

GLOBAL EQUITY PERSPECTIVES

30 JANUARY 2026

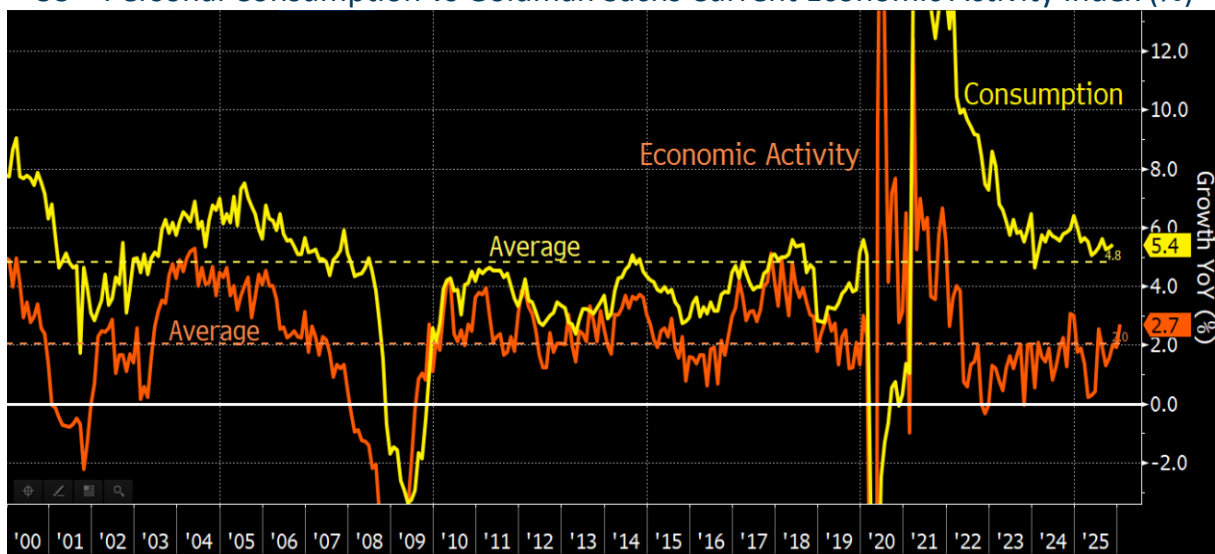
"Your customer doesn't care how much you know until they know how much you care."

Damon Richards

1. US ECONOMY

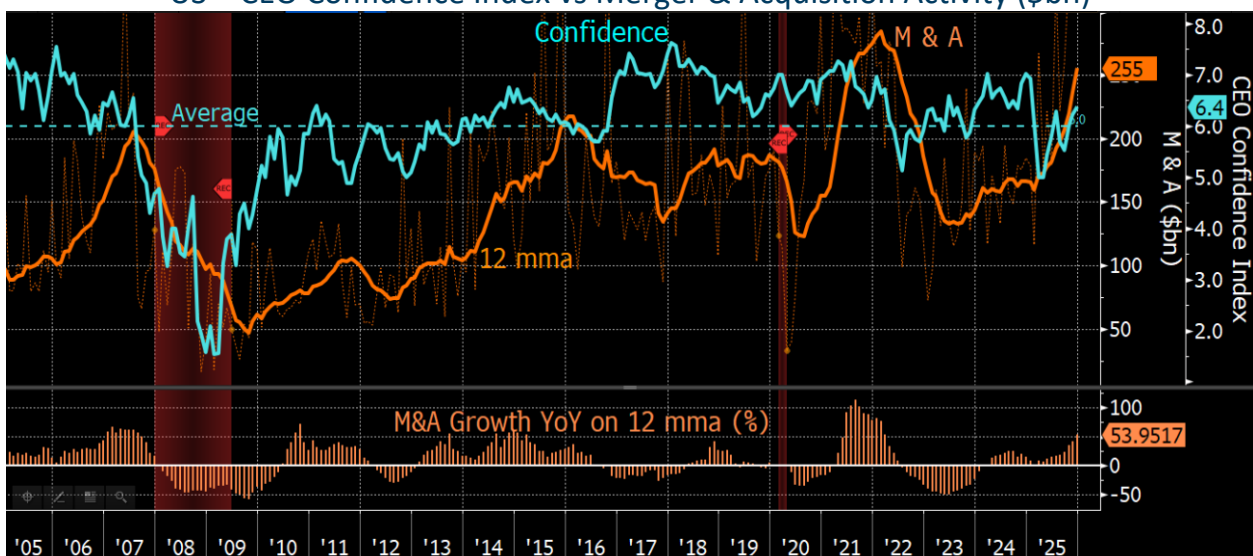
The continuing resilience of the US economy reflects well in the following chart:

US – Personal Consumption vs Goldman Sachs Current Economic Activity Index (%)



Personal Consumption continues growing and is currently marginally above average (in nominal terms). Along with that the Economic Activity Index is rising and is currently also marginally above average. In real terms, both these series are at about the same level (+2.7%). This seems a relatively better than expected situation.

US – CEO Confidence Index vs Merger & Acquisition Activity (\$bn)



The US CEO Confidence Index has also recovered strongly since April last year and is now marginally above average. M & A activity is recovering sharply and is currently growing at +54%. This reflects growing business confidence in the US economy.

2. COMPANY RESULTS

One third of the S&P 500 Index constituents have already reported their results. The following table summarises the overall picture:

S&P 500 Company 1Q2026 Results (30 Jan 2026)			
	Growth	Surprise Factor	# +ve Surprises
Sales	7.4%	1.4%	60.6%
Earnings per Share	15.3%	9.4%	79.4%

It is a strong start to the reporting season, in both absolute and consensus expected terms, especially on the profitability front (earnings growth is more than double the expectations, with almost 80% of companies announcing better than expected results).

The best earnings results were produced in the following sectors (in sequence):

Absolute Results : Industrials (+49%), Technology (+26%), Financials (+17%)
 Against Expectations : Industrials +31%, Technology +9%, Discretionary +8%

This indicates that there are good investment opportunities beyond technology.

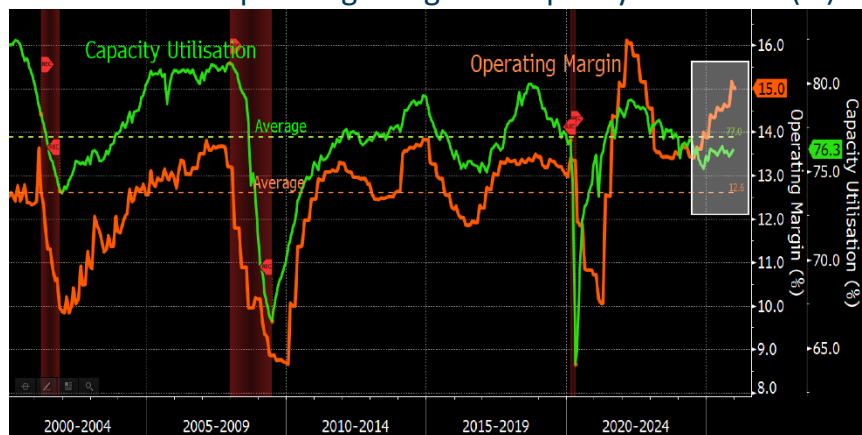
S&P 500 – Trailing Earnings (\$) vs Expected Earnings Growth (%)



Following the strong earnings results thus far (and the high base), consensus expectations for earnings growth over the next twelve months are accelerating further and are now at +15.5% (the yellow line). Accelerating expectations usually supports share prices.

S&P 500 – Operating Margin vs Capacity Utilisation (%)

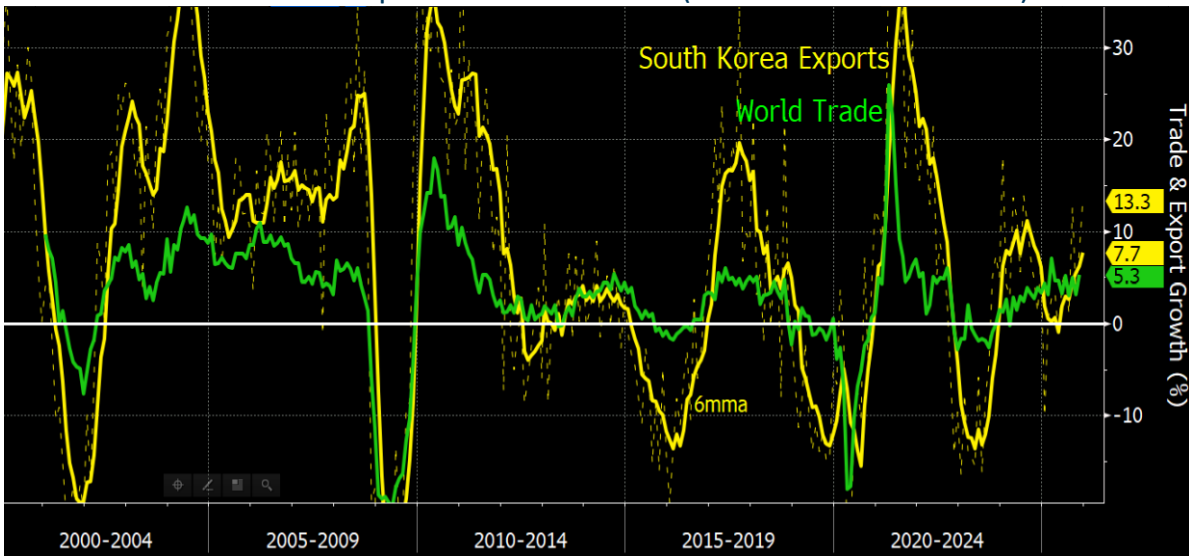
As reflected in the above Sales and Earnings numbers, profitability keeps rising. This also reflects in this chart (the orange line), irrespective of the dropping capacity utilisation (the green line, currently below average). The latter may result from the AI capacities being installed but also indicates that better utilisation can further support general profitability in due course.



3. WORLD TRADE

World trade is a good barometer of global economic health. US trade tariffs caused major uncertainties in this context last year, with further threats more recently. Despite that, this is the current world trade picture:

South Korea Exports vs World Trade (Growth in Dollar Terms)



By the nature of their exports (semiconductors, automobiles, industrial and intermediary equipment), South Korea's exports have historically been a good indicator of the world economy. Their exports are tech heavy, and as reflected in the above chart, it is currently recovering strongly, along with world trade. Whilst it seems more of their exports are being diverted from the US to China, the correlation between the above two series seems intact.

Whilst the world trade seems healthy, we realise it is measured in weak Dollar terms. Nevertheless, it is comforting that world trade has been growing for the last two years and seems to reflect a stable world economy. Official GDP growth expectations are as follows:

IMF : +3.3% OECD : +2.9% World Bank : +2.6% Goldman Sachs : +2.8%

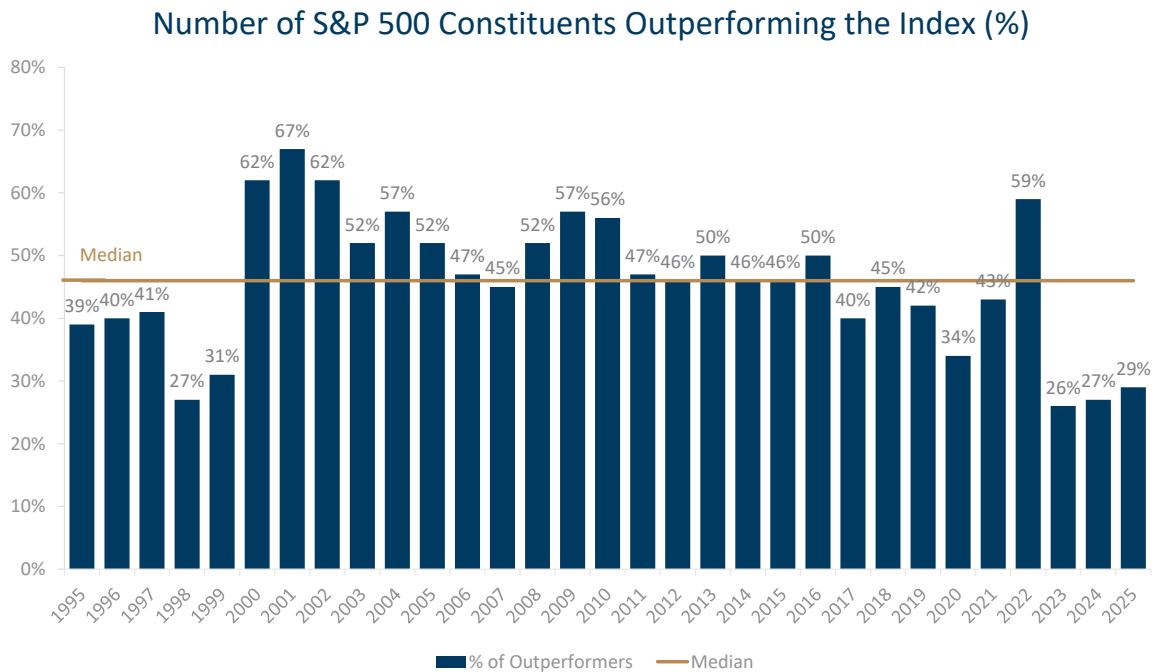
Growth in World Trade and Consensus MSCI AC Forward Earnings (%)



In the above chart, we draw the growth in consensus twelve-month forward expected earnings for the World Index along with world trade. There is logically a strong correlation. It is, though, striking how strongly earnings expectations are growing. This clearly supports the stock markets. Furthermore, the earnings growth expectation is well above those for the S&P 500, which indicates good investment opportunities outside the US.

4. ACTIVE INVESTING

Stock performance has been concentrated in a relatively small number of stocks for quite a while as the below chart depicts:



As with the run-up to the Dot-Com bubble of the late nineties, the number of index constituents that outperformed the index dropped to a record low in 2023. It has since started broadened out, but only marginally. With some large AI-related stocks not performing very strongly over recent months, chances are growing that this broadening out can continue to accelerate.

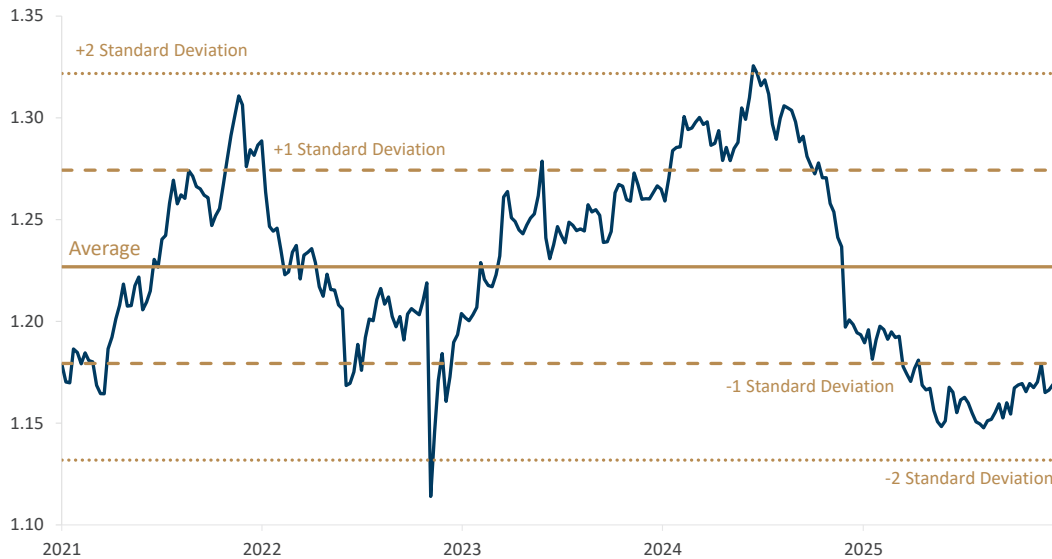
S&P 500 Equal vs Capitalisation Weighted Index – Jan 2026 = 100



The indices in the above chart are indexed to 100, with current valuations being the base. This form of indexing indicates over any period which index, since the chosen start date, performed the best until now. Over the past 15 years, the capitalisation weighted index was clearly the best choice – the green line has been at lower levels right through. Strikingly, this rotated in favour of the equal weighted index in September 2025 for the first time over this entire 16-year period (indicated with the yellow arrow).

Related to the above, it seems that the Quality style of investing's relative sharp derating process since 2024 has bottomed out and that a rerating process may be underway:

MSCI Quality Index Forward P/E Ratio Relative to MSCI ACWI



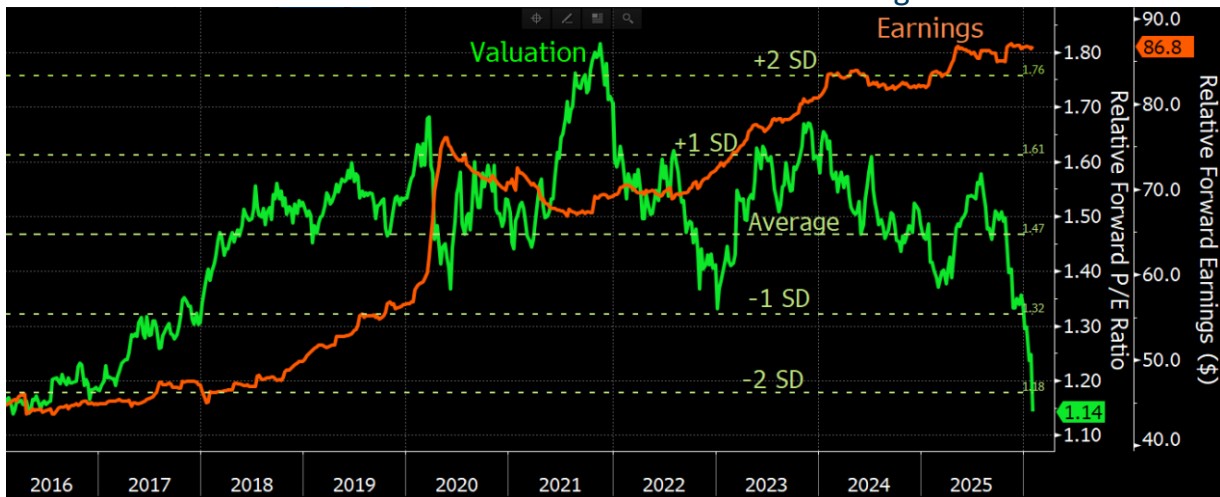
As we currently see in the US reporting season, many quality companies continue to deliver strong operational results, whilst their relative valuation levels have suffered. This offers good investment opportunities to active investors.

Overall index valuations currently remain close to record levels. Against this, we calculate the following ratios for all MSCI ACWI Index constituents:

- **45% of members'** current forward P/E ratios are below their respective **5-year average levels**.
- **33% of members'** current forward P/E ratios are more than **10% below their respective 5-year average levels**.

Managers are also deeply conscious of a changing landscape around AI, of which the software industry is a good example:

S&P 500 Software Index Relative to S&P 500 – Forward Earnings vs Forward Valuation



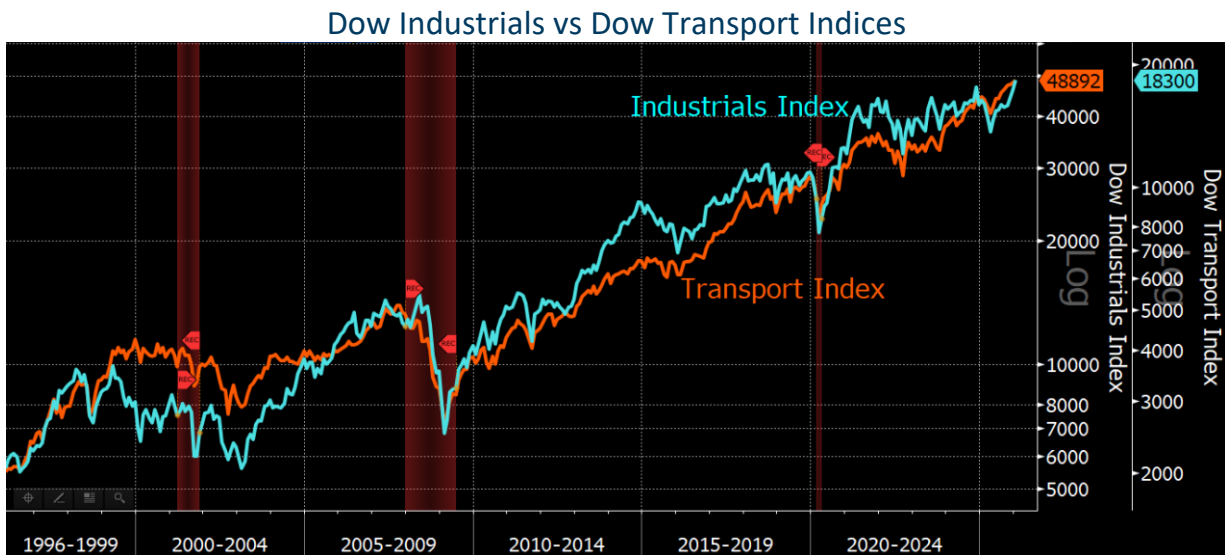
The relative earning chart (the orange line) keeps rising (software earnings growing faster than the index earnings), whilst the relative valuation chart (the green line) is dropping sharply, currently below a -2 standard deviation level. Whilst this potentially signals a major buying opportunity, it also implies material uncertainty to what extent AI will structurally disrupt the software industry. That may be the case in some instances, whilst in others AI can rather be an efficient tool to enhance current software companies' services and create opportunities for new incumbents. Security around client data is clearly a determining factor, and

chances are that new AI-related technology partnerships can create even better services and potentially profitability. All this demands thorough insight to understand potential outcomes.

Active managers with longer-term orientations currently enjoy good investment opportunities on different fronts.

5. BROADENING

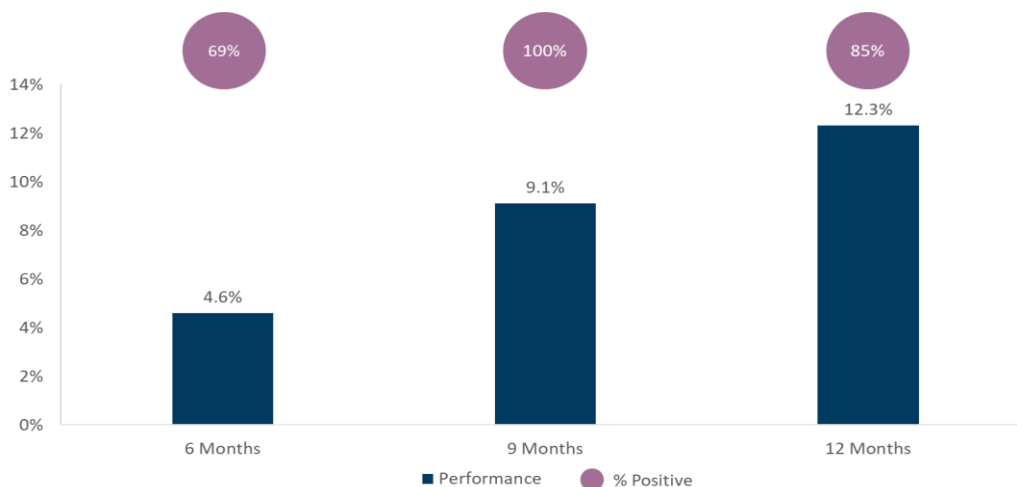
There are interesting – and very relevant – indications of a broadening US economic and stock market performance.



Investors have in previous years closely followed the Dow Industrials and Dow Transport indices. The former was perceived as an indicator of current US economic activity, while the latter served as a further leading economic index and a pulse on consumer demand, trade and logistics. When they have reached new respective peak levels not too far apart, it is perceived as an indication of a structurally growing economy.

The following chart reflects the S&P performance following occurrences when both the Dow Industrials and Dow Transport indices have reached new record levels within a year:

S&P 500 Performance Following Respective New High Levels within One Year
14 Occurrences since 1927



Historically, good stock market performance followed occurrences with both the aforementioned indices reaching new highs, with a high probability of that happening (see the data in the purple circles).

Both these indices have recently reached new highs. This implies the following:

- US **economic growth** is **broadening** out.
- As both indices are non-tech related, **stock market performance** is **broadening** out.

Whilst this is a more traditional way of considering economic circumstances, it remains relevant. It also makes the case for more active investing.

6. TECHNICAL PICTURE

The November 2025 market sell-off has technically reversed and investor sentiment has recovered well:

The Fear & Greed Index (a compilation of seven different equally weighted indicators that each measure specific aspects of stock market behaviour) has moved to a level just above neutral. Its direction of travel combined with the current level indicate a healthy technical environment for investing.

CNN Fear & Greed Index



S&P 500 vs 50- and 200-day Moving Average and Fibonacci Golden Ratio



The Index is technically sound with a strong combination of being above its 50-day moving average, both the 50- and 200-day moving averages in rising trends, it being well above its Golden ratio, and close to a neutral relative strength reading. These are also true for the Nasdaq Index.

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