Royal London

Investment update

Quarter 2 2026

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Market update

YEAR	2023	2024	2025	YTD
1	Global Stocks 16.0%	Global Stocks 20.2%	EM Stocks 25.1%	EM Stocks 25.7%
2	Global HY 11.9 %	Multi Asset 10.0%	UK Stocks 24.0%	Commodities 15.9%
3	Corp Bonds 8.6%	EM Stocks 10.0%	Global Stocks 14.3%	Global Stocks 13.1%
4	UK Stocks 7.9%	UK Stocks 9.5%	Multi Asset 10.2%	Multi Asset 8.2%
5	Multi Asset 7.6%	Global HY 8.9%	Global HY 8.4%	UK Stocks 7.2%
6	Cash 4.7%	Commodities 7.3%	Commodities 7.8%	Property 3.1%
7	EM Stocks 4.1%	Cash 5.2%	Corp Bonds 6.9%	Global HY 2.4%
8	Gilts 3.7%	Corp Bonds 1.7%	Gilts 5.0%	Cash 1.9%
9	IL Gilts 0.9%	Property 1.6%	Cash 4.3%	Corp Bonds 1.0%
10	Property -0.7%	Gilts -3.3%	Property 1.6%	IL Gilts 0.2%
11	Commodities -13.1%	IL Gilts -8.3%	IL Gilts 1.3%	Gilts 0.1%

Source: Lipper, Royal London, as at 30 June 2026. Other than YTD, columns are full years.

Past performance is not a guide to future performance. Prices can go down as well as up. Investment returns may fluctuate and are not guaranteed so you could get back less than the amount paid in.

Multi Asset return = Governed Portfolio Growth. Governed Portfolio returns are net of 1% annual management charge.

All indices are total return in £ sterling, except commodities, which is in US dollars. Global stocks are excluding the UK.

After a negative start to the year, global equities rebounded from their lows in Q2, with the S&P 500 Index recording its best quarterly performance since the post-pandemic recovery in 2020. The quarter was dominated by two key themes: the rapidly evolving situation in the Middle East and a renewed surge of enthusiasm around artificial intelligence (AI).

Disruption to the Strait of Hormuz resulted in oil prices spiking higher heading into the quarter. While much uncertainty remains, progress in US-Iran peace negotiations helped ease fears of a prolonged supply shock, allowing oil prices to retrace most of their earlier gains by the end of the quarter. West Texas Intermediate crude fell over 30% during Q2 despite the oil flowing out of the Strait being meaningfully below pre-war levels.

The resulting reduction in inflation concerns provided support for bond markets, although gains were tempered by more hawkish rhetoric from new Federal Reserve Chair Warsh, and the European Central Bank (ECB) hiking rates.

Easing signs of stagflation also supported equities. The dominant driver was growing optimism around an AI investment supercycle. Technology stocks were the standout performer over the quarter, with the S&P tech sector experiencing its best quarterly return since 2001, driven largely by a surge in chip stocks. Regions such as Korea and Taiwan delivered exceptionally strong returns given their large exposure to semiconductor manufacturers and broader AI-related supply chains.

Our diversified and active approach to multi asset investing includes an allocation to real assets, which hedge inflation.

The inclusion of an allocation to commodities has been beneficial year-to-date, despite the recent correction in energy prices. On a tactical level, portfolios have benefitted from a preference for the technology sector and allocations to US and emerging market equities.

The Investment Clock is in Stagflation, reflecting the high oil price and weaker business surveys following the US-Iran conflict.

Energy prices have fallen towards pre-war levels on signs of a fragile peace deal, suggesting President Trump doesn't want high gasoline prices ahead of November mid-term elections.

The AI boom is raising corporate earnings of AI stocks. Cycle-adjusted valuations are near dotcom era levels. New innovation waves often get overblown in financial markets, even when their long-term impact is transformative.

Strategically, the Governed Range is tilted away from US equities on valuation grounds towards the better-value UK market. Tactically, it's moderately positive on technology stocks and emerging market tech plays. The danger will come if Fed Chair Warsh raises rates to a restrictive level and this isn't imminent.

Summary

- Global equities rebounded over the quarter as the conflict between the US and Iran eased and AI exuberance returned to the forefront.
- S&P 500 had its largest quarterly jump in six years, with technology shares leading the way. The tech sector had its best quarter since 2001 and the Philly semiconductor index rose over 88%.
- The strong performance of chip stocks extended across Asia, where exceptional performances of Korean stocks (+67%) and Taiwan (+40%) were particular bright spots.
- Commodities retreated sharply from their highs on progress towards peace in the Middle East. Oil prices ended the quarter close to pre-war levels and gold fell below $4,000 for the first time since November 2025.
- Bond returns were modestly positive over the quarter, as retreating energy prices reduced stagflation fears and supported the asset class despite a hike from the ECB and increased hawkish commentary from the Fed.
- Sterling moderately appreciated over the period, despite the resignation of Kier Starmer.

Governed Range strategy

Diversification: The portfolios have exposure to emerging markets and global equities, as well as holdings in asset classes such as commodities and property, which are a useful hedge against inflation.

Active management: It's crucial to design portfolios that match individual risk attitudes. Younger investors can take greater risks for higher returns, while older investors tend to be more risk averse. Therefore, different portfolios are built to suit varying risk levels.

We think it's very important to be an active investor and we'd actually argue there's no such thing as a passive multi asset portfolio. The choice of asset classes to include in the first place is an active choice. You should then be adjusting the asset mix as the investment environment and business cycle change.

Investing for the long-term in the UK: Most investors in the Governed Range are pension customers retiring into a UK economy. So it makes sense to have long-term outcomes relative to UK pension savers and UK inflation.

Our approach

We believe that a well-diversified portfolio is the most effective way of maximising risk-adjusted returns and mitigating uncertainty over both the short and longer term. Our multi asset portfolios are designed to optimise performance and better withstand shocks, manage volatility and downside risk. A typical pensions customer will be invested for years, if not decades and, as such, we position the portfolios to maximise performance over the long term.

Additional material

Governed Range factsheets

Royal London Asset Management fund commentaries and quarterly reports

Investment Clock updates

Latest investment performance

Outlook 2026 | Institutional | RLAM

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