



STRATEGY UPDATE • MARCH 2026

Rotation Continues Amid Geopolitical Uncertainty

KEY TAKEAWAYS

- We maintain a constructive stance toward equities as inflation stabilizes and monetary policy gradually shifts toward a more accommodative stance, but diversification across regions and sectors is becoming increasingly important as leadership broadens beyond US mega-cap technology.
- The ongoing rotation toward capital-intensive sectors – including industrials, materials, energy and defence-related industries – reflects structural investment cycles linked to reindustrialization, infrastructure spending and energy security.
- Artificial intelligence remains a powerful long-term growth driver, but the market is entering a phase of greater dispersion in which infrastructure providers, semiconductor manufacturers and capital-intensive beneficiaries may outperform software-heavy segments.
- Portfolio resilience is becoming increasingly important in a maturing market cycle; allocations to alternatives, gold and downside-protected equity exposures help maintain participation while mitigating the impact of potential volatility.
- Emerging markets and selected Asian economies, particularly those benefiting from AI infrastructure and industrial supply chains, offer attractive diversification opportunities alongside developed-market exposure.

MARKET REVIEW

Over the past several weeks, financial markets have navigated a complex mix of geopolitical tensions, macroeconomic developments and sector rotations. The escalation of conflict involving Iran introduced a new layer of geopolitical uncertainty, yet market reactions have so far remained relatively contained. Energy prices moved higher amid concerns about supply disruptions, while equity markets experienced short-lived volatility before stabilizing. At the

same time, investors continued to reassess the implications of artificial intelligence investment cycles, monetary policy expectations and global growth prospects. In terms of performance, global equities delivered mixed results over the past month, with international markets generally outperforming the United States. European and Japanese equities continued to show resilience, while emerging markets remained supported by improving macro conditions and structural growth drivers. Commodities – particularly energy and precious metals – experienced renewed interest as investors considered the implications of geopolitical risks and persistent fiscal expansion. Overall, market dynamics over the past weeks suggest that while geopolitical shocks can temporarily disrupt sentiment, the underlying drivers of asset prices remain primarily linked to growth expectations, liquidity conditions and sector rotation.



MACRO OUTLOOK

The macroeconomic backdrop remains broadly supportive. Inflation across major economies has continued to moderate compared to the extremes seen in previous years, allowing central banks to gradually shift their focus toward supporting economic stability rather than aggressively tightening financial conditions. Economic growth remains resilient, supported by continued capital expenditure cycles linked to artificial intelligence, digitalization and infrastructure investment. However, **the composition of growth is evolving.** In the United States, strong productivity gains and technological investment appear to be sustaining output even as labour market dynamics begin to soften. Business investment, particularly in equipment, semiconductor infrastructure and intellectual property, continues to expand, while consumption remains stable despite some signs of moderation in specific sectors such as housing. This combination of **moderating inflation and resilient growth** provides central banks with room to maintain relatively accommodative financial conditions, which in turn supports risk assets. At the same time, geopolitical tensions and trade policy uncertainties remain important sources of volatility that markets must continue to absorb.

EQUITIES & REGIONS

Within equity markets, the most important development is the ongoing broadening of leadership. For several years, global equity performance was dominated by a relatively small group of large technology companies. While these companies remain important drivers of earnings growth, the market environment is gradually shifting toward a more diversified structure. Capital-intensive sectors that had previously lagged during the asset-light technology boom are beginning to re-emerge as key beneficiaries of structural economic trends. Industrial companies, materials producers, defense contractors and energy infrastructure firms are all benefiting from renewed investment in physical infrastructure, supply chain resilience and geopolitical security spending. This shift reflects a broader transition from a purely digital growth cycle toward one in which both digital and physical infrastructure play complementary roles in driving economic expansion.

Artificial intelligence remains central to this investment landscape. However, the market is increasingly distinguishing between different parts of the AI ecosystem. Companies involved in the development of foundational technologies such as semiconductors, cloud infrastructure and advanced computing equipment are likely to capture a significant portion of the investment cycle, while some software companies face greater uncertainty regarding long-term monetization models. This dynamic has already resulted in notable valuation adjustments within certain segments of the technology sector. Rather than representing a structural decline in technology investment, these adjustments reflect the market's attempt to identify the true long-term beneficiaries of the AI revolution. Over time, the integration of artificial intelligence across multiple industries – including manufacturing, healthcare, logistics and financial services – should continue to support productivity growth and corporate profitability.

Regional diversification is also becoming increasingly important. While the United States remains the most dynamic and innovative equity market globally, international markets are beginning to offer attractive opportunities. European equities, for example, are benefiting from fiscal initiatives aimed at strengthening infrastructure, defense capabilities and industrial competitiveness. Japan continues to attract international capital thanks to ongoing corporate governance reforms and improved shareholder returns. Emerging markets present a diverse range of opportunities, particularly in Asia, where structural growth trends remain strong. **Countries such as South Korea stand out as key beneficiaries of the global artificial intelligence investment cycle** due to their dominant position in memory chip production and semiconductor manufacturing. In addition, Korean defense and industrial companies are increasingly well positioned to benefit from rising global security spending. These dynamics highlight how technological and geopolitical trends are reshaping global capital flows and investment opportunities.

PORTFOLIO POSITIONING

At the portfolio level, we therefore continue to maintain a **constructive stance toward equities** while emphasizing diversification and resilience. Our equity exposure remains broadly diversified across regions and sectors, allowing portfolios to benefit from both technological innovation and industrial expansion. Exposure to thematic growth areas such as artificial intelligence infrastructure, cybersecurity, electrification and automation remains an important component of long-term capital appreciation strategies. At the same time, allocations to sectors linked to real assets – including energy, materials and infrastructure – provide valuable diversification and help hedge against potential inflationary pressures or geopolitical disruptions.

FIXED INCOME & ALTERNATIVES

Fixed income continues to play a more selective role in portfolios. Government bonds remain important as stabilizing assets during periods of market stress, but their return potential remains limited compared to other asset classes. Instead, income generation can be enhanced through a combination of short-dated high-yield bonds, high-quality investment-grade credit and selected emerging market corporate debt. This approach allows investors to capture attractive yields while managing duration risk in an environment where interest rates may remain volatile.

Alternative investments are becoming increasingly relevant as markets mature and volatility increases. Market-neutral and absolute-return strategies can provide equity-like returns with lower correlation to traditional asset classes, thereby smoothing overall portfolio performance. These strategies are particularly valuable in environments characterized by sector rotations and episodic market shocks. In addition, structured equity strategies such as downside-protected or buffered equity exposures can allow investors to maintain participation in equity markets

while limiting potential drawdowns. The inclusion of such strategies reflects the recognition that while the long-term outlook for equities remains constructive, short-term market fluctuations may become more pronounced as valuations adjust and macro conditions evolve.

GOLD & OUTLOOK

Gold continues to play an important role as a strategic portfolio hedge. Beyond its traditional function as an inflation hedge, gold increasingly serves as a diversification tool in a world characterized by rising geopolitical fragmentation and fiscal expansion. Persistent government deficits, elevated public debt levels and structural geopolitical tensions support the long-term case for maintaining a meaningful allocation to precious metals within diversified portfolios. Energy investments also remain relevant, as underinvestment in supply combined with growing geopolitical tensions may continue to create periods of upward pressure on oil and gas prices.

In conclusion, the current market environment remains more constructive than headline risks might suggest. While geopolitical tensions and policy uncertainty can generate short-term volatility, the underlying economic and financial conditions continue to support risk assets. Moderating inflation, resilient economic growth and sustained corporate investment provide a supportive backdrop for equities and real assets. At the same time, the investment landscape is becoming more complex as leadership broadens and sector rotations intensify. In this context, diversification across regions, sectors and asset classes becomes increasingly important. By combining long-term exposure to structural growth themes with portfolio strategies designed to enhance resilience, investors can remain positioned to capture opportunities while navigating the evolving dynamics of global financial markets.

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