GLOBAL EQUITY PERSPECTIVES

28 FEBRUARY 2026

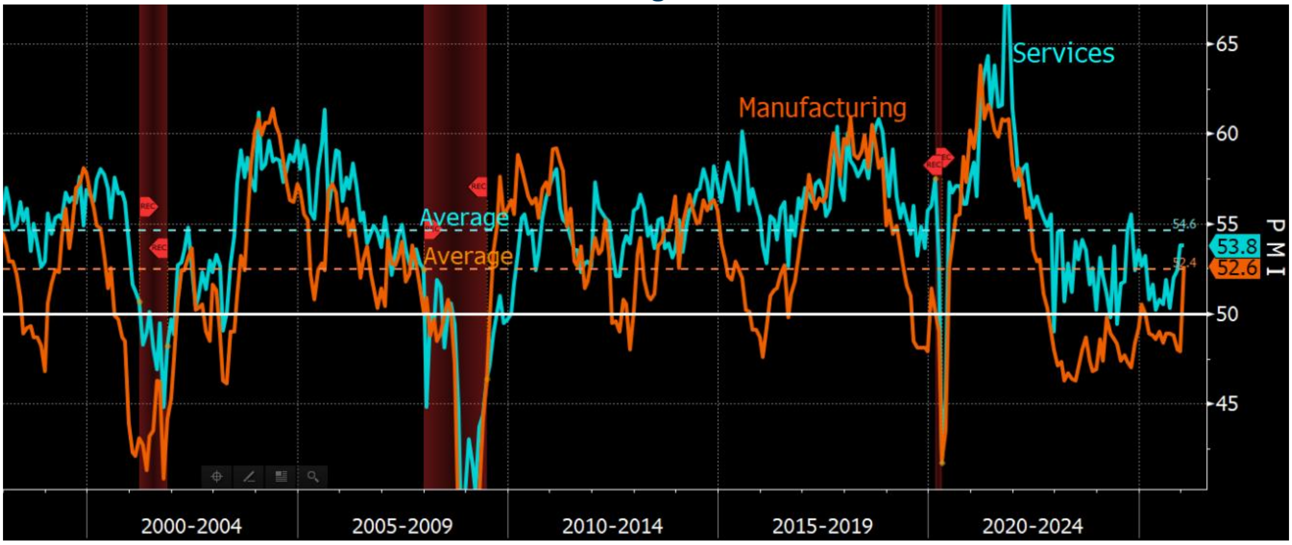
"Take a simple idea and take it seriously."

Charlie Munger

1. US ECONOMY

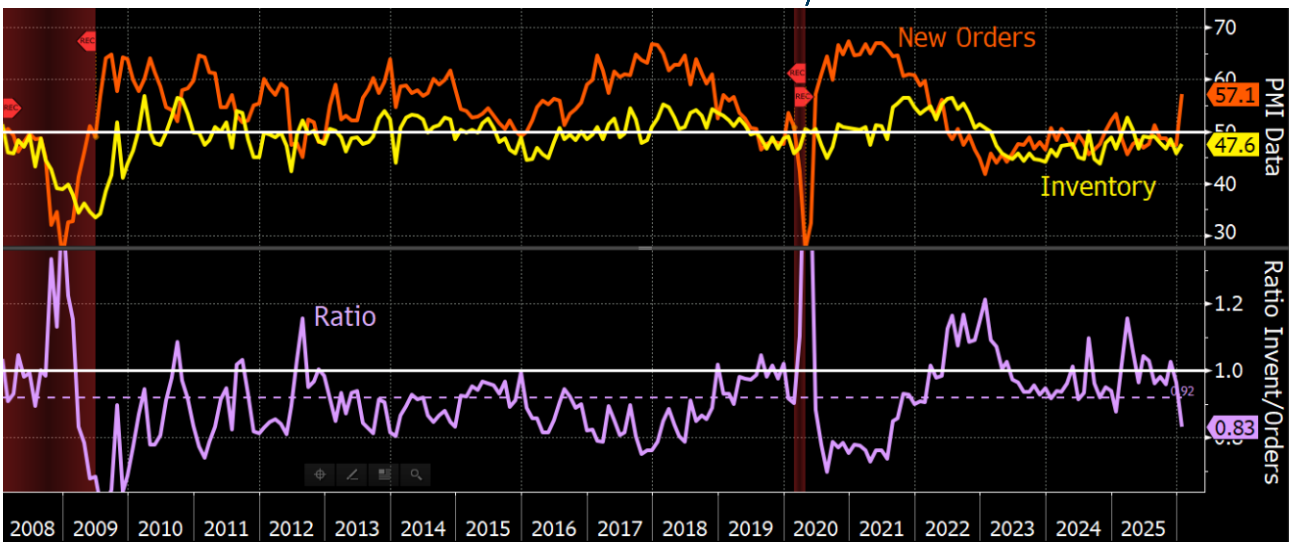
There are further indications of a resilient US economy:

US – Manufacturing vs Services PMIs



Both the Services and Manufacturing PMIs are rising currently. The current levels of both are in excess of the neutral 50 level, indicating economic expansion on both fronts. It is striking how sharply the Manufacturing Index is rising from economic contraction levels, with it already reaching its average level.

US – New Orders vs Inventory PMIs

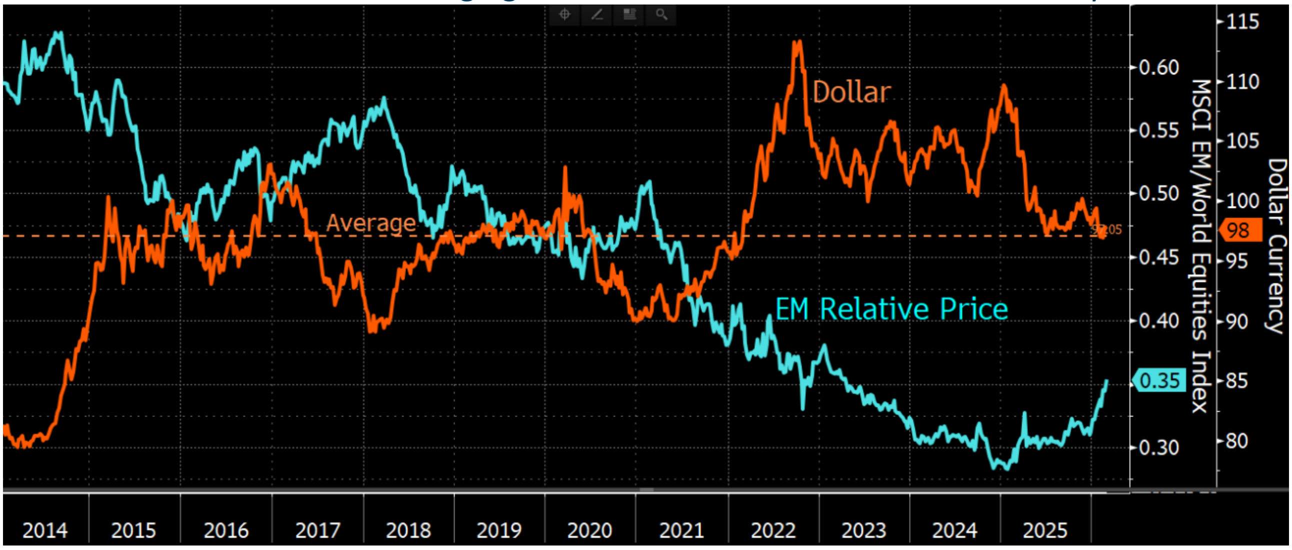


On the Manufacturing side, the New Orders PMI (the orange line) is rising sharply, while the Inventory PMI (the yellow line) remains in economic contraction mode. The ratio between the two (the purple line) is well below average - currently at a level associated with those following recessions. This indicates potentially strong earnings in the US Manufacturing sector.

2. EMERGING MARKETS

Emerging Market equities have performed strongly so far this year:

Ratio of MSCI Emerging Markets / MSCI World vs Dollar Currency



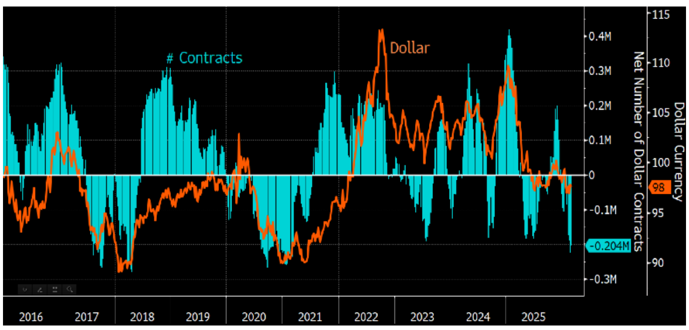
The blue line reflects the performance of the Emerging Markets relative to the World Index. Since last year, its relative performance has reversed a long downward trend and is doing particularly well so far this year. Its relative performance reflects a general inverse correlation with the strength of the Dollar (the orange line).

Forward P/E Ratio – Emerging Markets vs Developed Markets

The earnings valuation of Emerging markets (the orange line) generally follows the direction of Developed Markets (the blue line). Both are currently at relatively elevated levels. The green line reflects the relative valuation of Emerging Markets. It has recently rerated on this relative basis and is close to its average.

Dollar vs Net Number of Futures Contracts

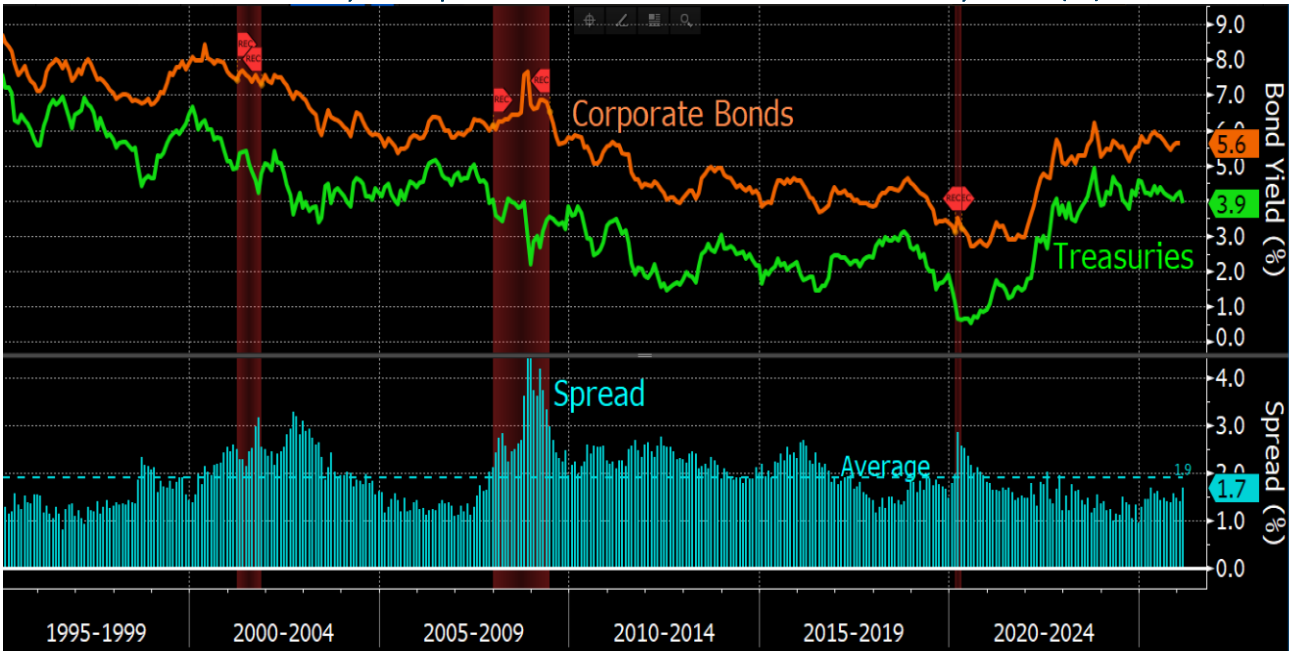
This chart reflects the Dollar along with the net number of futures contracts taken on the currency. These contracts serve as an indicator of Dollar strength. With the current net number close to historic lows, it seems expectations are for the Dollar to remain weak for a while. On this basis, we can expect Emerging Markets to continue outperforming.



3. BONDS

We consider certain Bond spreads to understand general investor sentiment in the context of Equities.

US – Moody's Corporate Bond Yield vs 10-Year Treasury Yield (%)



Logically, Corporate Bond yields follow Treasury yields over time. This remains to be the case currently following the Pandemic era of exceptionally low yields. Further to this, the spread between these yields (the blue bars) provides an indication of investor comfort around business conditions – the higher the spread, the higher the uncertainties around business conditions. This spread (currently 1.7%) is below average and indicates good comfort around business conditions.

US – High Yield Spread with Treasuries (%)

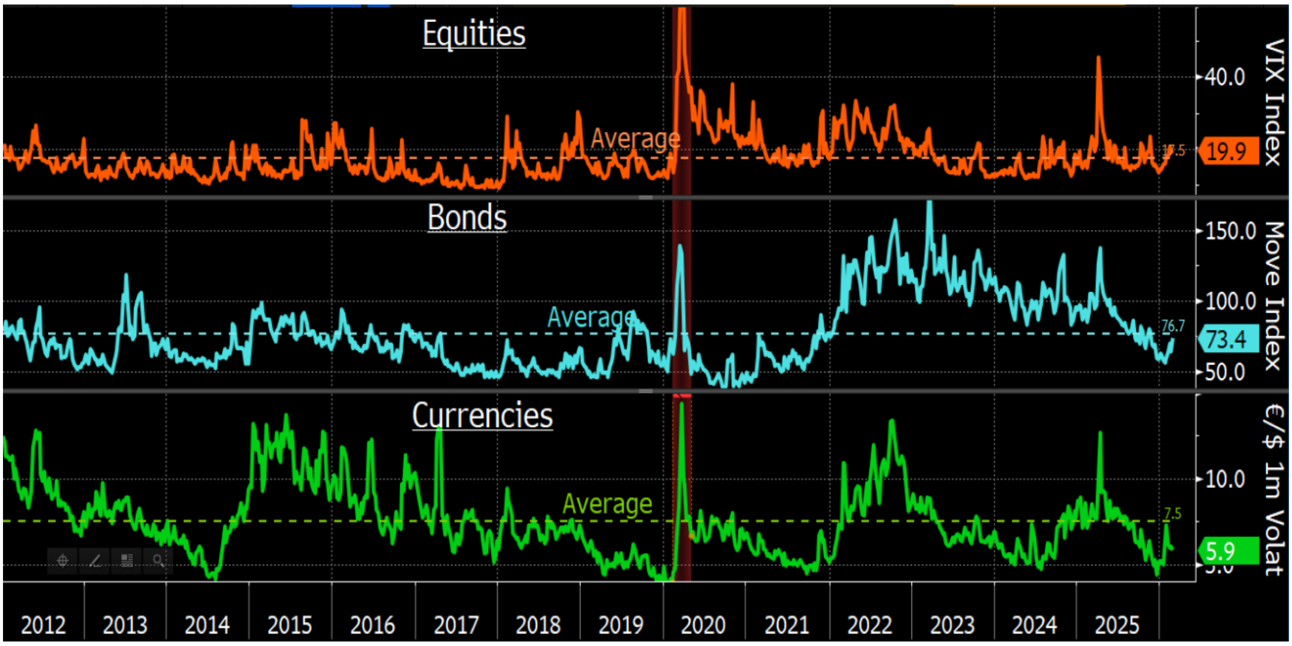
The comparable High Yield Spread currently is 2.8%. This is close to a record low -1 Standard Deviation level. This reflects high confidence in the smaller or riskier spectrum of US corporates, relative to historic confidence levels.

A further important consideration is the level of the real Treasury Yield (the spread between the yield and inflation). It is currently at a level of +1.8%, which is marginally above its long-term average of +1.5%. This reflects a healthy Bond market – which in turn is supportive of the broader capital markets.

4. MARKET VOLATILITY

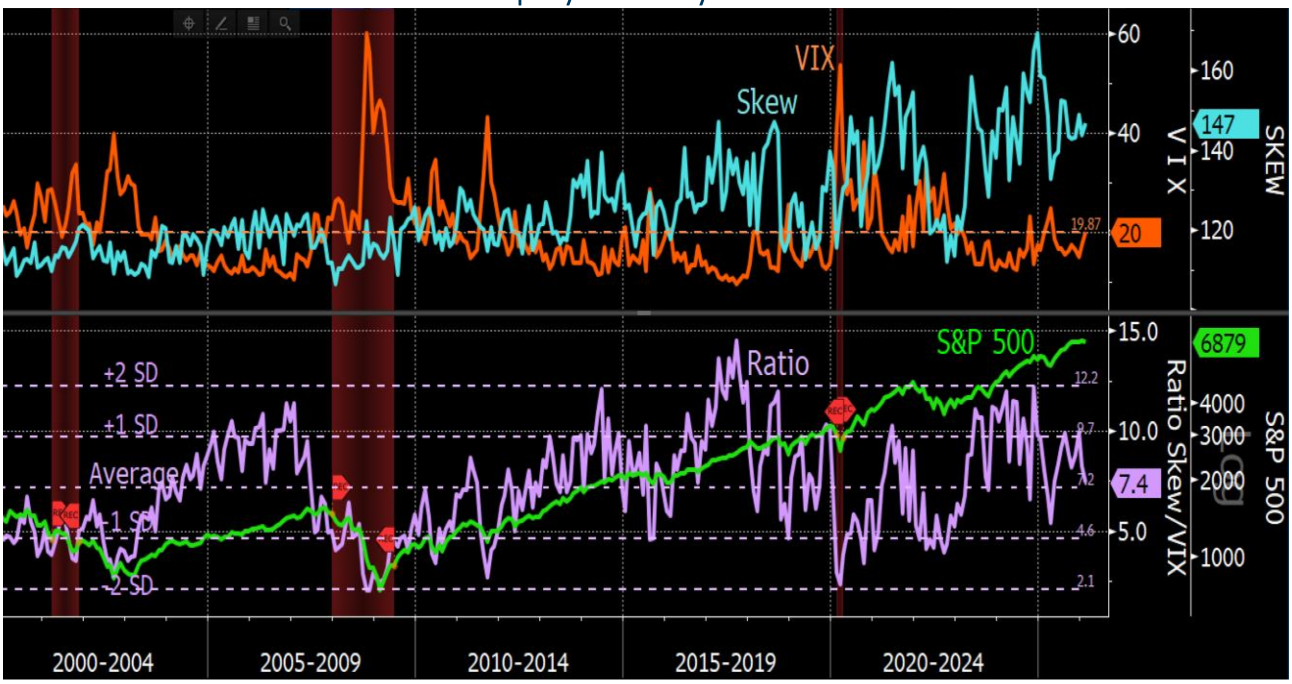
Despite recent sharp drops in the stock prices of some sectors, capital markets are currently experiencing relatively normal conditions from a volatility perspective:

US Equities, Bonds & Currency Volatility Indices



Equity volatility (the orange line) is currently only marginally above average, despite recent high volatility in some sectors (e.g. Software). Bond volatility (the blue line) is marginally below average, with currency volatility (the green line) well below average. This seems like a normal environment for investing.

US – Equity Volatility vs S&P 500



We consider two different Equity volatility indices in the above chart. The VIX Index (the orange line) measures absolute current volatility, while the Skew Index (the blue line) reflects institutional insurance against large market movements. We currently have an interesting situation of a calm current market, while relatively high insurance is being taken.

5. VALUATIONS

We have covered the broadening out of the market away from Technology in our previous note. The chart below reflects valuation levels in this context:

Ratio - S&P Equal Weight vs S&P 500 Capitalisation Weight P/E Valuation

The Equal Weight relative P/E ratio has derated to a -2 Standard Deviation level of 0.8 times the Capitalisation Weight P/E ratio (21.5 vs 27.0). It has recently had a positive rerating in this context. On this basis, it seems odds are currently rather on the side of the Equal Weighted Index and marketing broadening.

Whilst this statement may be logical, we also have the comment that the overall Index composition has over the more recent past changed materially in favour of Technology-related businesses, with strong earnings potential. We would, therefore, remain conscious of this continuing potential growth.

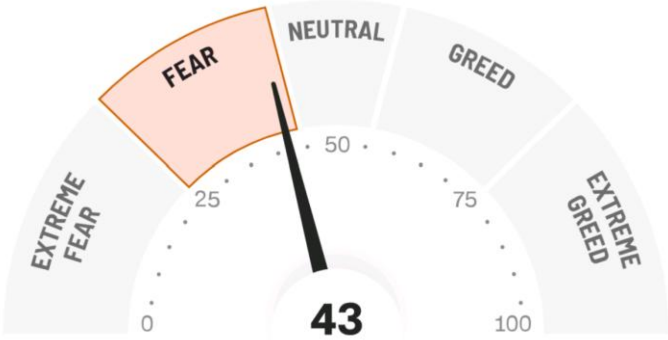
S&P 500 vs 12-Month Consensus Bottom-Up Valuation

The S&P 500 Index has over time closely followed the Consensus Valuation Index. The latter has on average shown a +13.2% upside. The current upside on this basis is +19.5%. This indicates good value despite perceived high valuation multiples.

6. TECHNICAL PICTURE

CNN Fear & Greed Index

The Fear & Greed Index (a compilation of seven different equally weighted indicators that each measure specific aspects of stock market behaviour) has, over February, moved from a 68 score (a Greed level) to the current 43 score (a Fear level). The current level is better associated with stock market buying opportunities than a month ago.



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

The S&P 500 Index remains technically relatively sound. Whilst it is just marginally below its 50-day moving average, it is currently above its 200-day moving averages, with both moving averages in rising trends. It is well above its Golden Fibonacci ratio, and close to a neutral relative strength reading. The Nasdaq Index has a slightly less positive technical picture.

In terms of the percentage of S&P 500 constituents that are above their respective Bollinger Band levels, their 52-week highs and their 70 Relative Strength Indicator levels, the markets seem marginally overbought.

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