



Discretionary Investment Management

Quarterly Newsletter

Q2 2026



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Markets, like the weather, can occasionally become overheated. Optimism turns into exuberance, valuations become increasingly demanding and investors begin to assume that tomorrow will simply look like today, only better.

Q2 2026 Commentary

by Mark Bousfield

*"Oh, it's getting hot in here,
Must be something in the atmosphere
Oh, we could be laughing about it
Making the most of the true British
climate"*

Athlete, You Got The Style (2003)



↑ Market heat can create opportunity, but discipline remains essential.

As I write, the UK finds itself in the grip of another summer heatwave. Beaches are packed, people are gravitating back to the office rather than working from home (largely because it is air-conditioned) and the background conversation is whether this is simply another hot summer, El Niño or evidence of something more structural.

Investment markets have been running at a similarly high temperature. The first half of the year has rewarded investors who remained focused on the long term. Across our portfolio range, returns have been encouraging, with growth strategies benefiting from continued equity market strength and our thematic positioning. While quarterly performance is never our primary focus, it is reassuring to see that a disciplined, diversified approach has continued to deliver positive outcomes for clients.

Over the past three months, enthusiasm surrounding AI has continued to dominate headlines. The world's largest technology companies remain at the forefront of investor attention, while the blockbuster IPO of SpaceX has reinforced the sense that we may be witnessing another defining chapter in technological innovation. None of this is necessarily irrational. AI has the potential to reshape industries in much the same way that electricity, the internet and smartphones transformed previous generations. Long-term investors should be excited by that prospect.

However, periods of genuine innovation are often accompanied by equally elevated expectations. Markets, like the weather, can occasionally become overheated. Optimism turns into exuberance, valuations become increasingly demanding and investors begin to assume that tomorrow will simply look like today, only better. History reminds us that it is rarely quite that straightforward. Even some of this year's strongest performing assets, including gold, silver, cryptocurrencies and several of the so-called Magnificent Seven technology companies, have reminded investors that markets rarely travel upwards in a straight line. That should not come as a surprise, and

in many respects, it is a healthy reminder of how markets actually work.

One of the observations I made recently in our column for Aurigny En Voyage magazine was that investing is rather like embarking on a long journey. The destination remains clear, but the route is rarely straightforward. Every journey involves unexpected bends, temporary diversions and the occasional stretch of roadworks. The important thing is not to mistake a slower section of road for the wrong destination. That philosophy feels particularly relevant today.

During the quarter, investors have continued to wrestle with familiar questions. Can AI investment continue at its current pace? Are markets becoming too concentrated? Will inflation remain stubborn? How will governments manage rising debt burdens? These are important questions and they deserve thoughtful consideration. Equally, they should be viewed within the context of much longer-term structural changes that continue to shape the investment landscape.

AI, healthcare innovation, energy infrastructure, defence technology, robotics and space exploration are not quarterly stories. They are themes that are likely to influence the global economy for many years, creating genuine opportunities alongside inevitable periods of volatility. Periods of market exuberance are often followed by consolidation, and that has been true throughout financial history. Temporary pullbacks should therefore be viewed as part of the investment journey rather than evidence that the underlying destination has changed. For long-term investors, this reinforces the value of diversification, patience and perspective.

Our task is not to predict every change in temperature. It is to remain disciplined, keep our eyes fixed on the horizon and remember that the greatest investment returns have rarely come from accurately forecasting the next quarter. They have come from recognising the forces that shape the next decade, and having the patience to stay invested while those forces unfold.

Market Update

by Jake Robin



↑ Geopolitics dominated headlines throughout Q2

Moving into Q2, geopolitics dominated headlines, with the continuation and culmination of the US/Iran conflict. In addition, the Federal Reserve ("Fed") entered a new era with Kevin Warsh succeeding Jerome Powell and assuming the role of Chair. This overview provides an update on what all this has meant for underlying investment markets, both geographically and by sector.

Despite the continuation of the conflict in the Middle East and further disruption to shipping through the Strait of Hormuz, markets were more resilient than one might have expected. Global equities rebounded, returning +15.1% (1), while global bonds also delivered a positive return of +0.8% (2). Markets generally trended higher throughout the quarter, with only a brief wobble in early June, driven by geopolitical tensions, higher oil prices and uncertainty around the Fed's new leadership.

Emerging markets were the clear regional leader, outperforming developed markets and returning 24% (3). This was largely driven by companies central to the AI buildout, as well as those well positioned to benefit from supply chain bottlenecks. US markets also demonstrated remarkable resilience, with investors largely focusing on strong earnings growth and the long-term opportunities presented by AI. Continued investment in data centres, semiconductors and supporting infrastructure helped sustain positive sentiment. The US returned 14% (4) over the quarter. Japan similarly benefited from the continued expansion of AI-related investment, with many companies playing a key role in the global semiconductor and technology supply chain. Other regions, such as the UK, did not deliver comparable returns but remained positive despite the Middle East conflict and oil supply concerns, which posed a particular risk to major oil importers.

As mentioned above, technology was the standout sector during the quarter, returning 33% (5), driven by continued investment in AI as companies committed billions of dollars to expand computing capacity and meet growing demand. This

theme also provided a significant boost to the industrials sector, which gained 12% (6) over the period. Companies involved in the development of data centres, power infrastructure and automation equipment benefited from this wave of investment, while broader capital spending and infrastructure demand provided additional support. Geopolitical tensions in the Middle East also contributed to stronger performance across aerospace and defence businesses, which represent a meaningful portion of the sector. In contrast, energy was the weakest-performing sector. Although oil prices briefly spiked as tensions in the Middle East escalated, they gradually declined over the course of the quarter as the conflict de-escalated and concerns over supply disruptions eased, resulting in a 13% (7) fall for the sector.

In the fixed income space, returns were modestly positive despite periodic volatility. Yields moved higher on government bonds, which faced pressure from persistent inflation concerns, leading the market to scale back expectations for rate cuts. Higher-yielding corporate bonds performed better during a quarter that favoured risk-on assets and was supported by resilient economic conditions.

Multi-Manager/Asset Strategies

by Bob Tannahill

Strategy	Portfolio Performance	Peer Average	Peer Group*
Income	3.4%	2.6%	Cautious PCI
Balanced	7.9%	4.6%	Balanced PCI
Growth	11.2%	5.8%	Steady Growth PCI
Global Solutions	19.4%	6.7%	Equity Risk PCI

*Asset Risk Consultant, private client indices
Data 31/12/2025 to 30/06/2026, sourced from FEFundinfo.

The multi-manager range of portfolios has had a strong first half of the year as the portfolio restructuring conducted over the last two years bears fruit. Strategies focused on capital growth all performed strongly both in absolute terms and relative to their peers, as the table below illustrates.

Similarly, our dedicated income strategy, Higher Income, continues to deliver on its objective of providing an income stream above cash rates with a flat to rising capital value.

As regular readers will know, our portfolio strategy is built around a number of long-term forces, which we believe are shaping the investment environment of the 2020s. In our view, the Covid-19 shock marked the beginning of a new market regime characterised by higher interest rates, more persistent inflation and changing market dynamics.

Alongside these cyclical shifts, four structural trends continue to influence our thinking:

- Growing geopolitical competition between the US and China
- The rise of AI and automation
- The increasing economic impact of climate change
- Ageing populations across much of the world

These trends are reshaping trade, investment and corporate behaviour in ways that differ markedly from a decade ago. As a result, we have continued to adapt

portfolios to ensure they remain diversified and aligned with the opportunities and risks we believe will define the years ahead. We have brought in dedicated regional positions to help increase diversification, built out a skeleton of passive funds to help capture passive flows better and we have increased the allocation to true diversifiers to help our clients' portfolios better navigate a world where bonds and equities have been increasingly correlated. All while sticking to our thematic alignment and our commitment to seeking out world-class active managers to add value in portfolios.

Changes such as these are rolled out incrementally over time and, as such, there is a period when changes have been made but the full impact has not yet been seen in the portfolios. Now, 18 months into this process, we are starting to see the impact, and we are pleased to be able to report that it has added value to our clients.

Looking forward, our key focus is on the AI narrative, which has been so strong in markets recently. While there are earnings underpinning this rally, we are conscious that there is room for markets to extrapolate cyclical earnings too far into the future, leading to disappointment. We have been looking for ways to pragmatically manage this risk and, as a result, we have recently reintroduced healthcare into the portfolios to help diversify AI risk. We are also staying in touch with our specialist managers, who are on the front line of this hot space, to ensure we are happy with how they are managing the issue at a stock level on our behalf.

Beyond the AI complex, markets remain broadly buoyant, supported by a global

The multi-manager range of portfolios have had a strong first half of the year as the portfolio restructuring conducted over the last two years bears fruit.

Multi-Manager/Asset Strategies

by Bob Tannahill (cont.)

economy that has held up remarkably well against a series of shocks – from the pandemic in 2020 and the Russian invasion of Ukraine in 2022 to the tariff debacle of 2025 and the US attack on Iran this spring. This resilience is, in our view, another feature of the post-Covid regime. Markets are likely to remain supported by structural investment in infrastructure – from trade infrastructure in the east and data centres in the west to defence and the energy transition – leaving us planning for a world in which growth remains well supported and the balance of risks is tilted more towards inflation than recession.

Please find performance commentary on our core multi-manager strategies below; Cautious, Higher Income, Balanced, Growth and Global Solutions, followed by our direct equity approach, Global Blue Chip. Each strategy is available via a segregated investment portfolio or via our Titan Global Fund Range.

If you would like to discuss any of our investment solutions further, please don't hesitate to get in touch with a member of the team.

Cautious Portfolios

Lower Risk

Objective: The Cautious portfolio's objective is to increase its value by predominantly allocating capital to fixed income investments. The portfolio can also invest into global blue chip equities with strong cash-flows and progressive dividend policies. A neutral position would be a 75% bond/25% equity split and the maximum equity-weighting of approximately 35%. The cash generated can be re-invested to provide capital or taken as an income stream.

Our Cautious portfolios returned 3.2% (8) ahead of international peer groups, which posted 2.3% (9) over the period. This takes the year-to-date returns to 3.5% (10) and 2.6% (11) respectively.

After a difficult first quarter for markets, the second quarter proved more encouraging for investors. Markets rebounded in April after March's sell-off, after a de-escalation of hostilities in the Middle East became more likely, while investor sentiment was buoyed by renewed attention to the capital expenditure cycle related to the build-out of AI infrastructure.

Against this backdrop, emerging markets reasserted their dominance over their developed counterparts across the quarter, as Korean and Taiwanese bourses steered global emerging markets ('EM') to strong gains. As measured by the MSCI Global EM index, EM returned 24% (12) over the period, outperforming MSCI's Developed Market equivalent by 10%, which returned 14% (13).

Fixed income markets were broadly positive. Developments in the Middle East have had a relieving effect on inflationary pressures, allowing central bankers to take a less hawkish approach in the setting of interest rates, while employment data has also been supportive. In contrast, yields in Japan have surged to multi-decade highs after the Bank of Japan hiked rates to 1% in June. Yields reached 2.7% on the 10-year note on the way to Japanese Government Bonds delivering a

1.3% decline over the quarter.

Pacific North of South EM Equity Income Opportunities was the portfolio's top performer over the quarter, up 10.6%, largely on account of the fund's top country allocations being South Korea and Taiwan. Fidelity Global Dividend and Guinness Global Equity Income were also notable performers, returning 8.5% and 8.3% respectively. While this was behind the broader MSCI All Country Index, which returned 14.2% (14), it reflects the portfolio's more defensive positioning and focus on steadier, income-generating companies.

As a reflection of the broader market the portfolio's fixed income allocations were all positive across the quarter, led by Titan's Hybrid Capital Bond Fund (+3.8%). Vontobel TwentyFour Strategic Income Fund (+3.1%) and Titan's Core Credit Fund (+2.8%) rounded out the top three.

The portfolio's 'diversifying assets' bucket contained the only negative contribution to performance. The Ruffer Total Return Fund's NAV fell 1.7% over the three months to the end of June exhibiting the uncorrelated nature of the fund's return profile.

Higher Income Portfolios: Medium Risk

Objective: The Higher Income portfolio's objective is to provide investors with a current income that is higher than cash rates. The current income target is 6%. The portfolio invests across a diverse range of assets including dividend paying equities, investment grade and high yield bond and infrastructure investments. The cash generated is taken as an income stream.

Our Higher Income portfolios returned 4.4% (15), taking the year-to-date returns to 4.3% (16). This means that, at the halfway point of the year, the strategy remains on track to meet its objectives.

Since we launched the strategy on 19th May 2023, we have seen the capital value rise by 10%. Although the headline yield has dropped to 5.6% (17), we are nevertheless pleased with the outcome at this stage. While investors are still receiving an attractive level of annual income, this drop in headline yield is a timely reminder that some income assets have performed well and therefore are more expensive than others.

On the equity side, Pacific EM Equity Income Opportunities has been a strong performer, returning some 96.6% since we launched. Its yield has, however, dropped as a result, from 7.4% to 4.5% (18). We spoke with the team recently and are pleased to hear that they are recycling capital from winners with low yields into new ideas that offer better value. As such, we expect to see the yield on this position rise over time.

On the bond side we have two funds that stand out: Candriam Global High Yield and Muzinich Emerging Markets Short

Duration, both of which yield less than 5% today (19). This is due to the premium investors get paid for taking on credit risk having come down over time. Muzinich invests in EM bonds, however it does so in a cautious manner. Looking out across the broader opportunity set in EM bonds, we think we could make this position work harder and we will allocate half the position shortly. Regarding Candriam, we are more conscious that now may not be a good time to increase risk in the high-yield bond space and, as such, we will hold this position.

Elsewhere, Sequoia posted a strong quarter (+7.6%) as the discount to NAV that had opened up during the Iran conflict-induced sell-off closed. The laggards were our more defensive assets in TwentyFour Asset Backed Securities (+1.8%) and Fermat (+1.7%), however neither gives us cause for concern.

The strategy has performed in line with our expectations and has delivered on its objectives. As we enter a phase in markets where some income assets are looking more expensive, our key focus going forward is on ensuring our clients' capital continues to work hard for them without taking on undue risk in case we see an event-driven market repricing.

Balanced Portfolios Medium Risk

Objective: The Balanced Portfolio's objective is to provide capital appreciation through a balance of fixed income and global equities. A neutral position is a 50% bond/50% equity split and the maximum equity weighting is 60%. The cash generated can be re-invested to provide capital or taken as an income stream.

Our Balanced portfolios returned 8.8% (20) ahead of international peer groups, which posted 5.5% (21) over the period. This takes the year-to-date returns to +7.9% (22) and +4.6% (23) respectively.

Global equity markets recovered strongly post-Q1 with confidence improving significantly following President Trump's mid-June ceasefire agreement, helping to reduce geopolitical concerns and ease fears over energy supply disruptions. Improved market sentiment boosted investors' risk appetite, driving strong gains in AI and semiconductor-related stocks, while emerging markets outperformed, led by Taiwan and South Korea.

Within the portfolios, the strong quarterly returns were driven by exposure to AI,

technology and emerging market equities. Polar Capital Artificial Intelligence led the strategy with a gain of +45.2%, benefiting from renewed optimism around AI infrastructure expenditure, strong earnings upgrades and the strong performance of semiconductor-related holdings. BlueBox Global Technology (+32.2%) and Polar Asian Stars (+26.9%) followed, boosted by stock performance from names such as TSMC and ASML, reflecting their positions in semiconductor process control and advanced manufacturing.

The laggards from an equity perspective were Jupiter UK Alpha and KBI Sustainable Infrastructure. Jupiter gained +2.9%, but underperformed the wider UK equity market, which faced headwinds from weaker commodity prices and reduced

Higher Income Portfolios: Medium Risk (cont.)

support for commodity-related sectors. The fund also had limited exposure to the technology-led rally driving global equities. With respect to KBI, it posted a modest gain of +1.6% following strong performance in Q1. We remain positive on the physical infrastructure needed to support an increasingly electrified, AI-driven economy, including grid components, power electronics and the wider capital spending cycle behind data centre growth.

By contrast, more defensive fixed income and diversifier allocations lagged in relative terms during an environment that strongly favoured higher-growth assets. Schroder Strategic Credit and Royal London Sterling Extra Yield Bond returned +2.7% and +2.5%, respectively, providing

positive absolute returns but detracting from relative performance during a strong quarter for equities. Ruffer was the only detractor in absolute terms. Whilst this isn't unexpected in a rising market and the long-term intention of the position is to provide diversification and downside protection, we are monitoring this holding.

Looking ahead to the rest of 2026, the backdrop remains constructive, supported by improving geopolitical conditions, lower energy prices and continued momentum in AI investment. However, risks remain around the durability of the Iran ceasefire, the path of inflation, monetary policy expectations and elevated valuations within AI and semiconductor-related sectors.

Growth Portfolios: Higher Risk

Objective: The Growth Portfolio's objective is to provide long-term capital appreciation by investing predominately into global equities. A neutral position is a 25% bond/75% equity split and the maximum equity weighting is 85%.

Our Growth portfolios returned 11.8% (24) ahead of international peer groups, which posted +7.7% (25) over the period. This takes the year-to-date returns to +11.2% (26) and +5.8% (27) respectively.

The quarter's performance represented a significant recovery from the challenging environment experienced in Q1, when heightened geopolitical tensions, including US military action involving Venezuela and Iran, contributed to increased market uncertainty, elevated risk premiums and a sharp sell-off across risk assets. Investor sentiment improved materially during the quarter following President Trump's ceasefire agreement and peace memorandum with Iran in mid-June. This supported a renewed appetite for risk assets, particularly growth-oriented equities linked to AI and semiconductors, with the sector up +57.5% (28). Meanwhile, emerging markets (+24%) (29) outperformed global equities following their Q1 underperformance, led by semiconductor-heavy markets such as Taiwan and South Korea.

Within the Global Growth strategy, the strong quarterly returns were driven by concentrated exposure to AI, technology,

and emerging market equities. Polar Capital Artificial Intelligence led the strategy with a gain of 45.2%, benefiting from renewed optimism around AI infrastructure investment and the strong performance of semiconductor-related holdings.

Aubrey Global Emerging Markets Opportunities returned +34.1%, supported by similar regional and technology tailwinds, while BlueBox Global Technology gained +32.2% and Polar Asian Stars added +26.9%, demonstrating the benefit of maintaining exposure to long-term structural growth themes.

By contrast, more defensive allocations lagged in relative terms during an environment that strongly favoured higher-growth assets. However, there were no detractors in absolute terms, with all underlying strategies delivering positive returns over the quarter.

Jupiter UK Alpha gained +2.9%, but underperformed the wider UK equity market, which faced headwinds from weaker commodity prices and reduced support for commodity-related sectors. The strategy also had limited exposure to the technology-led rally driving global equities.

The concentration of returns in a narrow set of AI-linked names, alongside sticky inflation and ongoing geopolitical risk, argues for continued discipline around diversification...

Growth Portfolios: Higher Risk (cont.)

Schroder Strategic Credit and Royal London Short Duration Global High Yield Bond returned +2.7% and +1.9% respectively, providing positive absolute returns but detracting from relative performance during a strong quarter for equities.

Finally, we are encouraged that recent changes across our core strategies

are beginning to bear fruit, particularly the targeted regional allocation, which maintains an underweight to the US while increasing exposure to emerging markets, alongside AI and infrastructure themes. Q2 performance demonstrates the benefits of these positioning decisions in an environment that rewarded structural growth opportunities.

Global Solutions Portfolios: Higher Risk

Objective: The Titan Global Solutions Fund's main objective is to generate long-term capital growth through investments in global equity markets. The underlying investments are selected using a thematic investment process.

Our Global Solutions portfolios returned +16.6% (30) ahead of international peer groups, which posted +10.2% (31) over the period. This takes the year-to-date returns to +19.4% (32) and +6.7% (33) respectively.

The quarter was dominated by a powerful continuation of the AI trade, with markets shrugging off a geopolitical shock in the Middle East that drove energy prices and inflation sharply higher. Leadership was concentrated in technology and semiconductors as the memory and AI infrastructure build-out accelerated, while Asian markets emerged as a key beneficiary, with Korea and Taiwan posting exceptional gains on the back of the AI and memory-chip cycle.

The portfolio's emerging market and structural growth allocations were significant contributors. Impax Asian Environmental Markets was the standout, returning +36.2% as its exposure to Asian technology and environmental solutions names captured the region's AI-led rally, while UBAM Positive Impact Emerging Equity also performed strongly, up +20.8%. Aikya Global Emerging Markets was the one detractor within this sleeve, returning -0.4%, held back by its defensive positioning and underweight to technology – a now-familiar pattern for the strategy.

The resource scarcity and AI theme was again a standout contributor. Polar Artificial Intelligence returned +45.2% as continued hyperscaler capital expenditure and the tightening memory market drove another quarter of strong earnings upgrades across the AI supply chain. Robeco Smart Materials also performed exceptionally

well, up +36.9%, benefiting from the same demand for advanced materials, semiconductor equipment and automation that has underpinned the theme over recent quarters.

Energy transition was the best-performing theme in the portfolio this quarter. Polar Smart Energy returned +48.6%, continuing to show that, despite its clean energy label, the fund is also exposed to the physical infrastructure needed to power an increasingly electrified, AI-driven economy – from grid components and power electronics to the wider capital expenditure cycle behind data centre growth. Infrastructure exposure was more mixed by comparison, with Atlas Infrastructure and KBI Sustainable Infrastructure posting modest gains of +4.1% and +1.6% respectively, having been strong contributors last quarter. Elsewhere, the environmental and healthcare sleeves delivered solid if unspectacular returns.

Looking ahead, the structural drivers behind AI, resource scarcity and energy transition remain firmly intact and continue to underpin the portfolio's core positioning. That said, the concentration of returns in a narrow set of AI-linked names, alongside sticky inflation and ongoing geopolitical risk, argues for continued discipline around diversification even as the medium-term outlook for these themes remains constructive.

The forthcoming Q2 earnings season will be pivotal. Investors will demand evidence that AI expenditure is converting into revenues, margins and cash flow, while scrutinising capital intensity and demand durability across the supply chain.

Global Blue Chip Portfolios:

Equity Risk
by Ben Byrom

Objective: The Global Blue Chip portfolio invests into approximately 40-45 global blue chips that are in line with our long-term investment themes. The aim is to invest into such companies at an attractive valuation and hold them for the long term.

Global Blue Chip returned +7.8% over the quarter. This was a strong absolute gain but a disappointing relative outcome against the MSCI World, which advanced +13.2%. The resulting shortfall reflected an unusually narrow market in which selected semiconductor, memory and AI-infrastructure stocks drove a disproportionate share of benchmark returns. The portfolio participated in the advance, but its gains from technology were not sufficient to offset weakness in resources and parts of software.

Over the period, market leadership changed materially. The Magnificent Seven were relatively weak, with all seven lagging the MSCI World over the first half. This was not a broad rejection of AI. Instead, capital rotated away from some companies funding the investment boom and towards the bottlenecks supplying it: advanced semiconductors, memory, lithography, process control, power management, cooling and data-centre infrastructure. SpaceX's IPO, which valued the company at around \$2.1 trillion after its first day of trading, reinforced investors' willingness to capitalise on long-duration opportunities, but may also have diverted risk appetite from existing mega-cap technology holdings.

Performance drivers

Information technology made the largest positive absolute contribution, but it was also the principal source of relative underperformance. The portfolio had meaningful exposure to AI infrastructure, yet remained less concentrated than the benchmark in the narrow group of semiconductor and memory-related winners. CrowdStrike was the largest contributor as confidence returned to the AI-enabled cybersecurity thesis. KLA, TSMC, ASML and Infineon also performed strongly, reflecting their positions in semiconductor process control, advanced manufacturing, lithography and power management respectively. These are less visible parts of the AI value chain, but they possess the scarcity, technical complexity and pricing power that is increasingly rewarded.

Financials were another relative headwind. The portfolio remained materially underweight the sector because of our caution towards highly leveraged cyclicality with a preference for fintech related opportunities. That preference was costly during a quarter in which banks and broader financial stocks performed well. The issue was allocation rather than poor stock selection: the portfolio simply owned less of an area that was rising.

Materials and energy were the main absolute disappointments. The portfolio's overweight exposure to resources failed to provide the expected diversification. Gold and silver weakened as higher-for-longer rate expectations supported the dollar, pressuring precious-metal miners. ExxonMobil also detracted as operational disruption and hedging losses affected earnings, before the decline in oil prices removed much of the sector's geopolitical premium. These moves were painful, although the longer-term arguments around monetary debasement, energy security and the reorientation of critical-material supply chains remain intact.

Elsewhere, healthcare contributed positively through stock selection and provided exposure to long-duration growth less dependent on the AI capital-expenditure cycle. Industrials also helped, supported by automation, reshoring, defence and infrastructure spending, while consumer staples supplied modest defensive ballast. Among individual detractors, Palantir's substantial earnings beat was not enough to sustain the shares because investors focused on softer US commercial performance and questioned whether its exceptional growth rate can persist. Netflix also weakened following softer guidance, management change and renewed concerns about its next source of growth.

Outlook

Q2 was disappointing on a relative basis, but it was not thesis-breaking. The portfolio remains up in absolute terms and enters the second half only 1.5 percentage points behind the benchmark, leaving everything



↑ Healthcare provided long-term growth outside of AI.

Blue Chip Update

by Ben Byrom (cont.)

to play for.

The forthcoming Q2 earnings season will be pivotal. Investors will demand evidence that AI expenditure is converting into revenues, margins and cash flow, while scrutinising capital intensity and demand durability across the supply chain. We expect markets

to grind higher, supported by robust corporate earnings, but with periods of volatility and frequent changes in market leadership. In this environment, remaining diversified across the areas where capital investment is flowing gives us the route of least resistance and cleanest opportunity.

Stock in Focus:

KLA by Alex Rich

Every AI chip that reaches a data centre has, at some point, been measured, inspected and judged. KLA Corporation ("KLA") is the company doing the judging.

KLA is the dominant supplier of process control and yield management equipment to the semiconductor industry. The company does not make chips or pattern them, rather it ensures that the chips that are made actually work, at the lowest possible cost. Admittedly this is a very niche role to play, but in an era where AI is the dominant trade, it is nonetheless very significant with a market share of around 55% (more than four times that of its nearest competitor!).

That dominance is no accident, as KLA spends more on research and development than most of its rivals earn in process-control revenue altogether, and its installed base spans over 200 highly configurable products, many co-developed with sole-source suppliers. The result is industry-leading gross margins, a deliberately asset-light, assembly-led model, and an extremely good quality of service highlighted by the fact that roughly 95% of every system KLA has ever sold remains in use today, and more than half of the installed base is over 18 years old.

KLA's relevance to the AI build-out is best understood by looking at what happens as chip technology becomes more advanced. AI chips are larger and more complex, which makes them harder to manufacture without faults. As designs become smaller, more precise and more customised, companies need more inspection and testing to make sure each chip works properly. KLA provides the equipment that helps

manufacturers find these faults early. It also plays an important role in advanced packaging, where different parts of a chip system – such as GPUs and high-bandwidth memory – are brought together to power AI applications. To put it simply, the chip manufacturing process is at technology's cutting-edge, meaning failures can be likely but ultimately very costly, so KLA acts as the inspection police. KLA now expects roughly \$1bn of advanced packaging revenue in 2026, up from \$635m in 2025, and holds the number one position in process control for advanced wafer-level packaging. So, while others sell the picks and shovels, KLA inspects the gold.

This is why the company sits squarely within two of our Blue Chip strategy's themes: technology and innovation and changing world.

Under technology and innovation, rising chip complexity, high-bandwidth memory and advanced packaging all increase the process control intensity of every wafer; KLA therefore captures more revenue per unit of industry output as the technology advances, not merely more units.

Under changing world, the reshoring and securing of semiconductor supply chains is fuelling an extraordinary capital cycle, with the top three US foundries expected to commit hundreds of billions to new capacity in the coming years. KLA is a direct beneficiary of both the rising volume and the rising sophistication of that spend.

The market has taken note of all the above and has backed up our initial investment thesis with returns. KLA shares are up more than 60% over the quarter, extending a

Stock in Focus:

KLA by Alex Rich (cont)

remarkable run driven by consistent earnings beats, repeated upward consensus revisions and growing conviction in the second-half 2026 revenue ramp. Tellingly, much of the analyst debate now centres on management's own guidance, which the market regards as conservative given that KLA keeps gaining share and growing faster than the broader wafer fab equipment market. In the near term, memory costs are a modest headwind to gross margins. However, management has secured the supply it needs and, fittingly, the same memory manufacturers driving that cost pressure are also buying more KLA equipment themselves. The cycle will eventually turn, as it always does, but KLA's grip on an indispensable layer of chip manufacturing looks more secure than ever.



↑ KLA helps ensure the chips powering AI actually work.

Data Sources

1. MSCI World, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
2. Bloomberg Global Aggregate, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
3. MSCI Emerging Markets, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
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11. Asset Risk Consultants Sterling Cautious Private Client Index, GBP Total Return 31/12/2025 to 30/06/2026. Source: FE fundinfo.
12. MSCI Emerging Markets, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
13. MSCI Developed Markets, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
14. MSCI All Country Index, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
15. GBP Titan Higher Income Model Performance Data, Total Return 31/03/2026 to 30/06/2026. Source: Titan Wealth (CI) Limited.
16. GBP Titan Higher Income Model Performance Data, Total Return 31/12/2025 to 30/06/2026. Source: Titan Wealth (CI) Limited.
17. GBP Titan Higher Income Model, 30/06/2026 Dividend Yield. Source: FE fundinfo.
18. Pacific North of South EM Equity Income Opportunities, 30/06/2026 Dividend Yield. Source: FE fundinfo.
19. Candriam Global High Yield and Muzinich Emerging Markets Short Duration, 30/06/2026 Dividend Yield. Source: FE fundinfo.
20. GBP Titan Balanced Model Performance Data, Total Return 31/03/2026 to 30/06/2026. Source: FE fundinfo.
21. Asset Risk Consultants Sterling Balanced Asset Private Client Index, GBP Total Return 31/03/2026 to 30/06/2026. Source: FE fundinfo.
22. GBP Titan Balanced Model Performance Data, Total Return 31/12/2025 to 30/06/2026. Source: FE fundinfo.
23. Asset Risk Consultants Sterling Balanced Asset Private Client Index, GBP Total Return 31/12/2025 to 30/06/2026. Source: FE fundinfo.
24. GBP Titan Growth Model Performance Data, Total Return 31/03/2026 to 30/06/2026. Source: FE fundinfo.
25. Asset Risk Consultants Steady Growth Asset Private Client Index, GBP Total Return 31/03/2026 to 30/06/2026. Source: FE fundinfo.
26. GBP Titan Growth Model Performance Data, Total Return 31/12/2025 to 30/06/2026. Source: FE fundinfo.
27. Asset Risk Consultants Steady Growth Asset Private Client Index, GBP Total Return 31/12/2025 to 30/06/2026. Source: FE fundinfo.
28. MSCI Semiconductors, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
29. MSCI Emerging Markets, GBP Total Return 31/03/2026 to 30/06/2026. Source: FEfundinfo.
30. GBP Titan Global Solutions Performance Data, Total Return 31/03/2026 to 30/06/2026. Source: Titan Wealth (CI) Limited.
31. Asset Risk Consultants Equity Risk Asset Private Client Index, GBP Total Return 31/03/2026 to 30/06/2026. Source: FE fundinfo.
32. GBP Titan Global Solutions Performance Data, Total Return 31/12/2025 to 30/06/2026. Source: Titan Wealth (CI) Limited.
33. Asset Risk Consultants Equity Risk Asset Private Client Index, GBP Total Return 31/12/2025 to 30/06/2026. Source: FE fundinfo.

All performance data above was collated on 13/07/2026.

The value of investments can fall as well as rise. Investors may get back less than invested. Past performance is not a guide to future performance and may not be repeated.

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