GLOBAL EQUITY PERSPECTIVES

22 JUNE 2026

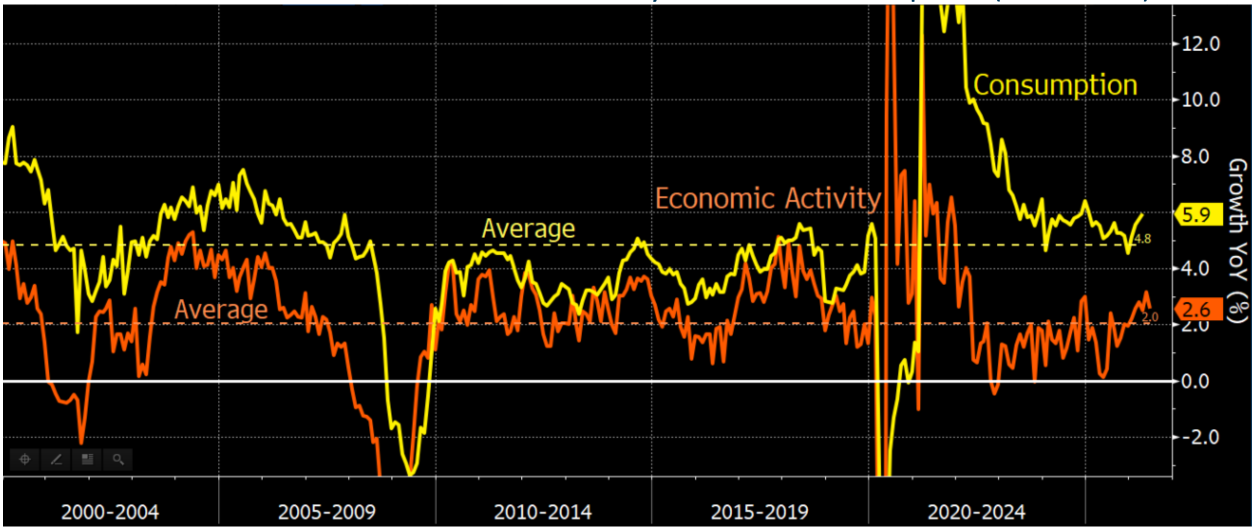
"Only those who dare to fail greatly can ever achieve greatly."

Robert F Kennedy

1. US ECONOMIC OUTLOOK

The outlook for the US economy remains the most important issue for global capital markets.

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



The above Economic Activity Index (the orange line) is in a rising trend – currently at +2.6% – and above the long-term average of +2.0%. Personal Consumption, which makes up 69.5% of US GDP, is growing at +5.9% and is above its long-term average of +4.8%. It is also in a rising trend.

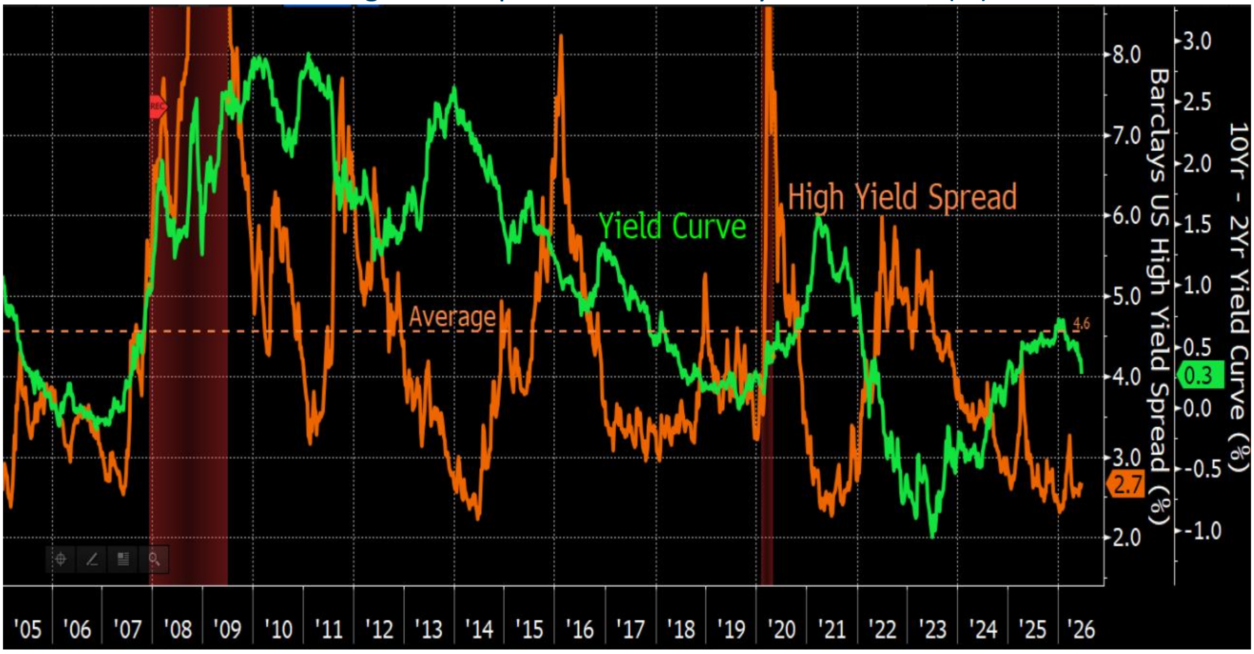
US – Conference Board Consumer Confidence Index vs Retail Sales (Growth %)

A striking phenomenon is that Consumer Confidence remains in a negative trend (the green line) and is currently below its average. Despite this, Retail Sales are rising sharply (the orange line), currently at +6.9%. We ascribe this anomaly to a combination of strong personal balance sheets (which explains the high retail sales) and political uncertainties (which explains the low consumer confidence). All put together, it seems the US economy is currently on a constructive footing.

2. US INCOME YIELD INDICATIONS

Investors can take insightful guidance on capital markets from US interest rate trends:

US – High Yield Spread and Treasury Yield Curve (%)



The High Yield Spread (the orange line) is currently close to record low levels. This indicates strong investor confidence that the economy is strong enough to carry smaller higher risk businesses through. Along with that, the Treasury Yield Curve (the spread between the 10- and 2-year yields, green line) has turned downwards. This usually indicates a strengthening economy, providing the same message as the High Yield Curve.

US – Real Treasury Yield (%) vs S&P 500 Forward P/E Ratio

The Real Treasury Yield (the yellow line) has recovered strongly to positive levels and to its long-term average. This is significant in the context of the economic and inflation disruptions related to the Pandemic and indicates that the US capital markets have normalised in full in this context.

Further to this, such a normalised interest rate environment, along with a healthy economy, clearly also supports Equity valuations. This forms part of the higher S&P 500 valuation levels (the orange line) we currently enjoy.

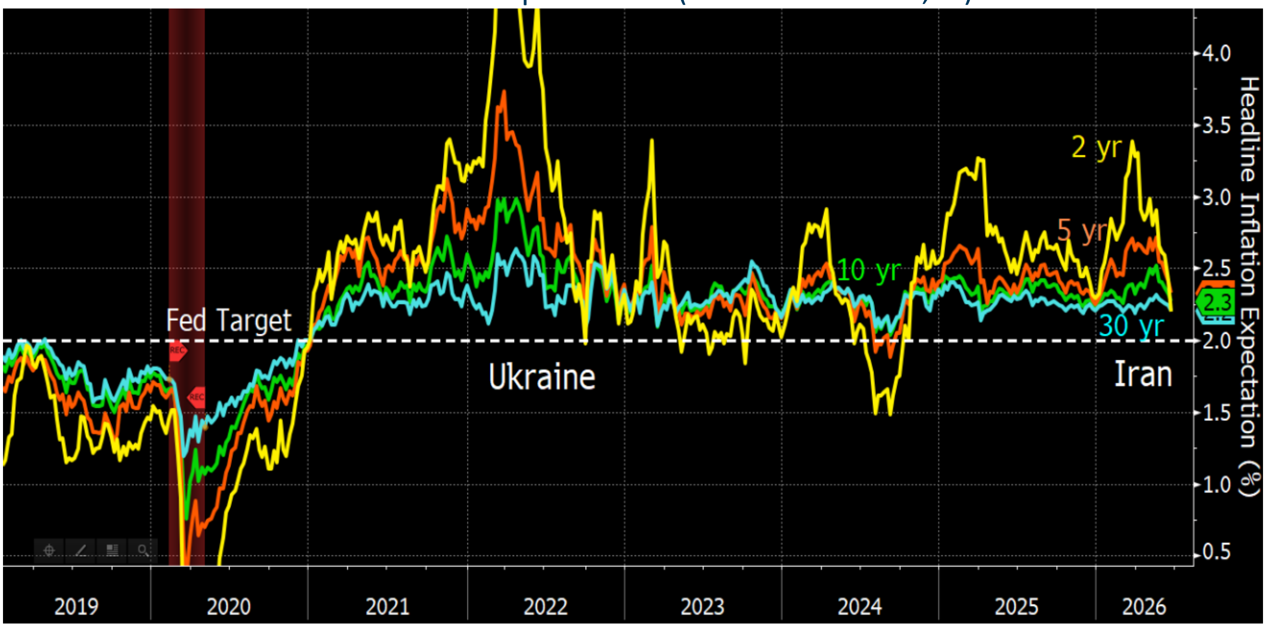
3. OIL IMPACT

As with the Russian invasion of Ukraine, the Iran war is having a profound effect on the global oil and energy prices, logically affecting inflation levels in many large economies.

Crude Oil Price ($) – Timed to Date of Invasion of Ukraine /Bombing of Iran

The oil price reacted very similarly with both wars, as reflected in the above chart. In the case of the Ukraine war, it dropped back to pre-war levels within close to a year. In the case of the Iran war, it did not reach the peak levels ($120) as with the Ukraine war. It also started dropping sharply earlier than with the Ukraine war, having less of an impact on inflation.

US – Inflation Expectations (Breakeven Rates, %)



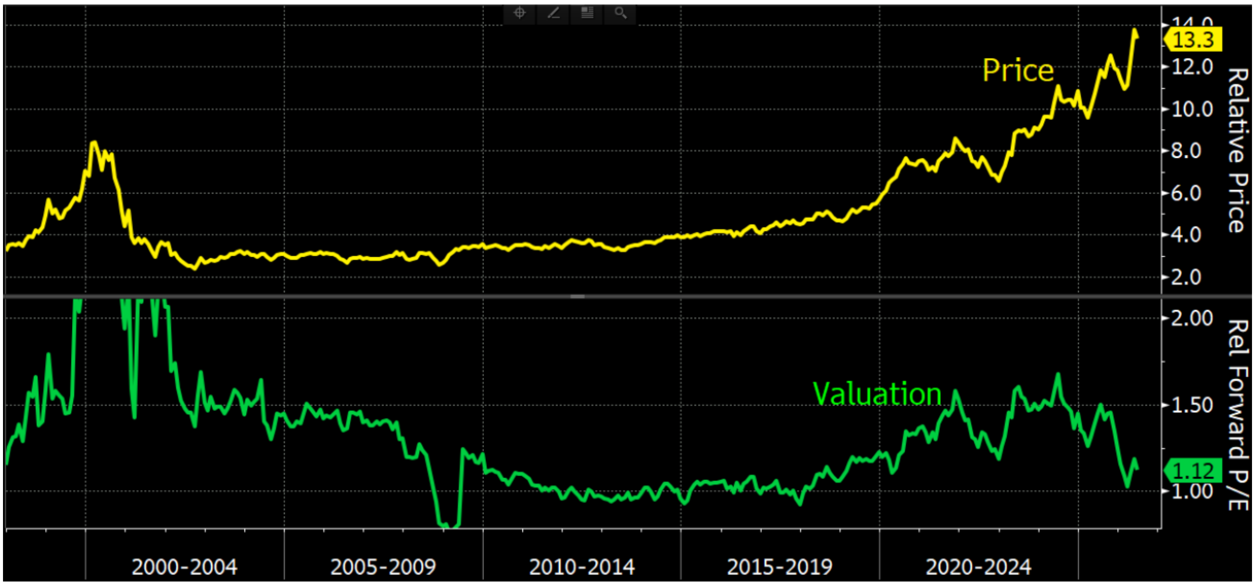
The expectations for inflation (shown for 2-, 5-, 10- and 30-year periods in the above chart) have increased materially from March this year after the start of the Iran war, but not remotely to the extent they did in 2022 with the start of the Ukraine war. Further to this, expectations have this time already dropped back materially and, in the case of the shorter periods (e.g. 2-years, the yellow line), it has dropped back to a level lower than those immediately before the bombing of Iran. This indicates that the fears for oil price effects on inflation are already less of a factor.

Core US inflation at 2.9% remains higher than the Federal Reserve's target of 2.0%, but we believe the market will look through the elevated 4.2% headline level and not fear a new rising interest rate backdrop.

4. RUNAWAY TECHNOLOGY

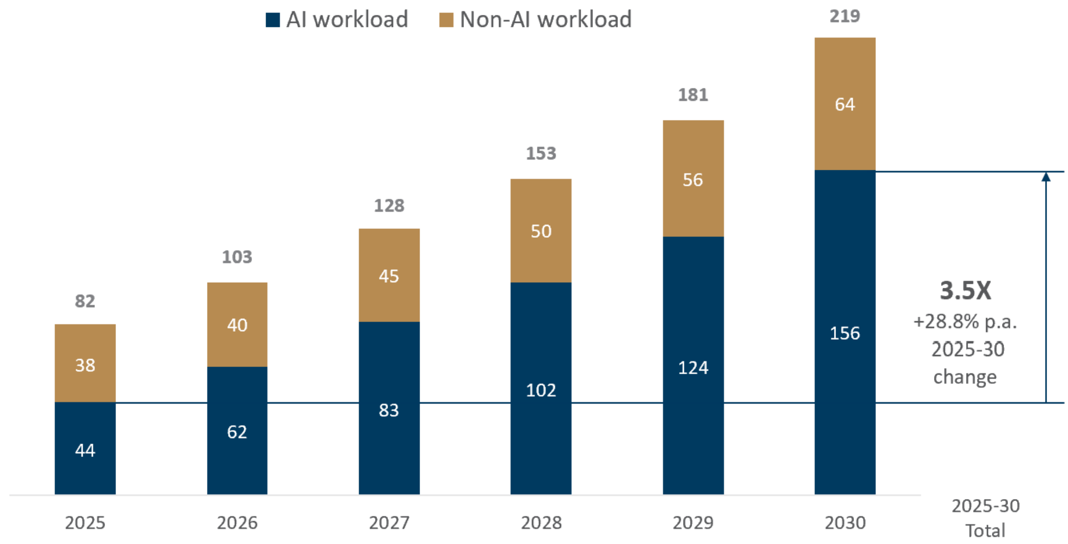
Comparisons between the current Technology boom and the Internet Bubble of 2000 are on many investors' minds. We believe there are not yet enough reason to fear similar results.

S&P Technology Relative to Dow Industrial Index – Share Price vs Forward P/E Valuation



The relative performance of Technology against non-Technology shares is accelerating sharply (the yellow line). Its current relative level is already almost two-thirds more than the 2000 peak level and questions have been raised whether a correction may be looming. Considering the relative valuation (the green line), it has, in fact, dropped materially from its recent peak, and furthermore, it is now closer to historically low levels. For perspective on the current relative valuation level, it incorporates consensus earnings revisions of +75% for Technology against 'only' +14% for the Dow index (+31% for the S&P 500 Index).

Global Datacentre Demand (Gigawatts)



Incremental AI capacity added per year, gigawatts	13	18	21	19	22	31	124

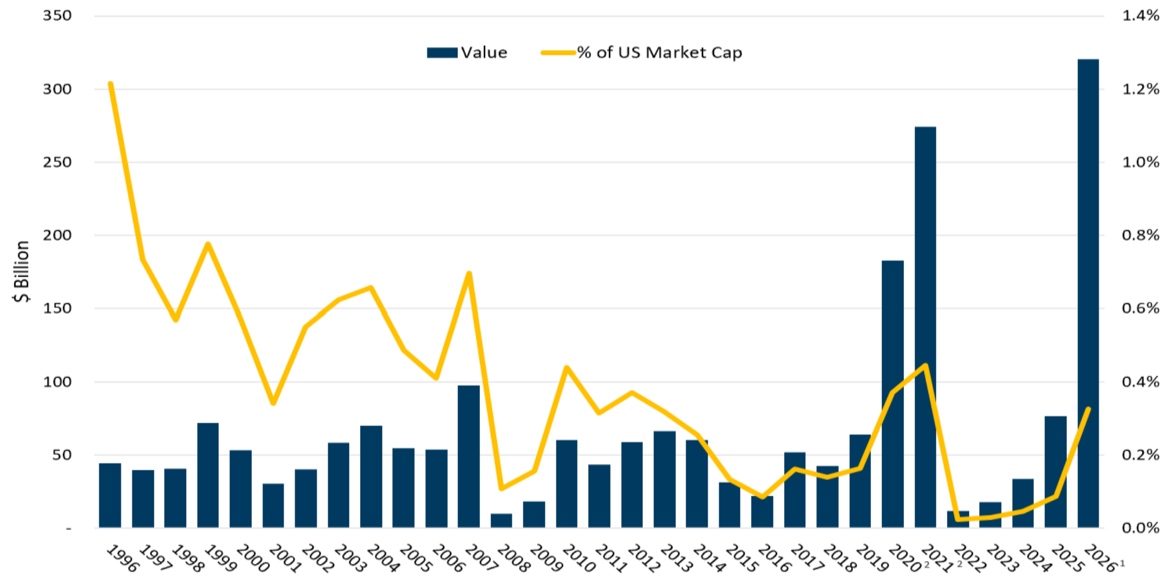
Source: McKinsey 2026

The above chart reflects the main reason for high expectations for many Technology businesses, with AI-related datacentre capacity expected to grow more than threefold by 2030. This implies continued strong growth in 'picks and shovels' to create that capacity. Material uncertainty exists whether this capacity expansion cycle will remain that strong, and for how long, but the point to make is that we are most probably in a longer and more profitable cycle than before for the semiconductor, storage and memory sub-sectors.

5. IPO CYCLE

Following the exuberance and size of the SpaceX IPO (Initial Public Offering), and with more expected (e.g. Anthropic and OpenAI), uncertainties have been raised around the potential effects on capital markets.

US IPOs ($bn) vs Size in Market Context (%)



[1]Includes Space X, Anthropic, Open AI and Google. [2] 50.7% of the $ amount raised in 2020 and 2021 was for SPACs.

The above chart shows the value of all US IPOs in terms of value (the blue bars). For this year, we have included SpaceX, Anthropic, OpenAI and Alphabet's capital raising for 2026. It dwarfs most other years and is also larger than the 2020 and 2021 levels that include all the SPAC capital raises over those years (it made up half of those IPOs). Whilst the current amount seems high, because of the growth in the overall market, as a percentage of US Market Capitalisation (the yellow line), it is at a historically low end, and also a small percentage (0.3%).

US – Total Liquidity ($bn) and as Ratio of Market Capitalisation (%)

Considering all bank deposits and Money Market Funds (at a record $25,702bn currently) as potential liquidity, these IPOs at $320bn are relatively small. This liquidity is, though, at a historically low level versus overall Market Capitalisation. The potential wider effects of the IPOs are expected in the form of index rebalancing and switching amongst Technology names in active portfolios.

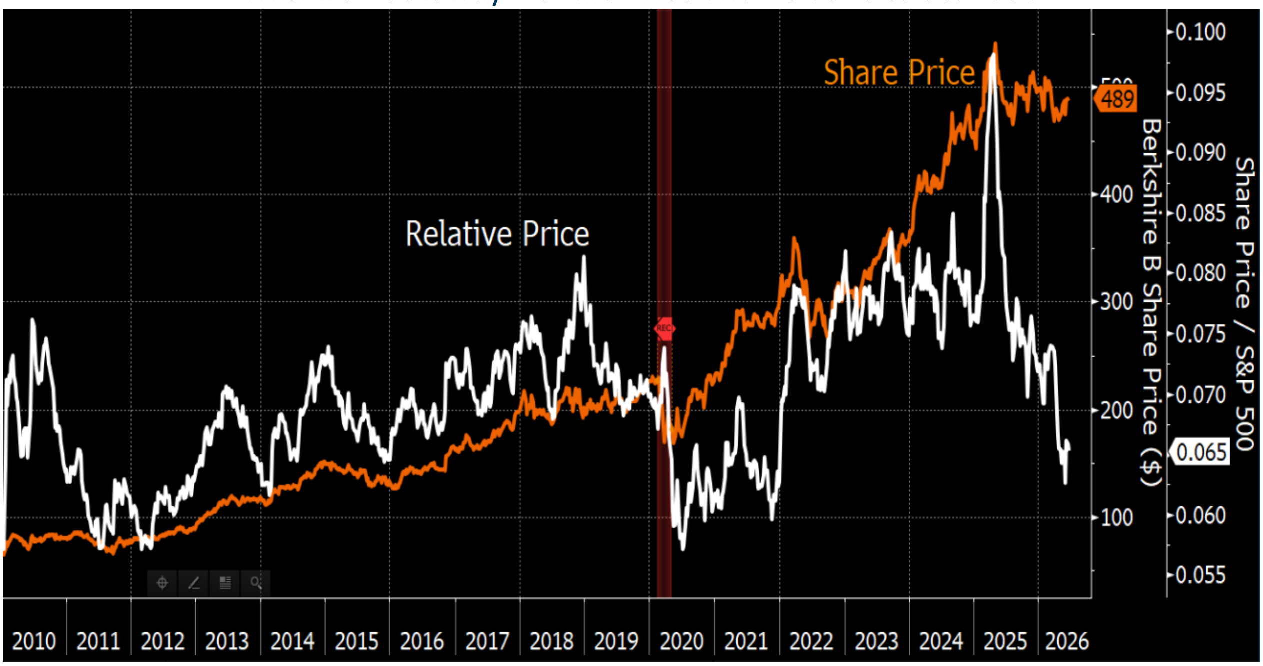
6. BERKSHIRE CASH

Berkshire Hathaway has, over the past three years, relentlessly built up cash in its portfolio:

Berkshire Hathaway – Cash Level ($bn) and as Ratios (%)

Berkshire currently holds $397bn in cash (the orange line) with which it can take up all the US IPOs referred to). In terms of both its own market capitalization (the blue line) and its total assets (the yellow line) its cash are at record levels (38% and 32% respectively).

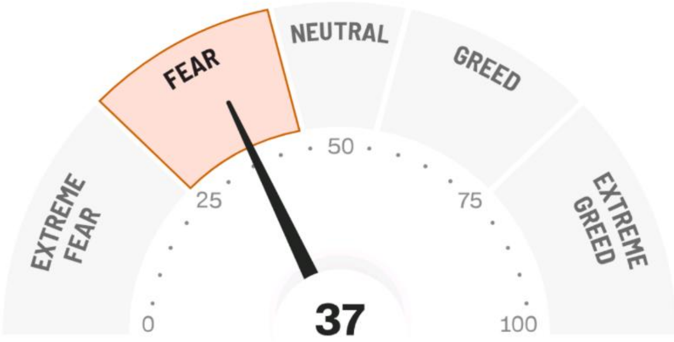
Berkshire Hathaway – Share Price and Relative to S&P 500



Berkshire's share price peaked at the end of 2024 (the orange line). On a relative basis (the white line) it has depreciated sharply and has lost over a decade of contribution. Greg Abel is either seeing a high probability of a stock market collapse or has a huge task to add more value for investors. Taking part in the Alphabet capital raising is only a small step in this context. Alternatively, Berkshire Hathaway may have become a more balanced asset class portfolio and, in so doing, appeal to a wider audience.

7. TECHNICAL PICTURE

CNN Fear & Greed Index



The Fear & Greed Index (a compilation of seven different equally weighted technical indicators that each measure specific aspects of stock market behaviour) has, since May, dropped further from a score of 59 to 37. It has dropped through the Neutral category into Fear territory. This reflects caution, with little exuberance.

The current readings for the number of S&P stocks that are below their respective 30 RSI-readings, or their respective 52-week lows are both below average levels. This does not yet reflect oversold positions. The Bull/Bear ratio indicates the retail market to largely be on the sidelines, which is rather constructive for further investing.

S&P 500 vs 50- and 200-day Moving Averages and RSI

The S&P 500 is technically still in a positive post Golden Cross environment. Both its 50-day and its 200-day moving averages are in rising trends, and it trades well above its Fibonacci Golden Ratio. The RSI Relative Strength Index is on a neutral level. The S&P 500 has an overall positive technical picture.

In summary, the stock market seems in a healthy condition – from both a fundamental and a technical point of view.

Gerrit Smit

Chairman - Global Best Ideas and Investment Committee
Stonehage Fleming Investment Management Limited

6 St James's Square
London
SW1Y 4JU

T +44 20 7087 0000
Email gerrit.smit@stonehagefleming.com
www.globalbestideas.com

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