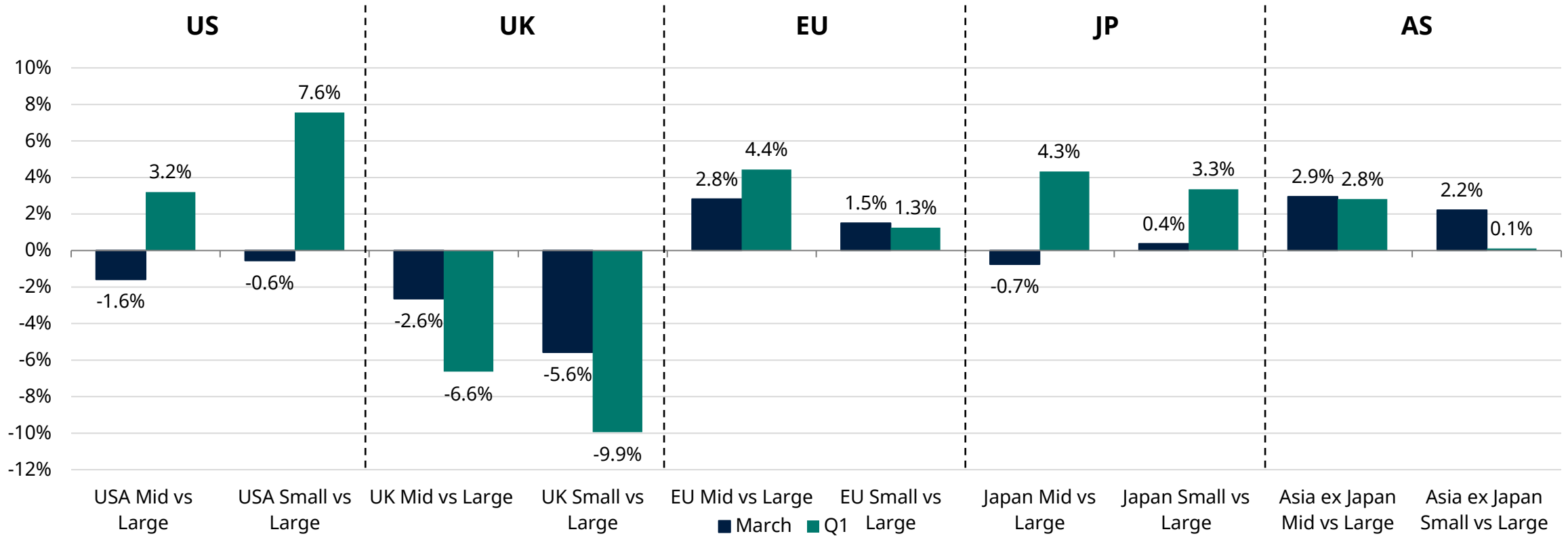
Value outperformed growth as investors rotated away from mega-cap tech



Past performance is not a guide to future returns and may not be repeated.
 Source: Refinitiv DataStream. All indices are MSCI for consistency. All data total return in USD.

Equity market performance – size

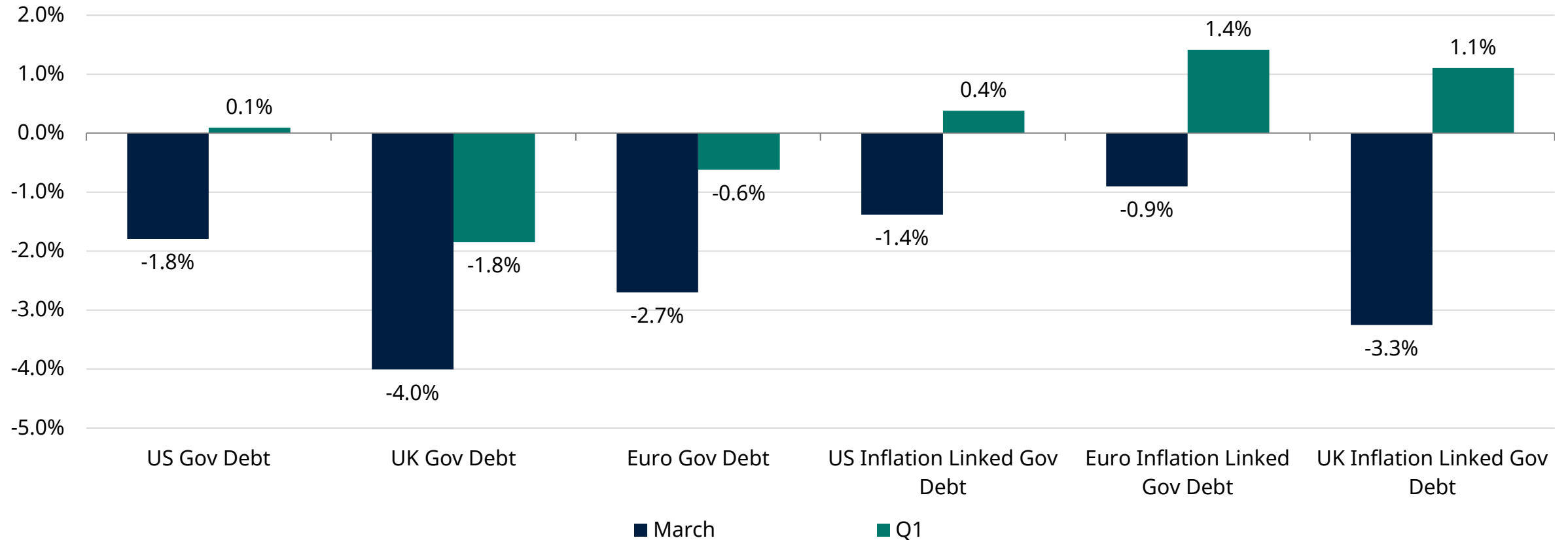
SMID outperformed (ex UK) due to higher exposure to energy and less to tech



Past performance is not a guide to future returns and may not be repeated.
 Source: Refinitiv DataStream. All indices are MSCI for consistency. All data total return in USD.

Fixed income market performance – government

Yields rose across developed markets, with inflation-linked proving more resilient

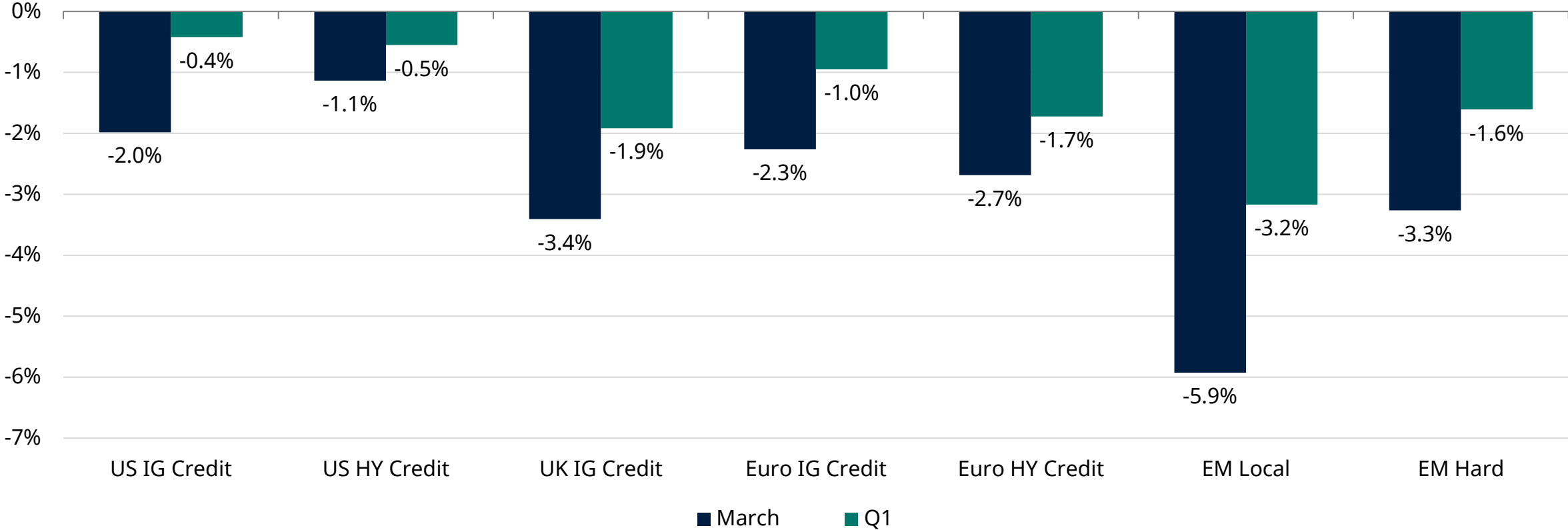


Past performance is not a guide to future returns and may not be repeated.

Source: Refinitiv DataStream. All data total return in local currency. All bond indices are from the ICE Bank of America series and reflect the performance of the all maturities index in each case.

Fixed income market performance – credit

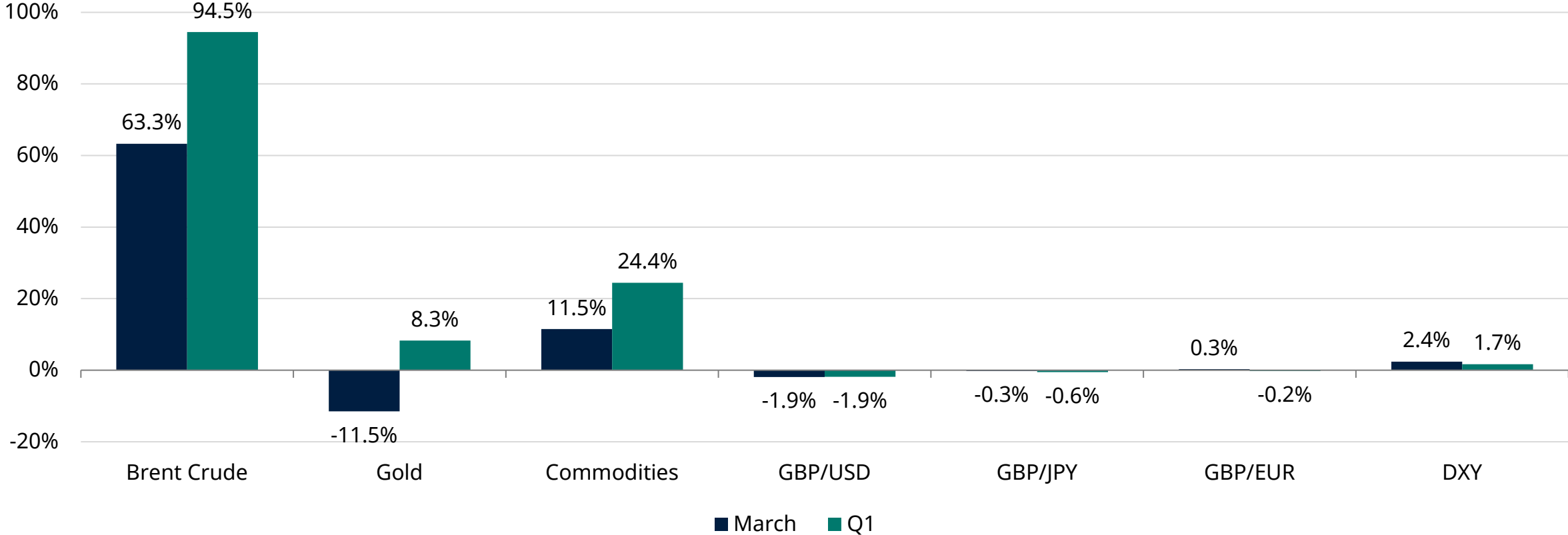
The US was the most resilient credit market. A stronger dollar weighed on EM



Past performance is not a guide to future returns and may not be repeated.
Source: Refinitiv DataStream. All data total return in local currency. All bond indices are from the ICE Bank of America series and reflect the performance of the all maturities index in each case, except for the Emerging market debt performance which use the Bloomberg Barclays bond series.

Market performance – commodities and currencies

Oil rallied following the Iran conflict while investors took profits from gold



Past performance is not a guide to future returns and may not be repeated.

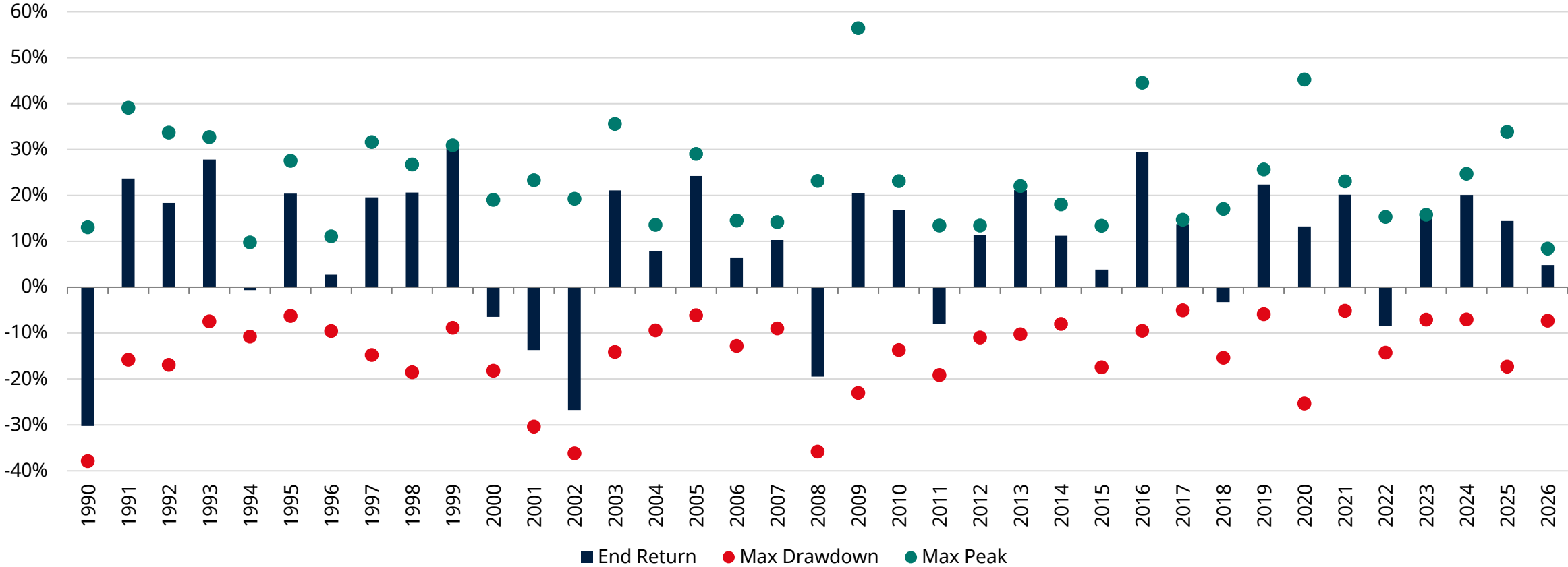
Source: Refinitiv DataStream. All data total return in local currency. Data is from ICE Bank of America series; Brent oil and Gold returns are based on the change in the USD price for each commodity.

Short-term volatility is normal in equity markets

Drawdowns of more than 10% are not uncommon in the short term

MSCI All Country World Index

Max drawdown and calendar total return



Source: Cazenove Capital. LSEG DataStream, as of 16 April 2026.

Economic prospects hinge on events in the Middle East

But don't forget other more positive growth drivers



Resilient US economy

Consumer spending and capital expenditure in the US have stayed solid, and the country is well protected against a worldwide energy crisis.



Fiscal and monetary

Stimulus initiatives align with global populist agendas.



Tariffs

The implementation of tariffs may cause some major trading partners to be worse off.



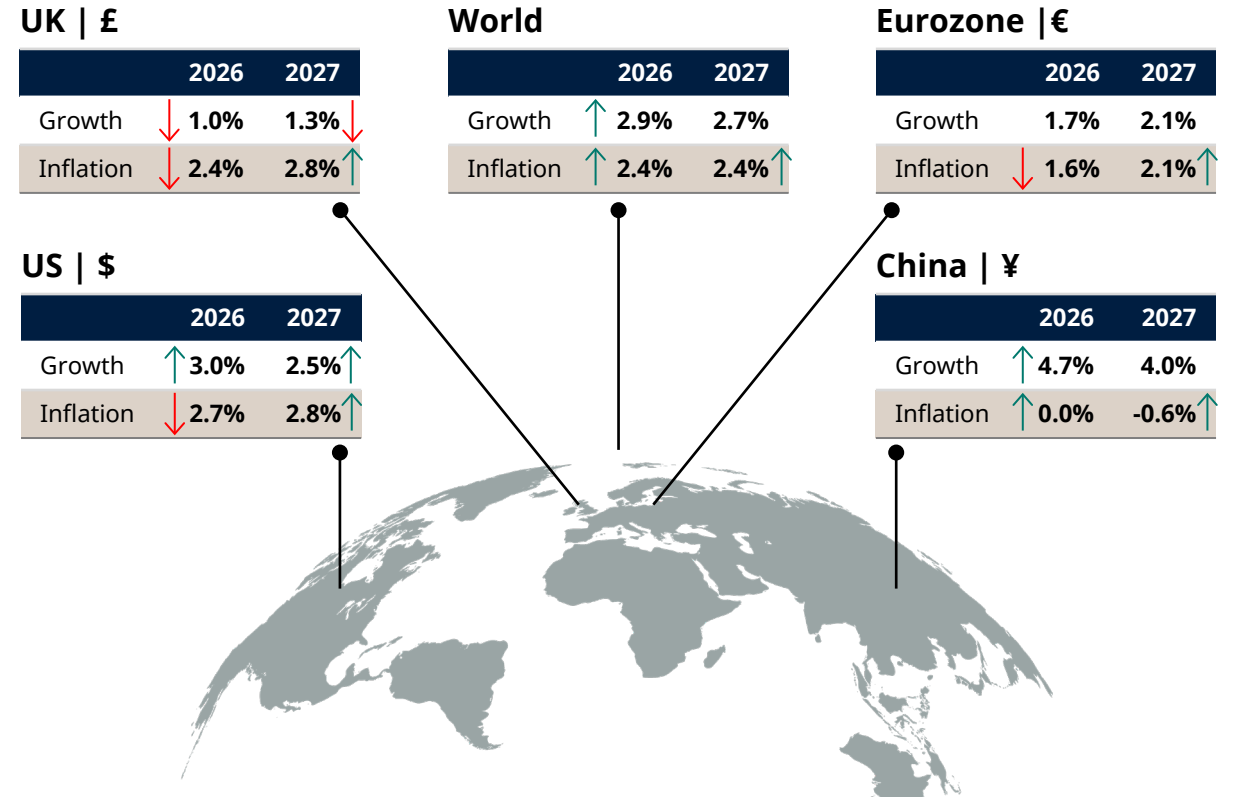
Prolonged Iran conflict

Uncertainty remains high, distorting economic data and reducing confidence.



Is AI-related spending sustainable?

AI valuations have become increasingly elevated, and earnings expectations are increasingly hard to beat.



Source: Schroders Economics Group. Forecasts are the latest as of February 2026 and are not guaranteed and should not be relied upon. Arrows indicate upgrades and downgrades from previous forecasts in November 2025.

Geopolitical risk: Iran conflict

The scenarios underlying our approach

De-escalation



Scenario Summary

- **Strait reopens**
Traffic resumes gradually but damaged infrastructure and higher insurance premiums linger
- **Oil prices revert lower**
But stabilise above pre-conflict levels around \$80–\$90
- **Global growth is resilient**
Limited impact on earnings
- **Inflation rises then stabilises**
Settles at levels inconsistent with rate hikes

Market impact

- Equities recover but path is volatile
- Bond prices rise with caution over rate cuts
- US dollar weakens
- Gold holds steady

Delayed resolution



Scenario Summary

- **Strait is largely closed before re-opening eventually**
Intermittent flow escorted by the US or bilateral agreements possible
- **Oil price stays elevated**
Depending on the duration, offsets and de-stocking can buffer some of the impact before demand destruction eventually sets in, \$100–\$150
- **Growth slows modestly to noticeably**
Earnings revised lower, depending on how severely demand is affected
- **Inflation rises**
Moderate rate hikes are possible, however central banks may start to factor in adverse growth impacts

Market impact

- Equities fall 10–20% before recovering
- Bond prices fall predominantly at the front end
- US dollar strengthens moderately
- Gold rises

Protracted conflict



Scenario Summary

- **Strait remains closed**
Additional supply is taken out
- **Prolonged oil price surge**
Sustained \$150+ oil shock
- **Growth contracts sharply**
Earnings downgraded significantly
- **Severe inflation shock**
Unanchored expectations

Market impact

- Equities fall meaningfully further (20–40%)
- Bond prices fall across the curve
- US dollar strengthens significantly
- Gold rises

Unprecedented scale of supply disruption

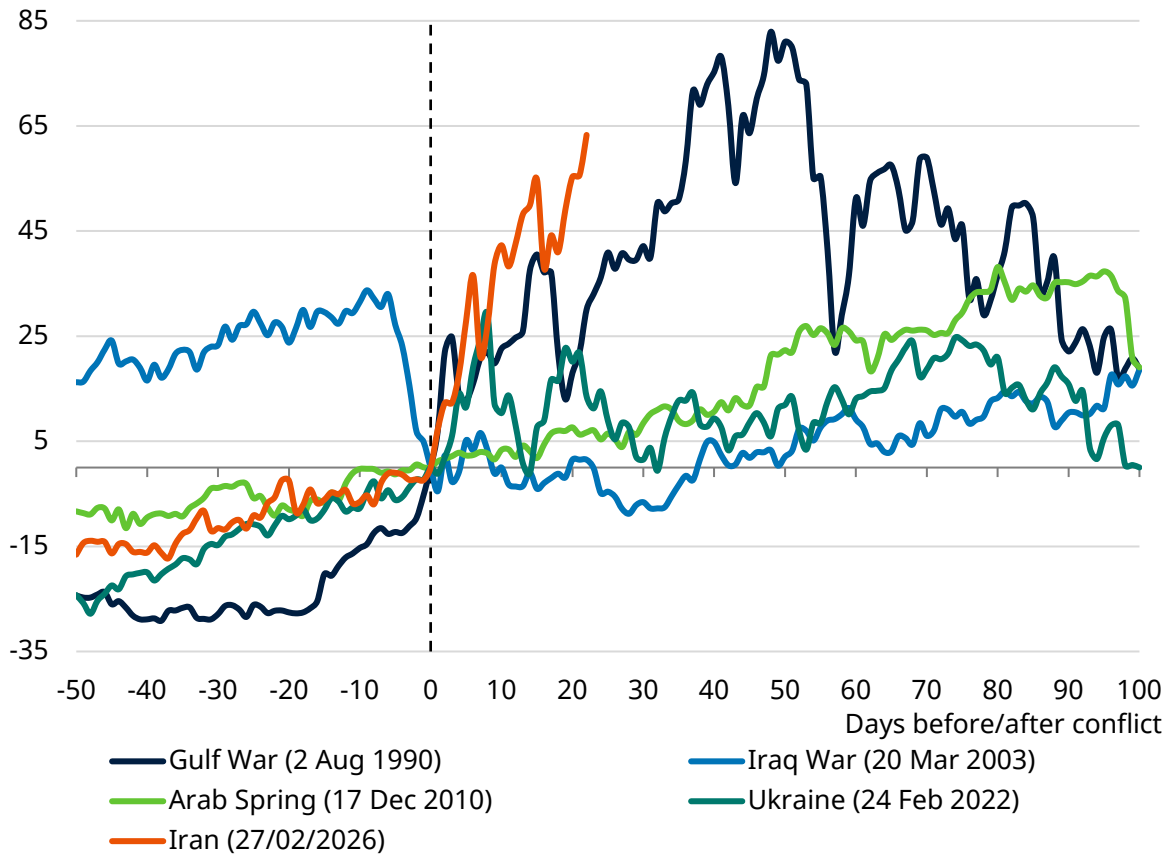
The Straits of Hormuz remains a chokepoint for 20% of global oil supply



The Strait of Hormuz is shallow, with shipping lanes two miles wide in each direction, separated by a two-mile gap

Brent prices

(%, cumulative from start of event)



Past performance is not a guide to future performance and may not be repeated. For illustrative purposes only.
 Source: Cazenove Capital, Schroders, Macrobond, Bloomberg, US Central Intelligence Agency, US Department of Energy, 31 March 2026.

Oil balance summary – 2026

With Strait closed: 12 million barrels/day (mb/d) deficit. With no Iranian oil = 13.5mb/d



Strategic reserve releases total 2.2 million barrels/day but US will need to sell more shortly having failed to sell ½ the oil offered

	Iran oil flows 2026 (mb/d)	No Iran oil 2026 (mb/d)
	Schroders	Schroders
Global	0.8	0.8
US SPR ¹ rebuild	0.0	0.0
China SPR ¹ rebuild	0.0	0.0
Total Demand	0.8	0.8
US	1.2	1.2
GoM	0.0	0.0
Canada	0.12	0.12
Brazil	0.49	0.49
Guyana	0.25	0.25
Norway	0.0	0.0
Russia	-1.0	-1.0
Saudi Arabia East/West	4.2	4.2
Iran	1.5	0.0
Pipelines ex KSA ¹	1.0	1.0
Strait of Hormuz	-20.0	-20.0
IEA release	1.0	1.0
OPEC	0.0	0.0
Total Supply	-11.24	-12.74
Balance	-12.04	-13.54

Russian oil exports down and Saudi Arabia also lower

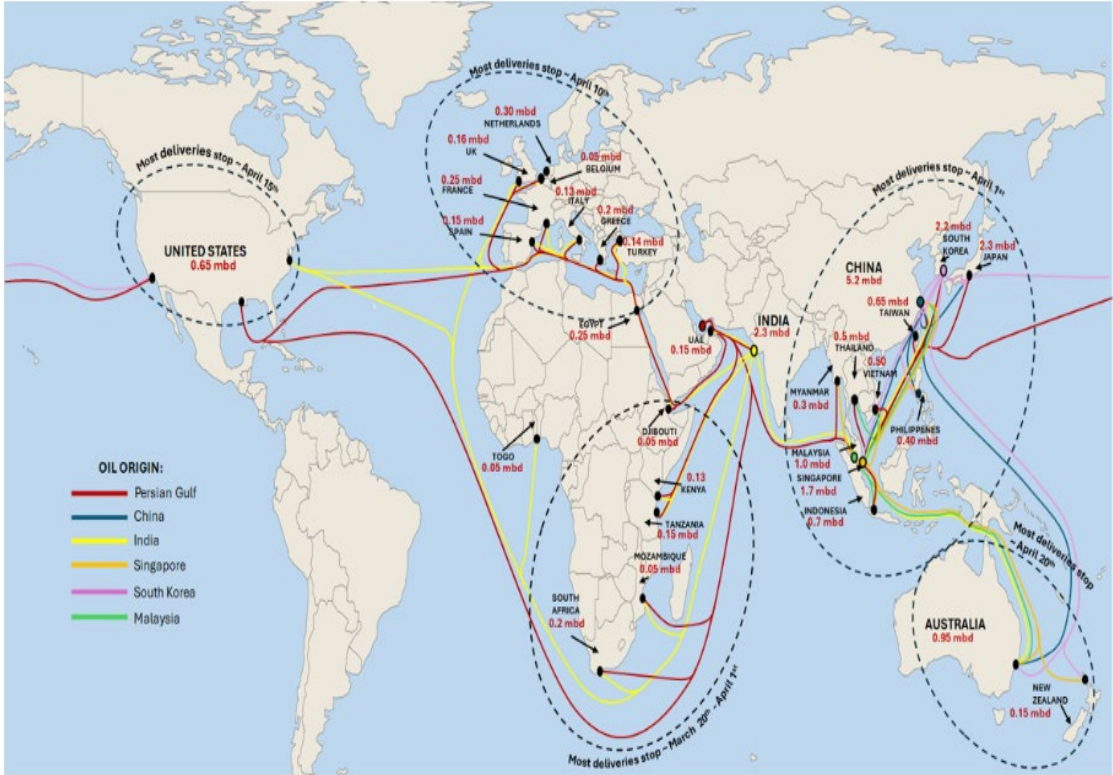
Assumes Russian volumes stay lower, East/West at capacity




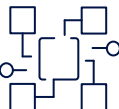
Source: Schroders – April 2026. Forecasts may not be realised. ¹SPR = Strategic Petroleum Reserve.

Supply chain exposure to the Strait of Hormuz

Key commodity dependencies downstream sector implications

Real world scarcity will begin to emerge in April¹



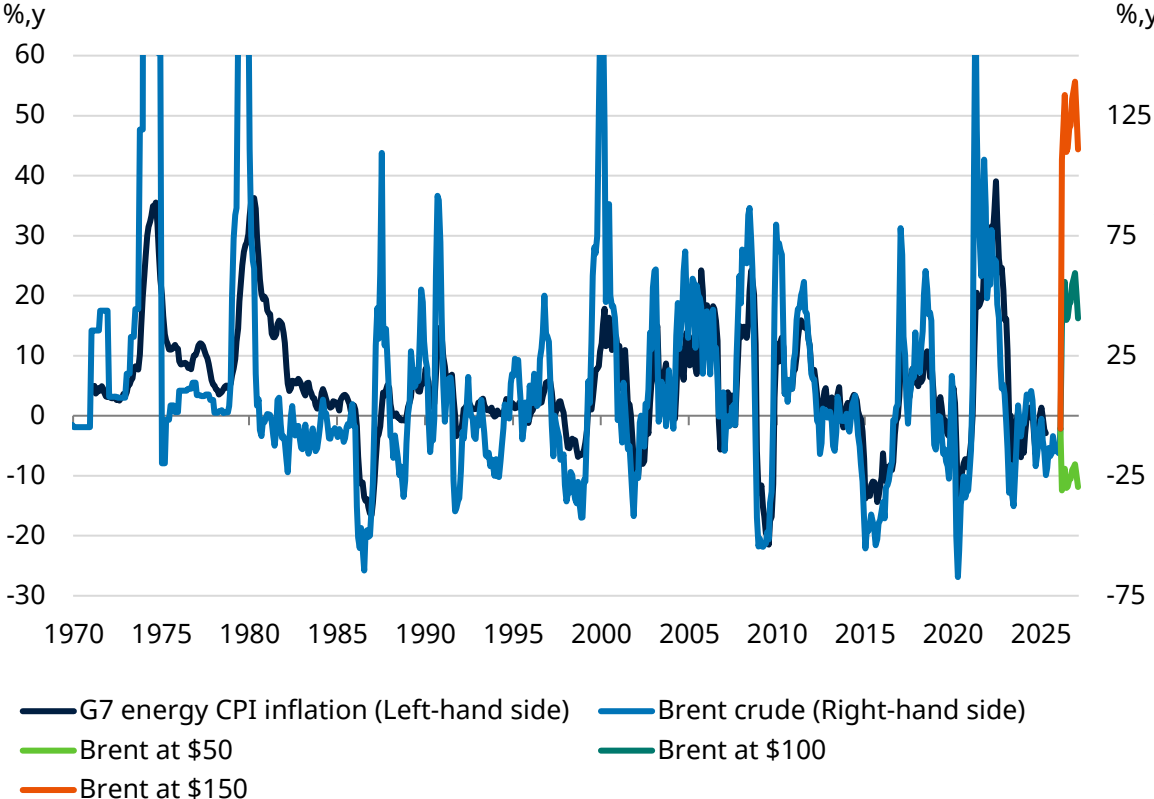
Supply chain	Key commodities and Hormuz exposure	Downstream sectors
Agriculture and fertilizers 	<ul style="list-style-type: none"> Sulphur (50%), Urea (34%), Ammonia (23%), Phosphate Rock (23%) 	<ul style="list-style-type: none"> Global food production, livestock and animal feed, food processing, biofuels
Petrochemicals 	<ul style="list-style-type: none"> Methanol (40%), Polyethylene (15%), Polypropylene (9%), LPG (29%) 	<ul style="list-style-type: none"> Plastics and packaging, automotive components, consumer goods, textiles
Metals 	<ul style="list-style-type: none"> Aluminium (9%) 	<ul style="list-style-type: none"> Aerospace, automotive, construction, power infrastructure
Semiconductors 	<ul style="list-style-type: none"> Helium (30%) 	<ul style="list-style-type: none"> Semiconductor manufacturing, electronics, medical imaging

Source: Lazard. Cazenove Capital. Any reference to countries are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.
¹J.P. Morgan Commodities Research, Kpler.

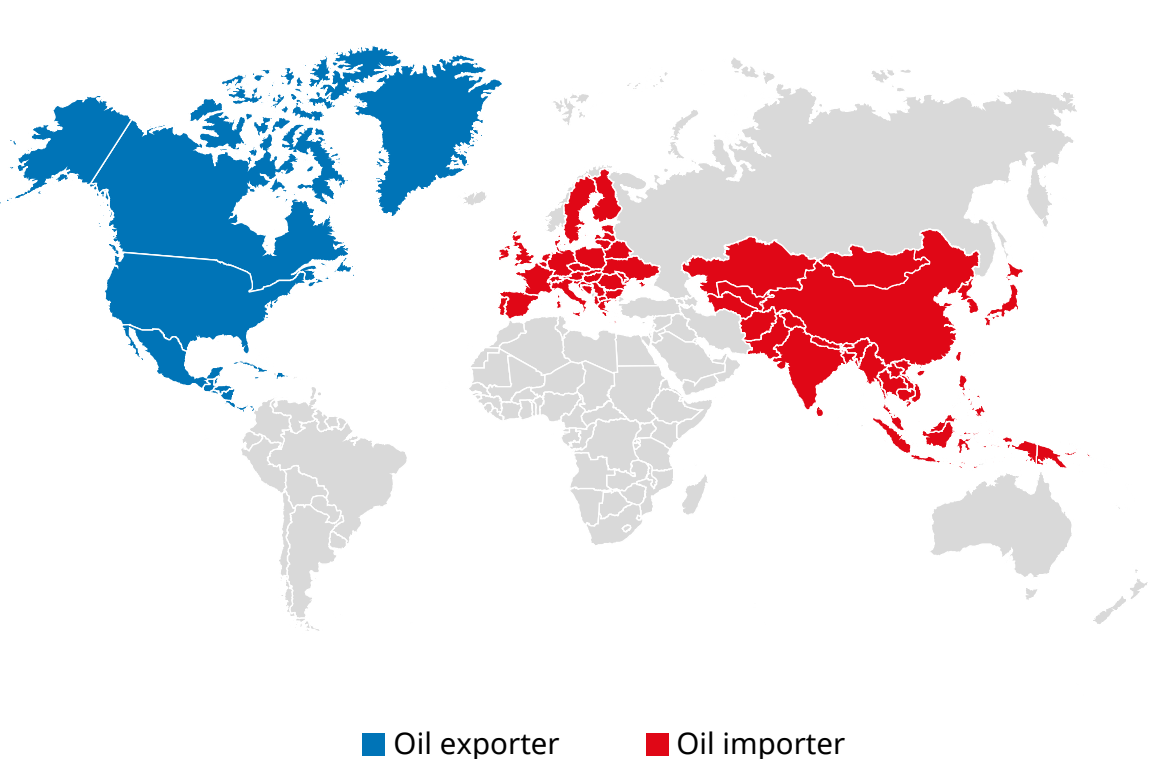
A prolonged conflict raises risks for the global economy

Net commodity importers will be exposed to the oil shock

Sustained higher brent prices will feed through to energy inflation



Europe and much of Asia will be vulnerable to price spikes

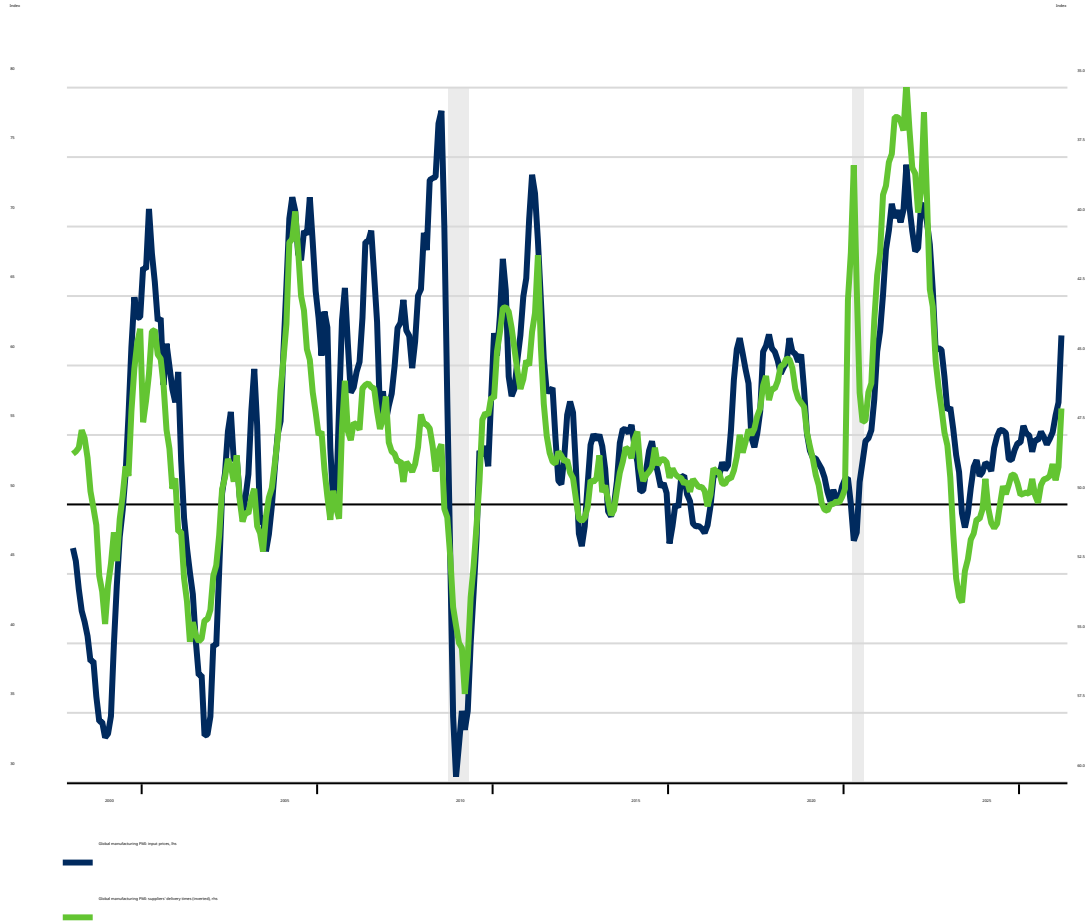
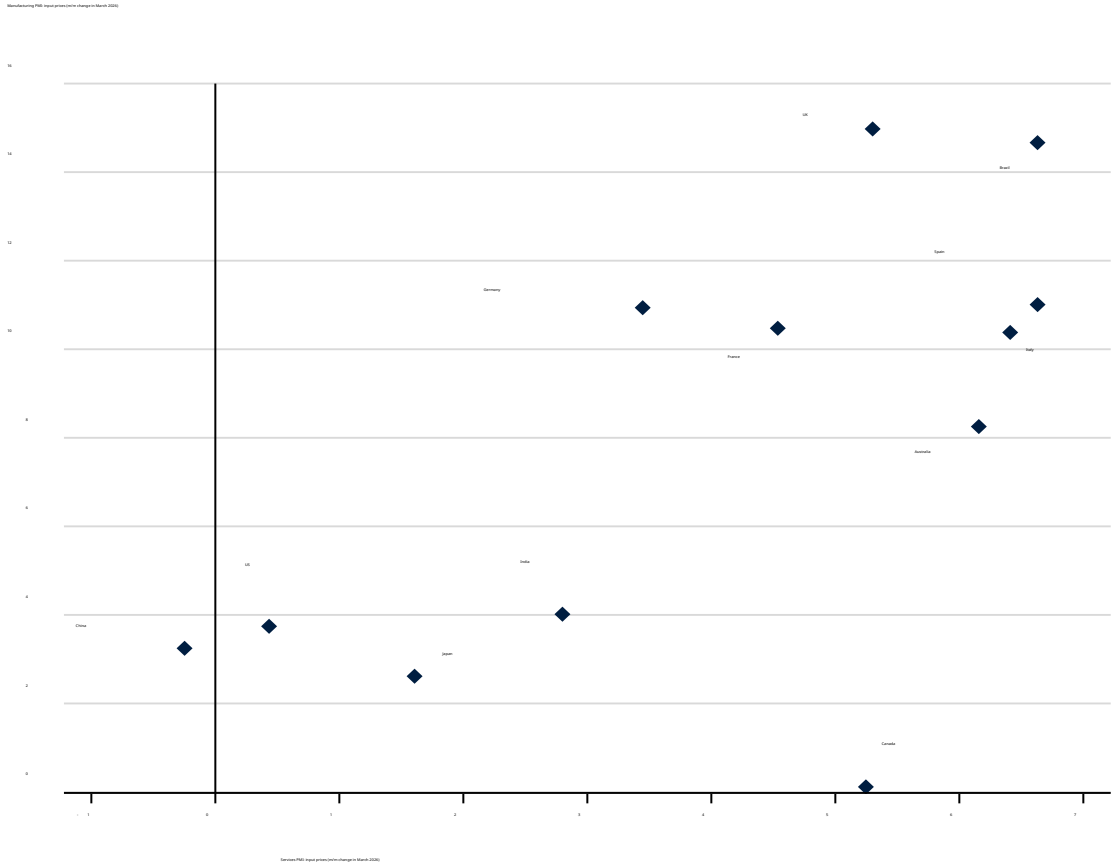


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Source: LSEG DataStream, Macrobond, Schroders Economics Group. 5 March 2026.

Purchasing Manager Indices (PMIs) – a first indication

PMIs suggest that the economic impact from the Iran war is already being felt

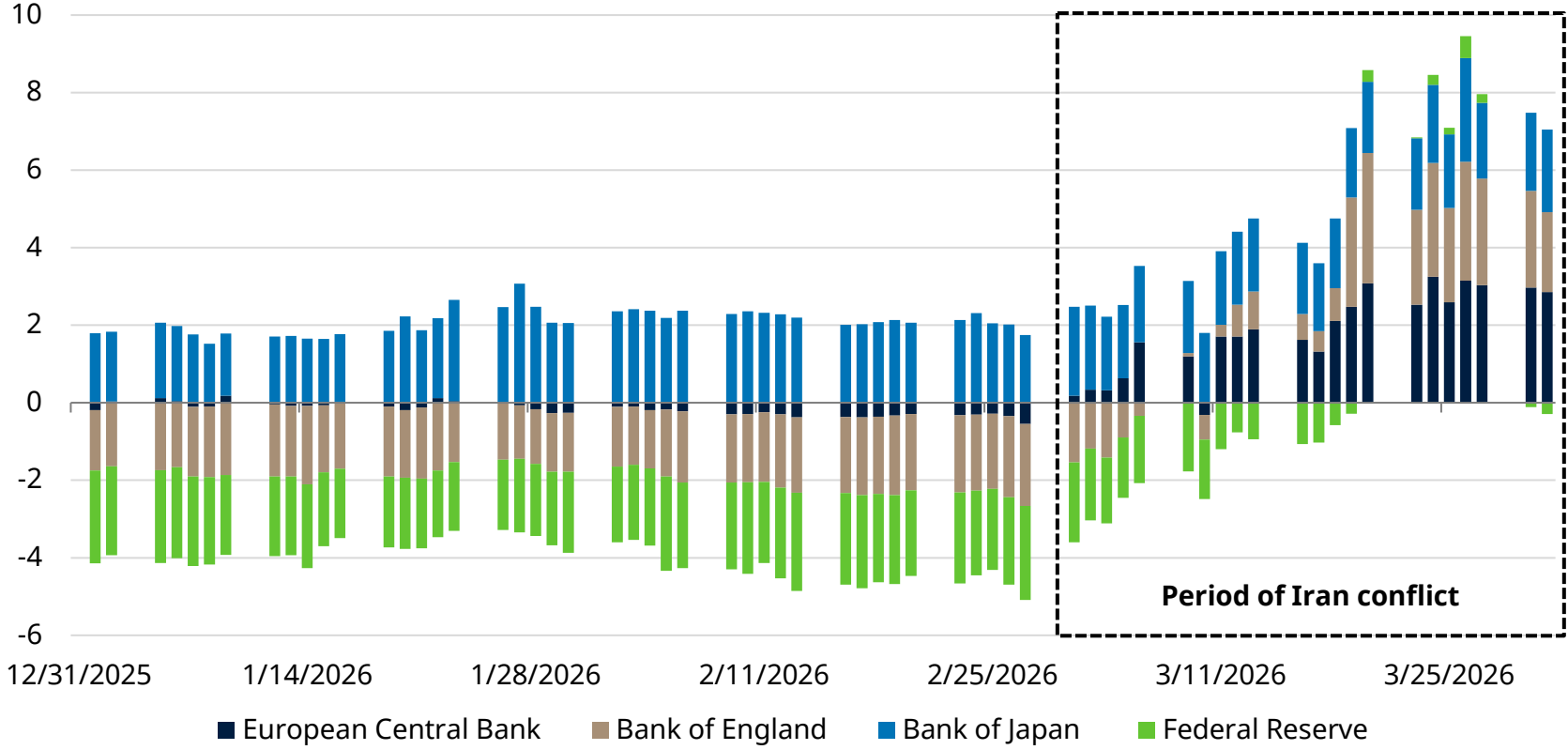


Source: Macrobond, Schroders Economics Group. 10 April 2026.

War prompts investors to brace for hikes

Rate cut expectations have drastically moved since the start of the Iran conflict

Number of rate hikes/ cuts expected in 2026



Source: Bloomberg world interest rate probabilities, 31 March 2026.

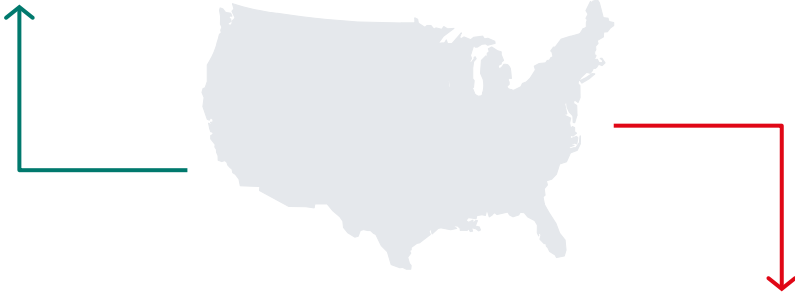
Consumer fundamentals hold up despite negative headlines

Headline weakness masks still healthy consumer fundamentals

Headlines highlight pockets of strain...

Underlying fundamentals are solid:

- Retail sales still positive in aggregate
- Real wage growth back in positive territory
- Healthy household balance sheets
- Insulation from global energy shock

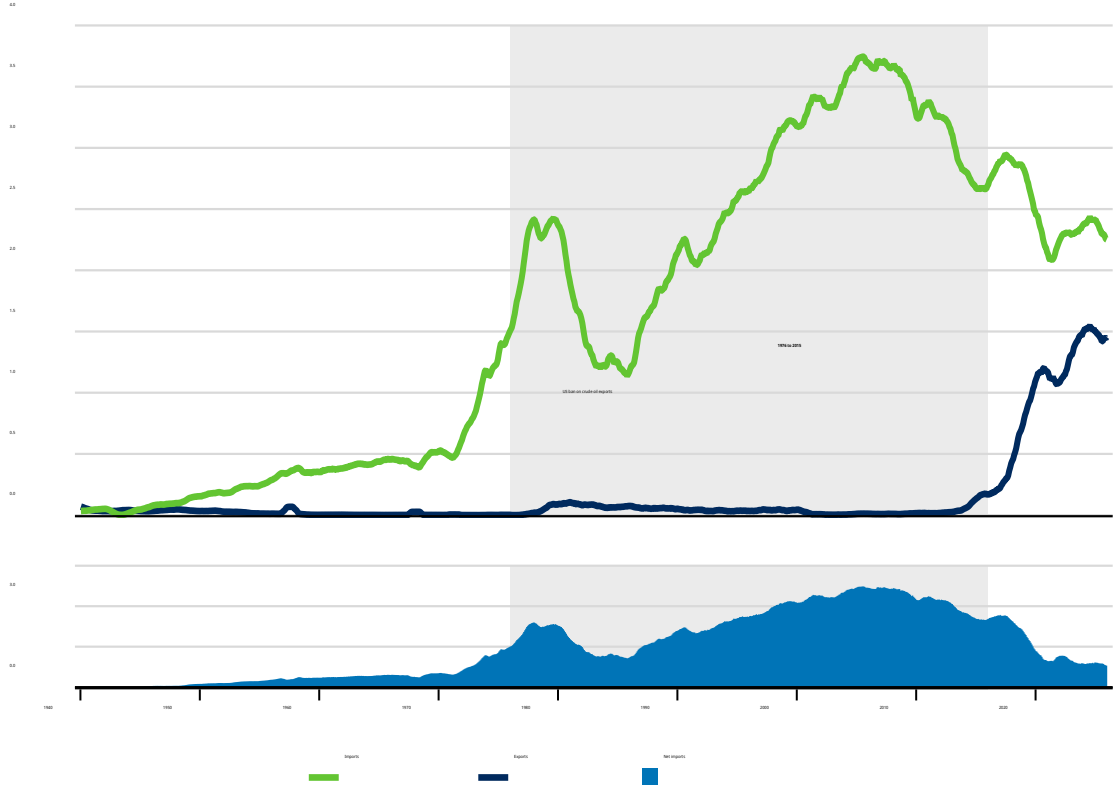


Headlines focus on weakness:

- Rising overdue loans in some segments
- Weaker consumer sentiment
- Pressure on lower-income households

The shale revolution reversed decades of import dependence

Crude oil: rolling 12-month total (billions of barrels)

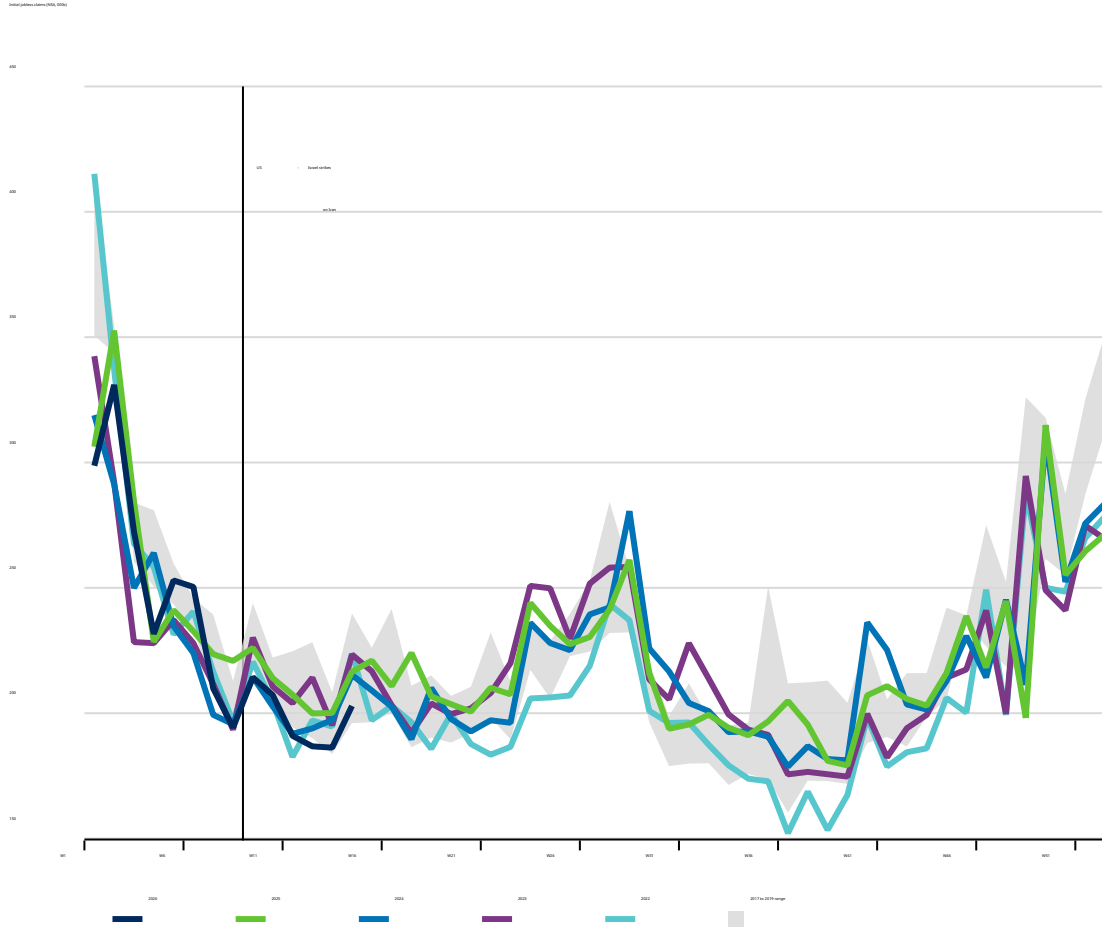
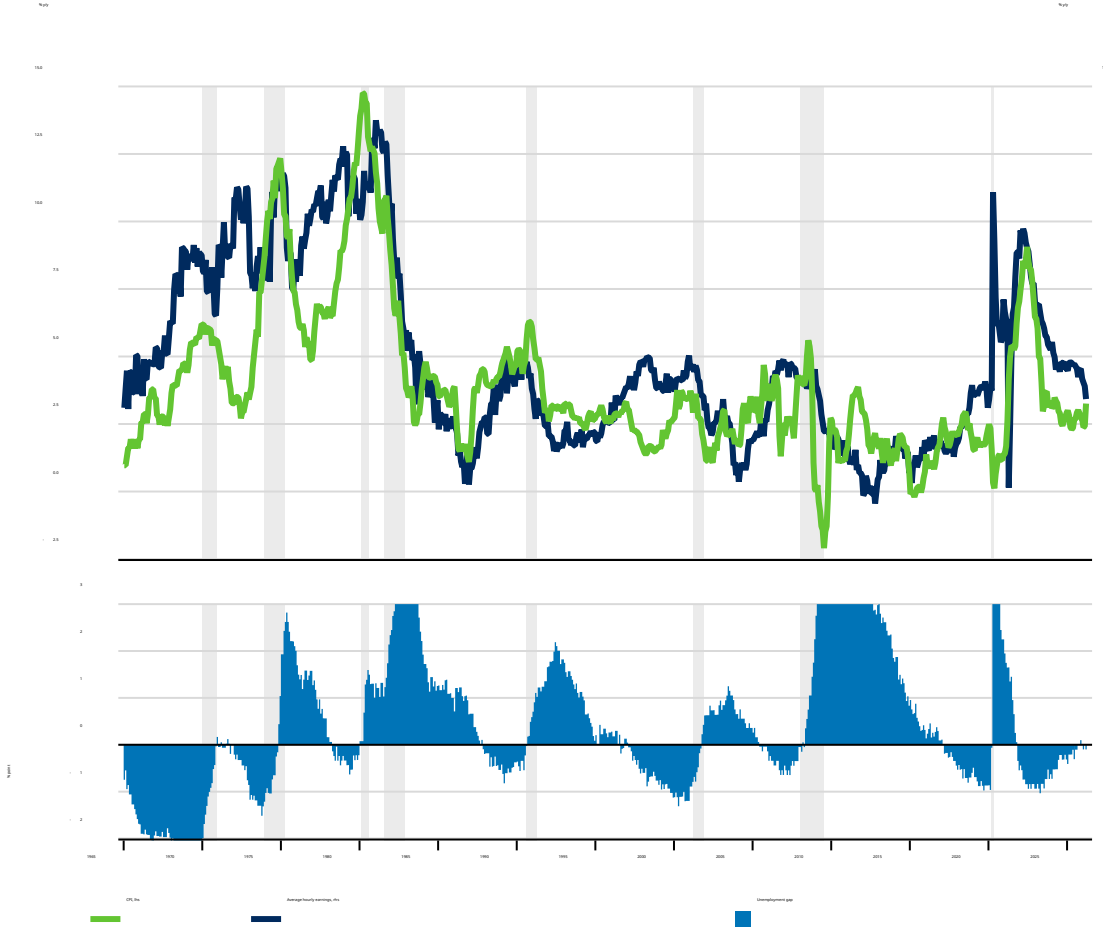


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Source: Cazenove Capital, Macrobond, Schroders Economics Group. 12 March 2026.

US macro data finely poised for now

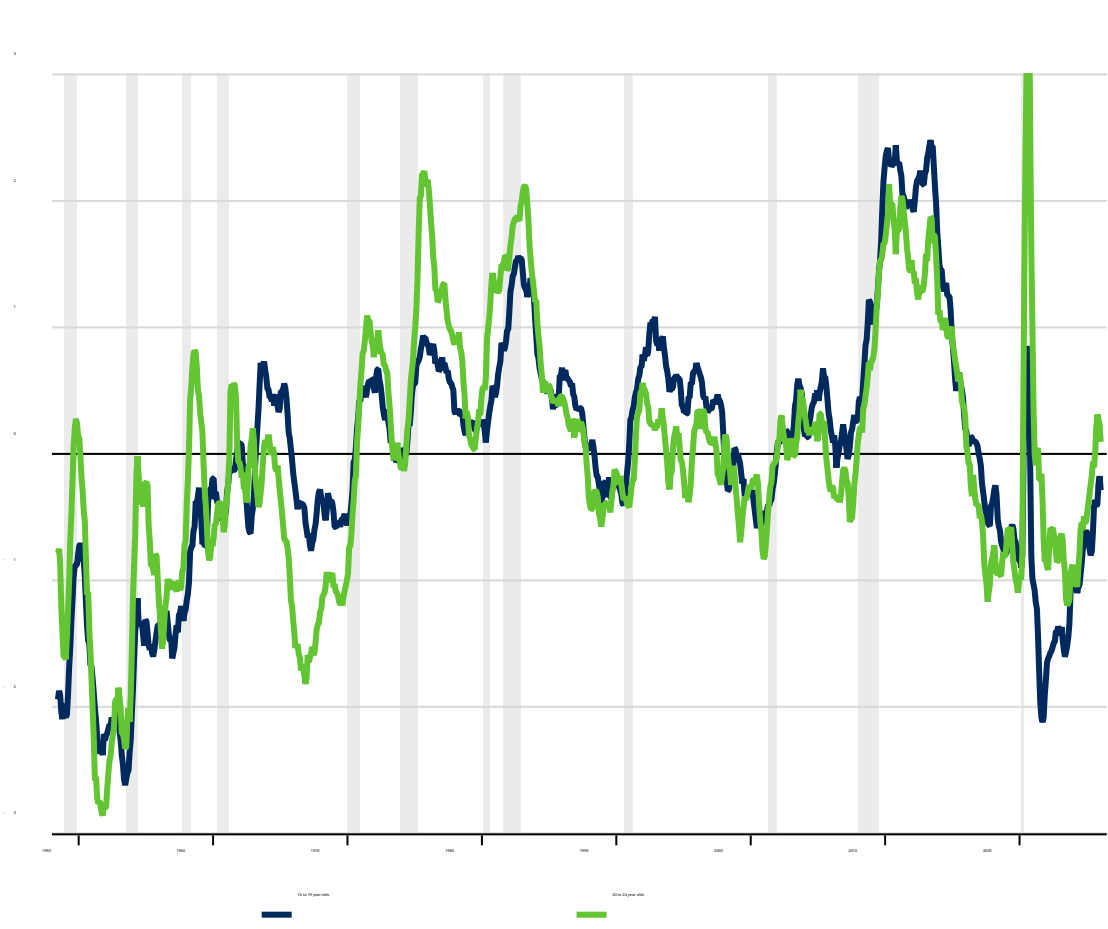
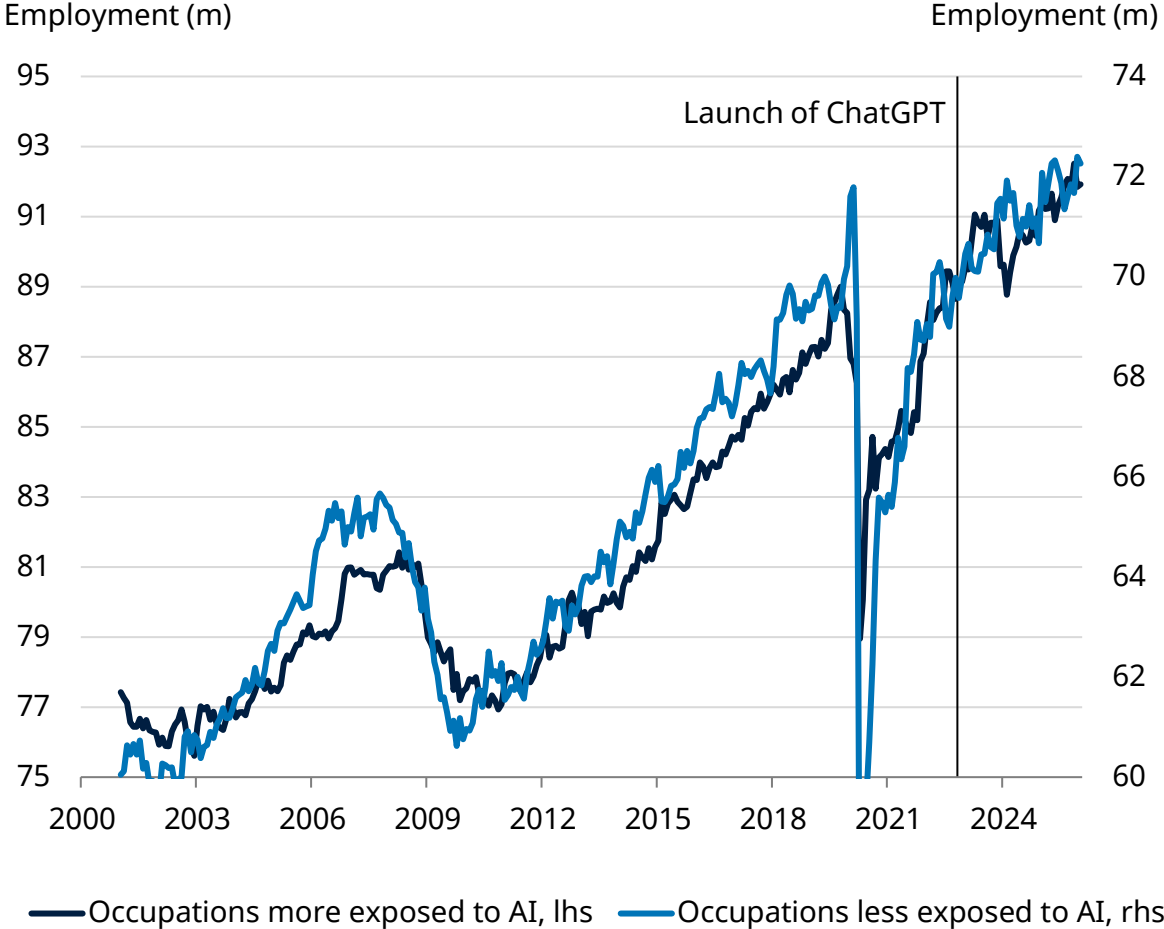
Inflation and labour markets will be a key focus for upcoming Fed meetings



Source: Macrobond, Schroders Economics Group, 10 April 2026.

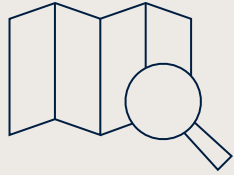
What impact is AI having on the labour market?

Data doesn't support narratives it is destroying jobs and raising youth unemployment

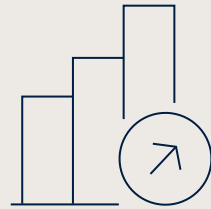


Source: Yale Budget Lab, Bureau of Labor Statistics, Schroders Economics Group. 3 March 2026.

Key messages



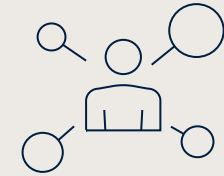
The economic impact of the turmoil in the Middle East remains uncertain and significant, with the extent dependent on both the severity and longevity of the conflict as well as the resilience of different regional economies to energy price shocks.



The longer the conflict endures, the greater the focus shifts from higher inflation to lower growth as persistent supply chain disruption leads to demand destruction.

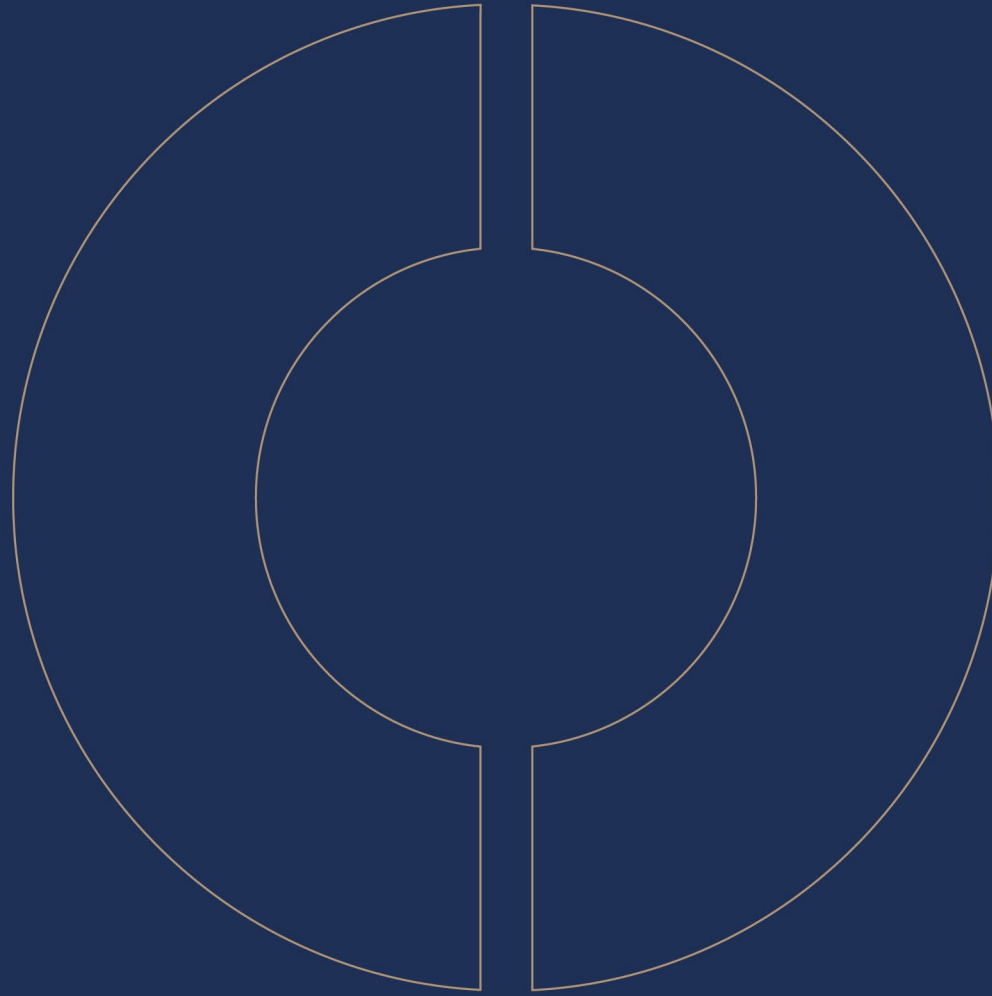


Many of the supports for global growth identified at the beginning of the year remain in place including a strong US consumer, fiscal stimulus, lower rates and AI capex spend, providing a counterbalance to the war.



Geopolitics will continue to be a source of volatility for markets, **but more often than not it is better to stay invested than trade too excessively around risk events over the medium term.**

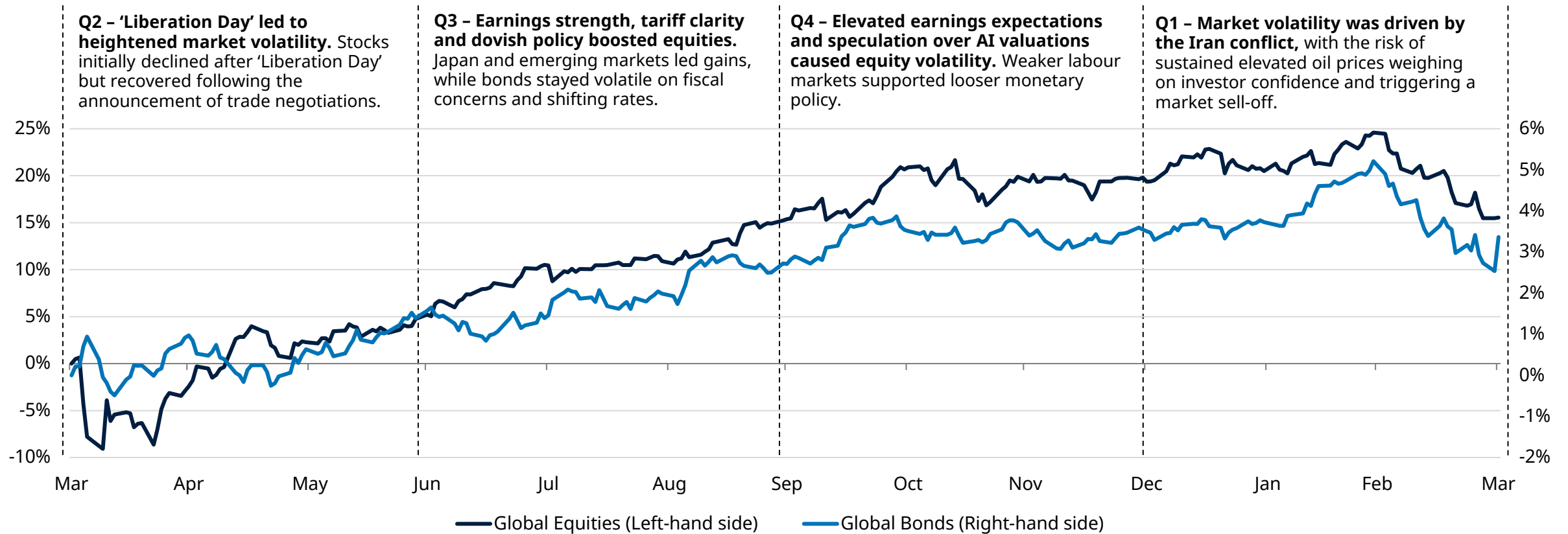
Investment strategy



2026 started out positively for both Equities and Bonds

Before the Iran conflict introduced volatility

Performance of Global Equities vs. Global Bonds (£)

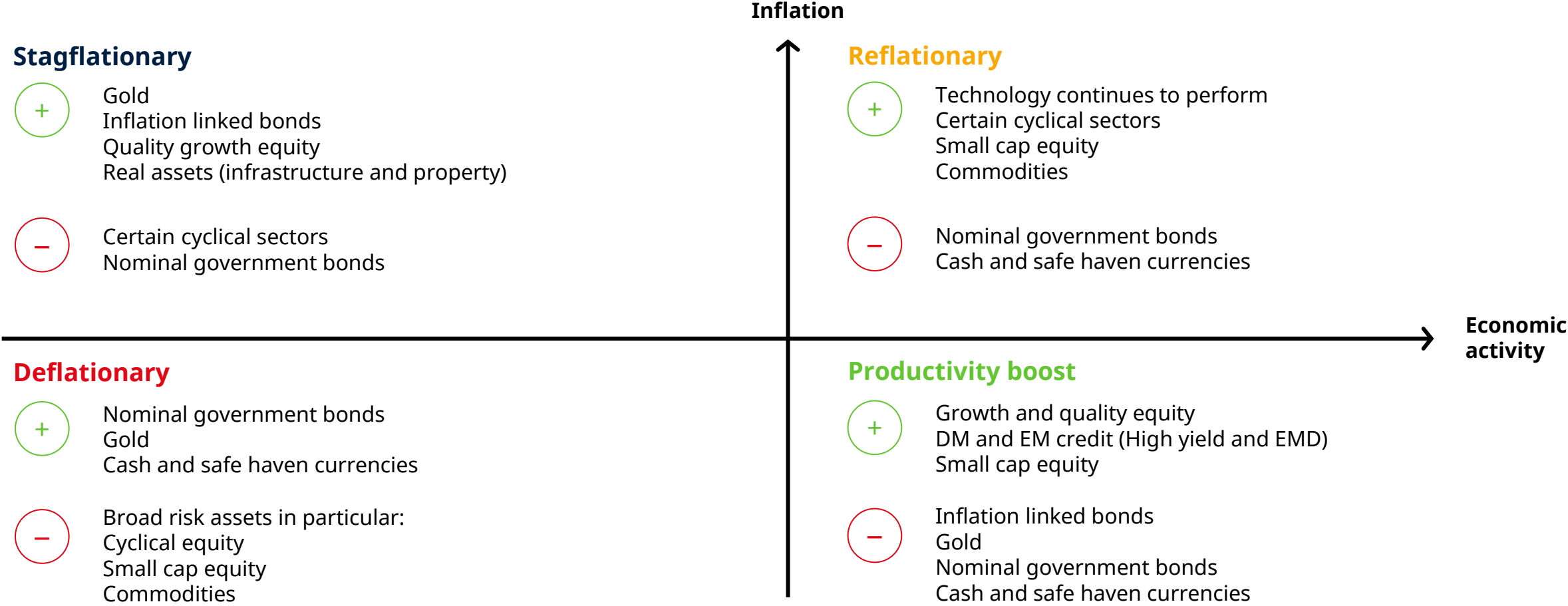


Past performance is not an indicator of future returns and may not be repeated.

Source: Cazenove Capital, LSEG. Performance data in GBP, total return. Performance of Global equities uses MSCI All Country World Index (unhedged) and Global Bonds uses the Bloomberg Global Aggregate Total Return Index (hedged). 31 March 2026.

Growth and Inflation Regimes – in theory

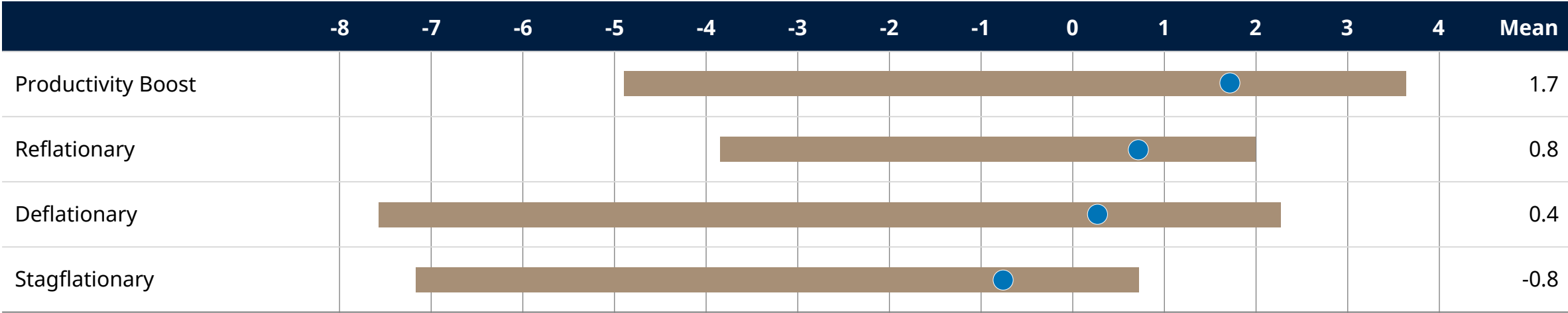
The quality of nominal growth matters



Source: Cazenove Capital, as at April 2026. Note: For illustrative purposes only.

Growth and Inflation Regimes – in practice

Monthly global equity performance in % in each regime



Upper and lower 20% mean
 Mean

Source: Bloomberg, Macrobond, as at 9 April 2026 and covering data from 2000.
 Note: Growth and inflation regimes are characterized by 4 distinct phases in which growth (proxied by the ISM manufacturing) and Inflation (proxied by the US CPI yoy) are either accelerating or decelerating over a 3m period. Equity market data are monthly changes in MSCI ACWI (USD), in %. Upper and lower 20% mean refer to the average of the 20% top or bottom percentage of a data set.

Geopolitical risk: Iran conflict

The scenarios underlying our approach

De-escalation



Scenario Summary

- **Strait reopens**
Traffic resumes gradually but damaged infrastructure and higher insurance premia linger
- **Oil prices revert lower**
But stabilise above pre-conflict levels around \$80-\$90
- **Global growth is resilient**
Limited impact on earnings
- **Inflation rises then stabilises**
Settles at levels inconsistent with rate hikes

Market impact

- Equities recover but path is volatile
- Bond prices rise with caution over rate cuts
- US dollar weakens
- Gold holds steady

Delayed resolution



Scenario Summary

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Intermittent flow escorted by the US or bilateral agreements possible
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Depending on the duration, offsets and de-stocking can buffer some of the impact before demand destruction eventually sets in, \$100-\$150
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Earnings revised lower, depending on how severely demand is affected
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Market impact

- Equities fall 10-20% before recovering
- Bond prices fall predominantly at the front end
- US dollar strengthens moderately
- Gold rises

Protracted conflict



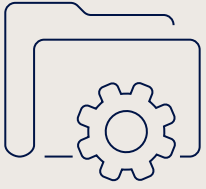
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Additional supply is taken out
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Sustained \$150+ oil shock
- **Growth contracts sharply**
Earnings downgraded significantly
- **Severe inflation shock**
Unanchored expectations

Market impact

- Equities fall meaningfully further (20-40%)
- Bond prices fall across the curve
- US dollar strengthens significantly
- Gold rises

Investment views – equities



Investment positioning

- We have downgraded our equity view to neutral given heightened geopolitical tensions
- Equity valuations remain expensive vs. history but have fallen to more attractive levels
- Earnings estimates remain positive but are yet to reflect the effect of higher oil prices

Equity

=

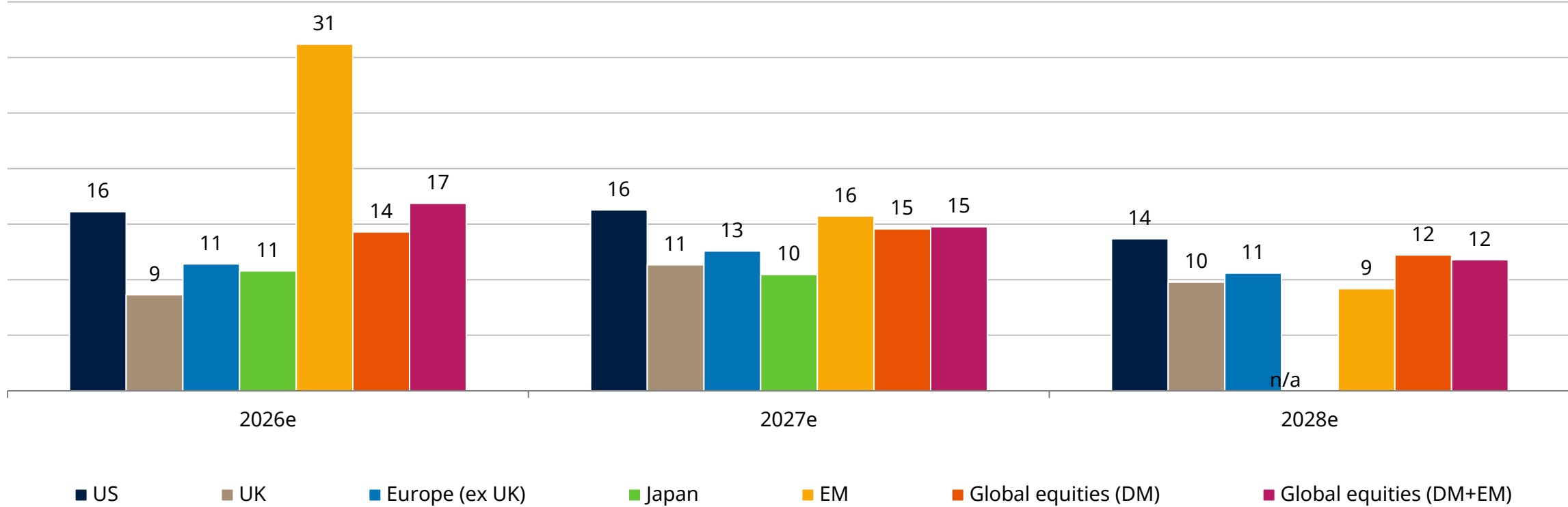
Neutral

Consensus expectations for strong earnings growth

but these have not yet adjusted to soaring energy prices

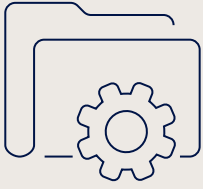
Consensus earnings per share growth forecasts, (% y/y)

Year on year expected earnings per share growth, %



Source: Schroders, Refinitiv DataStream, IBES, Bloomberg, 31 March 2026.

Investment views – bonds



Investment positioning

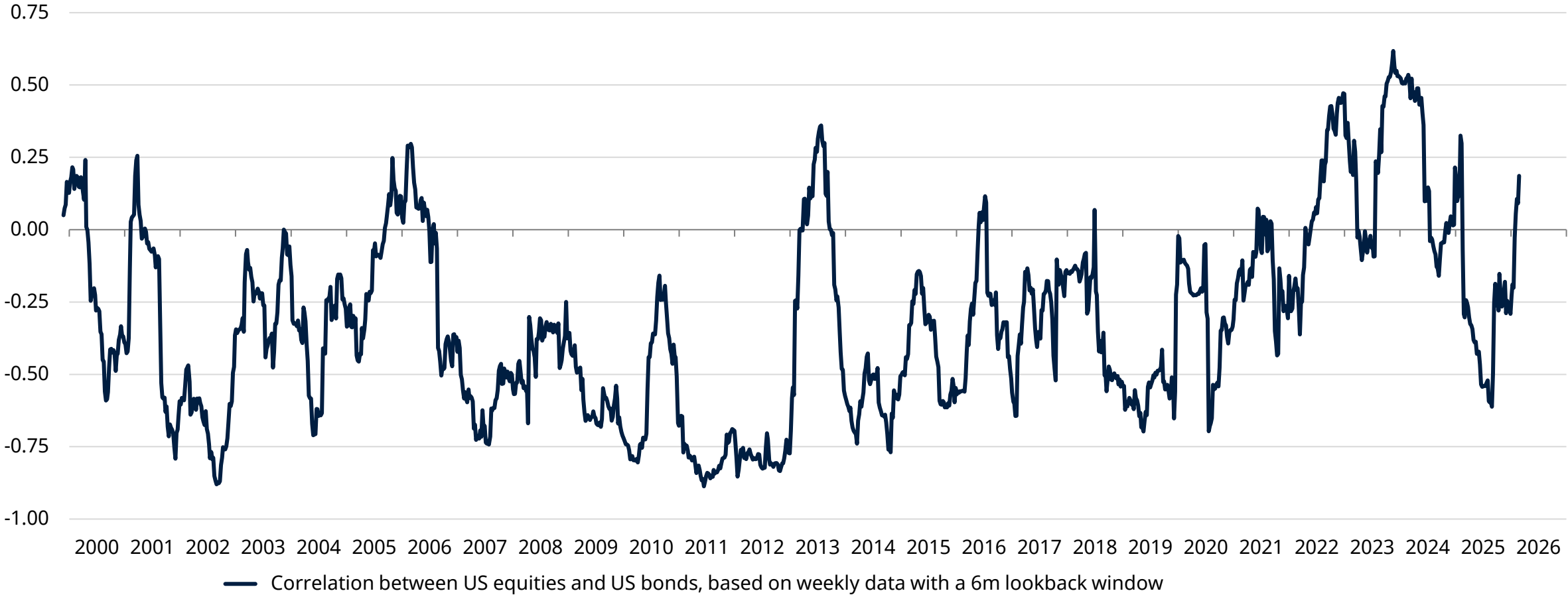
- We remain negative within our fixed income basket given an uncertain macro-outlook
- We remain slightly overweight government bonds (vs. credit), where yields are attractive and curves have been steepening, with a bias to gilts
- Within credit, we prefer shorter-duration corporates, as well as higher quality asset backed securities where relative valuations are attractive

Bonds

Negative

Bonds may provide less protection that historically

Equities and Bonds move directionally increasingly in lockstep

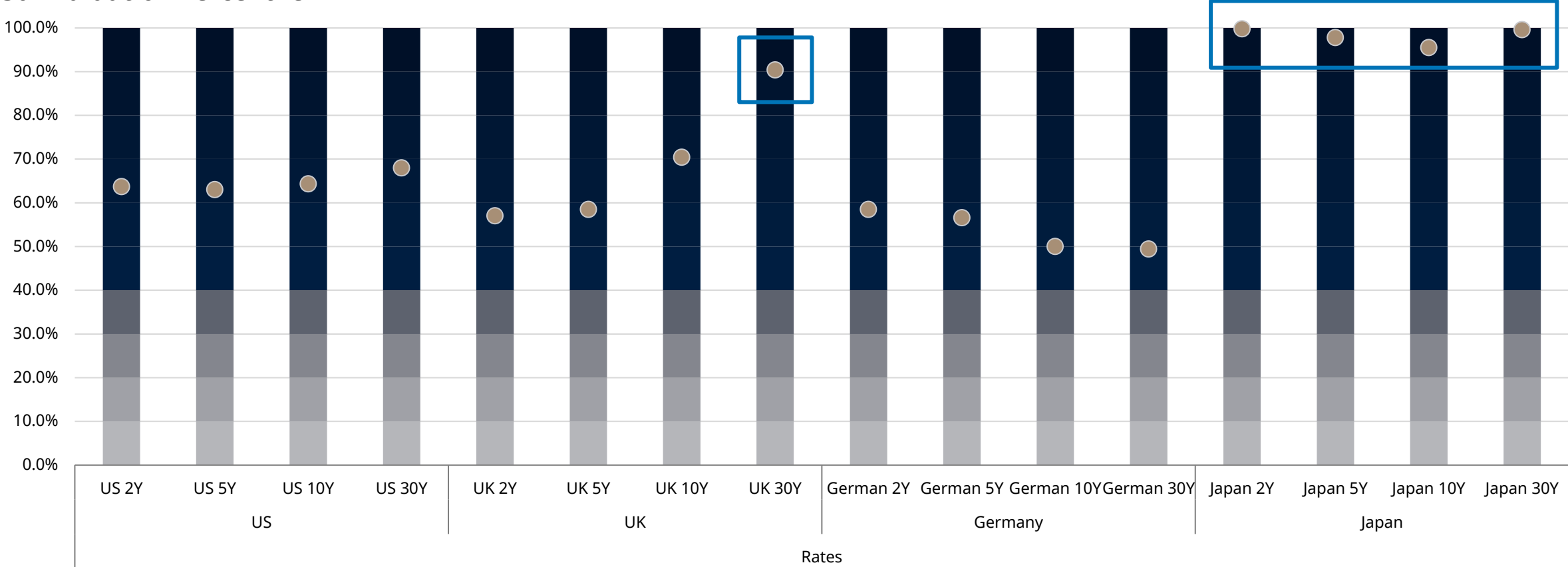


Source: Bloomberg, Macrobond, as at 9 April 2026.
Note: Based on US equities in USD, and US Treasuries in USD.

Long maturity bond yield compared to history

Select opportunities look attractive

30Y Valuation Percentile



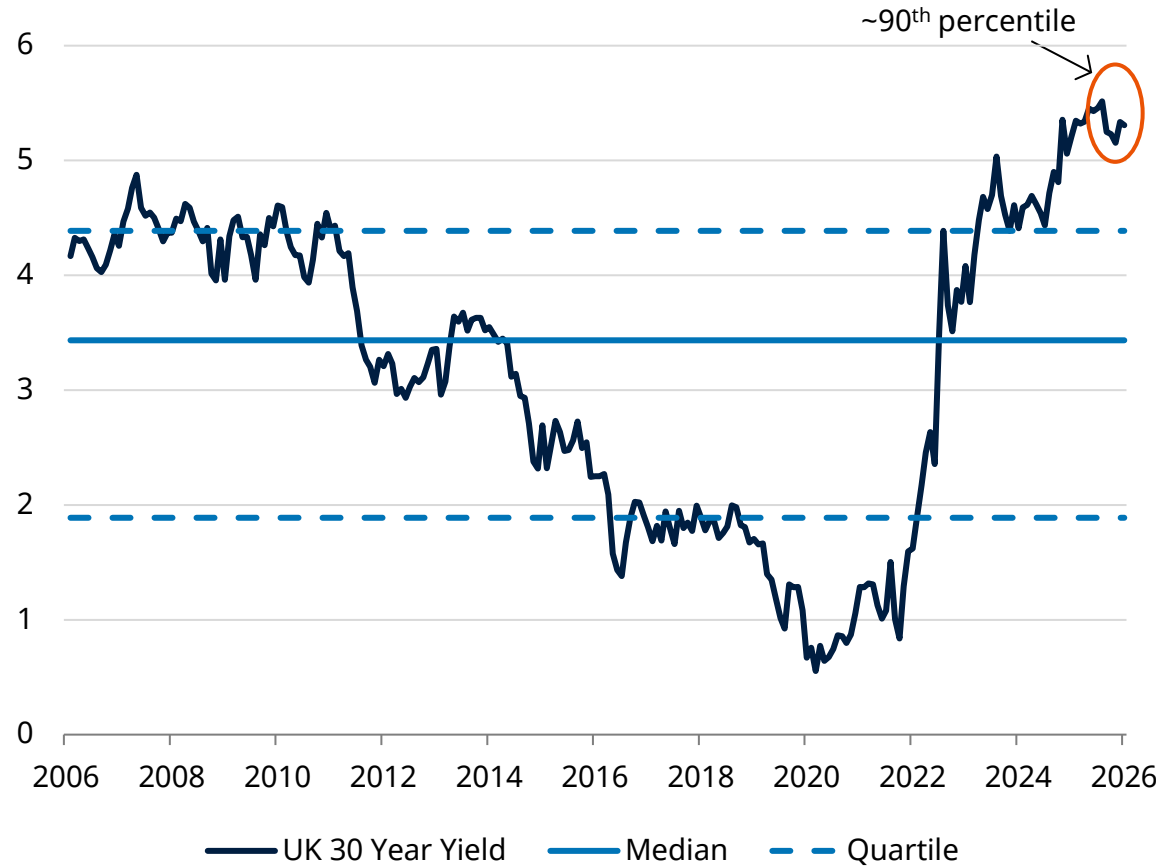
Source: Refinitiv, Cazenove Capital. Data as of 12 July 1995 to 31 March 2026.





Opportunities within fixed income

Gilt yields are at some of their highest levels in the past 20 years

UK 30-year government bond yields (%)



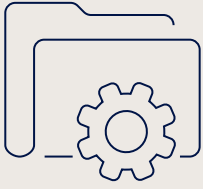
Gilts relative valuations to Treasuries and Bunds

Maturity	Vs. 	Vs. 
2 Year	Cheap	Very cheap
5 Year	Cheap	Very cheap
10 Year	Very cheap	Very cheap
30 Year	Very cheap	Very cheap



Source: Cazenove Capital, LSEG DataStream, 31 March 2026.

Investment views – alternatives



Investment positioning

- We have increased our alternatives position to neutral to improve diversification following heightened risks within equities and bonds
- Alternatives provide negative correlation from traditional assets such as equities and bonds which have become increasingly correlated to each other
- We favour assets with low correlation to traditional markets and to each other, including gold, commodities, absolute return strategies and listed real assets

Alternatives

=

Neutral

Gold prices remain supported

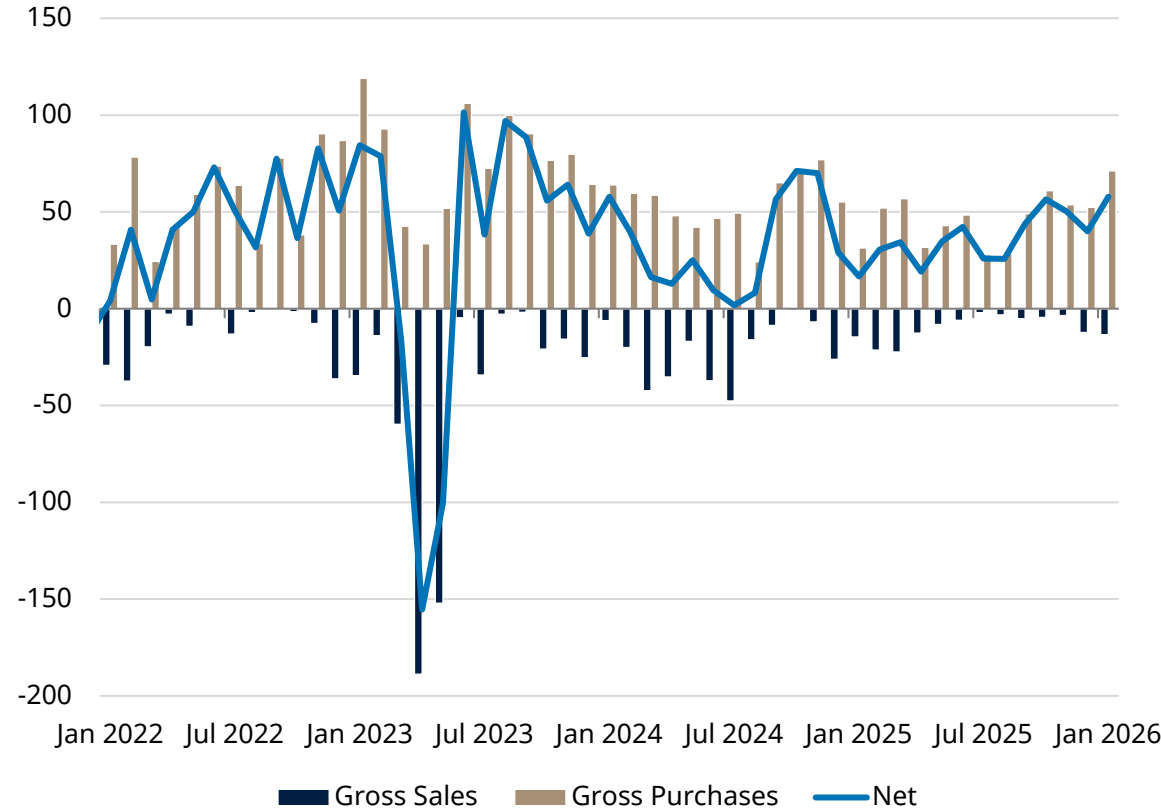
Despite strong performance, there is still room to grow

The ratio of gold/total reserves is now 27% in total, but closer to 15% for emerging markets



Central bank demand has remained strong

Changes in global central bank reserves (tonnes)



Source: Cazenove Capital. World Gold council. March 2026. Any reference to securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy.

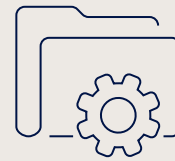
Investment views

Current themes



- Trump first
- AI adoption
- Broadening of market leadership
- Geopolitical uncertainty and conflicts

Investment positioning



- Reported earnings have been strong and revisions continue to be positive, albeit less so since the onset of the conflict. However, increased risk relative to complacent pricing led us to reduced risk
- Negative bonds; selective in government, prefer shorter-duration credit and asset-backed investment grade credit
- Alternatives upgraded to neutral, reflecting their role in providing diversification amid geopolitical risks
- Cash yields remain attractive relative to recent history, with defensive appeal in the current environment

Equity

=

Neutral

Bonds

-

Underweight

Alternatives

=

Neutral

Cash

+

Positive

Source: Cazenove Capital as at 31 March 2026.

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