

3rd November 2026

Market & Portfolio Update

Alongside this written overview, we have also recorded a short video, where we cover the broader economic and market backdrop, including artificial intelligence, as well as touching on the US Mid Term elections. You can watch this by clicking on the image below:



Performance Summary

After what was a strong summer for portfolios, we have seen some further progress over recent months, driven mostly by positive stock market returns. Conversely, bond markets have been under pressure over the previous few months, offsetting some of these gains particularly in lower risk portfolio strategies. Despite this, our strategies remain on track to deliver another year of above average investment returns.

Quarterly Recap

The third quarter of 2026 demonstrated market resilience amid geopolitical and monetary headwinds. Energy strength driven by the Iran conflict, supported commodities and select equity sectors; however, fixed income came under pressure as yields surged and inflation remained sticky.

The technology heavy US S&P 500 and Nasdaq indices delivered the highest equity market returns over the recent quarter, led once again by a narrow set of companies, with a staggering 83% of the S&P500 declining over 10% below their 52-week highs. This dynamic was largely due to a catch-up trade, as the US market has underperformed many of its closest market peers since the start of the year.

The performance of the US S&P500 over the next quarter is likely to be heavily influenced by the technology sector, where we have started to see companies report results. From what we have seen so far, there remains plenty of demand for computing power, with Microsoft's Azure cloud business growing 48% and Amazon Web Services posting its fastest growth in 18 quarters. Its order backlog is up 190% and management describes capacity for 2027 and 2028 as essentially sold out. Alphabet's (Google's) cloud business more than doubled, but search revenue missed forecasts because AI-generated answers earn less than traditional adverts (for now), leading to a sizeable fall in the share price. This highlights the risks in the technology sector and why we have taken profits over the past year, while having a more measured exposure, especially when we can find attractive opportunities elsewhere.

They key question which remains is whether this demand can continue and whether it can continue to be monetised, as competition increases, both within the US and also from China, where AI can be accessed much more cheaply.



Brewin Dolphin

UK Public Finances and Fiscal Challenges

Markets took the Chancellor John Healey's first Budget last week in their stride. The cost of Government borrowing slightly reduced in the aftermath and investors welcomed a cautious, predictable plan with no big surprises. The pound also barely moved, as the Budget was largely as expected. Whilst it would have been good to see more concrete plans around trying to improve economic growth, the lack of shocks will be seen as a positive after less than successful budgets in recent years.

From a portfolio point of view, confirming that capital gains tax rates would not be increased is perhaps the most relevant statement. Being able to freely move in and out of shareholdings is fundamental to an efficient market and gives investors the ability to allocate their capital to the most productive parts of the economy. We continue to manage portfolios with a view to limit any unnecessary changes, however it is also important to ensure that we aren't restricting the movement of capital from areas of the stock market that have peaked or are slowing, and into the next generation of growing companies to generate superior long-term returns.

Iran/US conflict: Energy Markets and Oil Price Impact

The U.S.–Israel–Iran conflict extended into Q3 with several false dawns on hopes for a ceasefire. Whilst some shipping traffic has returned to the Strait of Hormuz, global crude oil supply remains constrained with OPEC+ production remaining 5 million barrels per day below pre-war levels. While oil prices have retreated from crisis highs, they remain elevated and volatile, continuing to support energy stocks. There are also secondary effects, such as fertilizer prices rising approximately 36%, contributing to global food inflation of 6% so far in 2026. This has understandably led to concerns around inflation, which has started to increase, albeit not to the levels that we saw in 2022, with it being notably higher in the US, where the economy and spending has been stronger.

This in turn has led to an increase in bond yields. This is effectively the amount that governments have to pay to borrow money. There have been several factors causing this – the higher energy prices and stronger economies previously mentioned, but also the fact that central banks don't want a repeat of 2022 and have started to raise interest rates as a result (whilst the Bank of England has held rates at 3.75%, the US Federal Reserve increased rates by 0.25% in September to 4%). We have also seen heavy government borrowing and as a result, increased bond supply and investors wanting greater compensation for lending money.

Whilst this has started to make the headlines and is often mentioned from a negative perspective, in our view these higher yields in UK Government Bonds present a great opportunity. This is particularly the case as a low risk alternative to cash as well as providing diversification within portfolios, as they are seen as a safe haven should there be any stock market shocks.

Outlook and Portfolio Positioning

In my previous update, we highlighted our concerns about the level of artificial intelligence spending and the amount of debt (bonds) being raised to fund it. Markets have started to show similar concerns, which has led to the deterioration in the bond market over the quarter, as well as a couple of sizeable equity market drawdowns and recoveries. Our view of this situation, and our investment strategies, remain unchanged and we are positioned to largely avoid these riskier and more volatile bond and equity investments. Pleasingly, we have seen that portfolios have performed very well in the months of July, September and October when US technology stocks have fallen, which highlights that the diversification, active management and stock picking is adding real value and is working.

As far as capital allocation goes, the artificial intelligence spending cycle is now the largest in history. The exposure within global stock markets is also at extreme levels that go beyond the 90's internet infrastructure boom. This places an ever-growing requirement that the technology itself delivers on its capability and financial return. From what we can see, the speed at which this technology is progressing is incomprehensible. For example, Jensen Huang (CEO of Nvidia) suggested that OpenAI spent $20million dollars in compute to train the first ChatGPT artificial intelligence model in 2022 - if OpenAI were to do this today it would cost them just $450.

Radcliffe & Co



Brewin Dolphin

Artificial Intelligence as a capability will inevitably permeate across global business, however it will be important to allocate portfolio capital in the areas where it can be monetised, which will include many companies outside of the technology sector. Knowing the answer to this question will determine the outsized investment returns in the next economic cycle, and investors in general are becoming incredibly concentrated in the companies deemed to be the artificial intelligence “winners”. We continue to take a much broader investment approach allowing for better diversification which substantially lowers the risk of getting the answer to this question wrong.

The Winchester Investment Team

Radcliffe & Co