Rebalance Update

August 2026

7IM

What's Moving Markets?

England's latest attempt to bring football home ended in familiar fashion. Hope, excitement, endless commentary and, ultimately, someone else lifting the trophy.

For investors, the experience may feel oddly familiar.

For years, the conversation has been dominated by a handful of themes. American technology stocks, Artificial Intelligence (AI), The "Magnificent Seven" – to name a few. Every market discussion seemed to start and end in Silicon Valley.

And yet, over the past year, some of the strongest returns have come from places receiving far less attention.

Emerging markets have outperformed many developed peers. South Korea's chipmakers have surged. Taiwan continues to sit at the centre of the AI supply chain. In parts of Latin America, falling inflation has allowed central banks to cut interest rates ahead of their developed market counterparts. Even China's market, despite ongoing economic challenges, has shown occasional signs of life.

None of this means AI has stopped mattering. Quite the opposite. AI remains the biggest investment story in the world. But increasingly, investors are asking a more interesting question: who actually gets paid?

Building AI systems requires vast numbers of semiconductors, servers, power stations and data centres. As a result, some of the biggest beneficiaries have been the companies supplying the picks and shovels rather than those making the grandest promises. In many cases, those suppliers are based in emerging markets.

It's a useful reminder that investment winners don't always come from the places attracting the most attention. Sometimes the loudest story and the most profitable story aren't quite the same thing.

Whether it's football or investing, everyone starts by predicting who will win. The interesting bit is seeing who actually does.

Investors spent years watching the AI race...

...but some of the biggest winners were selling the shovels.

From The Investment Team

From Pluto to portfolios

Twenty years ago, Pluto stopped being defined as a planet.

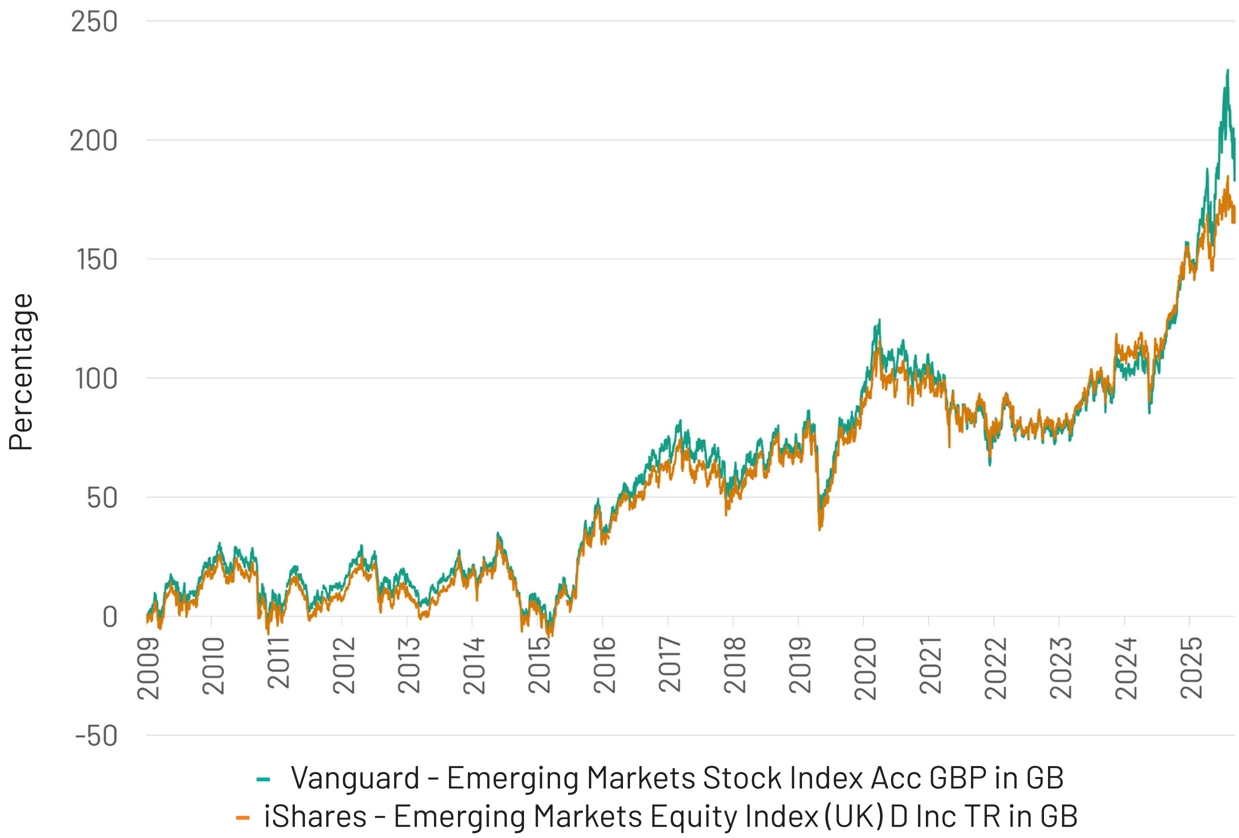
To be defined as a planet, an object must

1. Orbit the Sun
2. Have enough mass to be round
3. Have "cleared its neighbourhood" of other debris.

Unfortunately, Pluto doesn't pass number three – there are at least four similar sized objects (and maybe up to 1000) all living in the same postcode.

So, we'd either have to call them ALL planets (difficult for the My Very Excellent Mother mnemonic), or Pluto had to get downgraded...

Now, obviously, Pluto doesn't care. In physics, it doesn't matter what we call something – Pluto just keeps spinning.



Source: FactSet, GBP, 30/06/2006 – 30/06/2026. Past performance is not a guide to future performance.

But in investing, definitions DO matter.

An index is a collection of rules: "if thing X has properties a,b & c, then define it as Y." Which means definitions can be dangerous things.

In the bond world, any company that slips below a BBB rating is defined as "high yield". So every "investment grade" passive fund has to sell it.

Or look at the disagreements about Environmental, Social, and Governance (ESG) ratings of companies – is Meta (Facebook) really GOOD because it doesn't drill for oil or make weapons? Or is it really BAD due to data protection issues and social harms?

Or take the example we were banging on about before - South Korea. In 2009, South Korea got the reverse-Pluto treatment from FTSE Russell when it was redefined as a Developed Market. MSCI looked at the same country and disagreed. Seventeen years later, they still disagree.

Most of the time, that hasn't mattered too much. Whether you'd have bought FTSE or MSCI for your Emerging Markets exposure, you'd have ended up in about the same place... Not anymore.

The South Korean stock market rally over the last year (driven by its defence companies and chipmakers) has meant that the MSCI Emerging Market index has beaten the FTSE by more than 20%! All because of a definition difference.

Planets don't care what they're called. But when it comes to investing, a different definition can mean a very different portfolio.

What we're watching this quarter:

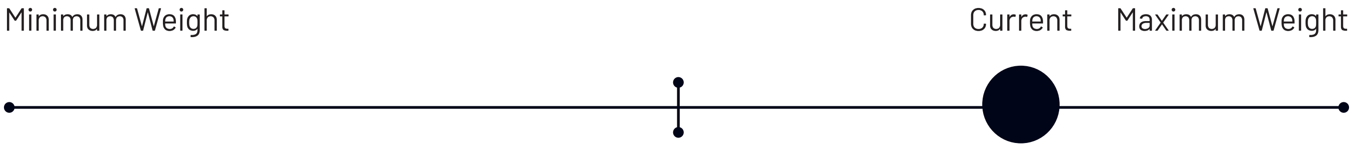
- **26 August** – Nvidia results. Arguably the most important earnings release of the month and a major test of AI infrastructure demand.
- **27–29 August** – Jackson Hole Economic Symposium remains one of the most important events of the economic calendar year. Central bankers and economists from around the world meet to discuss economic policy and what they are watching in markets.
- **17 September** – Bank of England meets to decide on what to do with interest rates. A major theme of 2026 has been central banks trying to battle inflationary pressures with pockets of slowing growth.

Ben Kumar
Head of Strategy – Wealth, Public Policy & Investment

Asset Allocation Changes

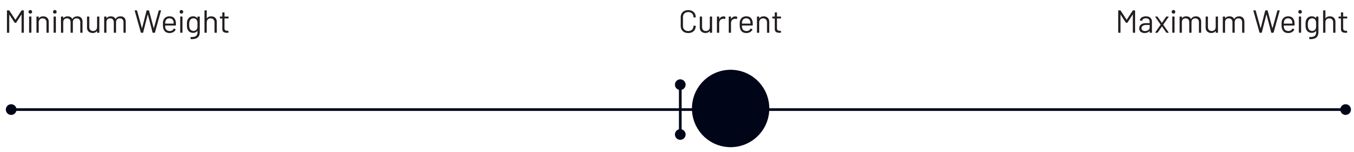
All portfolios are underpinned by 7IM's Strategic Asset Allocation, which seeks to diversify investments across a broad range of asset classes and global regions and is reviewed annually. Portfolios with tactical management will see 7IM adjust these long-term allocations to take advantage of opportunities and help navigate market conditions.

Equity – we increased our equity exposure



People are still spending, businesses are still investing, and the global economy has remained more resilient than many expected. We continue to see strong investment in areas such as AI, which is helping to support growth and company earnings. With the overall picture still looking encouraging, we have increased our equity allocation.

Fixed Income – our fixed income exposure is unchanged



Inflation is easing, but there is still a lot of debate about where interest rates go next. In the meantime, bonds continue to provide an attractive level of income and can help cushion portfolios when markets become more volatile.

Given the important role bonds play in helping to balance portfolios, we're happy with our current allocation and have not made any changes this quarter.

Responsible Portfolios

The 7IM Responsible Portfolios invest in companies and funds that score strongly on ESG factors while avoiding exposure to controversial activities such as armaments, tobacco and thermal coal. They also seek investments that can deliver long-term positive environmental and social impact, drawing on 7IM's extensive experience in sustainable multi-asset investing.

Portfolio Themes

The Future of Humanity
The COVID crisis has shown how important healthcare is. Healthcare is becoming increasingly important as Europe's population ages, with over half of new drugs targeting the over-65s.

ESG Transition Leaders
Companies are cleaning up their business models (even if not helping directly with climate change), such as when a bank cuts the use of paper, or an airline goes lower carbon.

Evolving Consumption
Companies looking to design their products around consumption that fit health and wellness, the circular economy, travel and experiences and consumer lifestyles.

The World is Getting Warmer
Climate change poses a major global risk, driving investment into clean energy such as solar, wind and hydropower, as governments seek greater control over energy supplies.

Automation and Digitalisation
Companies are designing products/solutions which improve processing, connectivity and production and help clean up the world. Think AI, electric cars, food chain technology and supply chain management.

Global impact
Impact investments are those that lead to a material and measurable improvement in environmental and social problems. Examples of global corporate bond funds that invest in both ESG-labelled bonds (green and social bonds.

Diversification

To bring extra diversification into tactically managed portfolios, 7IM researches and implements long-term allocations to the following evidence-backed diversifying strategies.

Equal Weight
This allocation buys an equal amount of each of the 500 companies in the S&P 500 Index. This increases exposure to medium-sized companies when compared to a market-cap weighted strategy. It's a simple way to maintain exposure to US companies, without over-exposure to the huge technology stocks.

Put-Selling
Another diversifying strategy focused on generating income through selling put options on the S&P 500 Index. It aims for stable returns with less exposure to equity volatility.

Alternatives
This is a diversified basket of strategies which aren't correlated to bonds or equities. It continues to deliver returns above the interest rates on cash. It will tend to perform best during dislocations.

Responsible Choice Diversifiers

Diversified Sustainable Leaders:
Companies leading in environmental innovation, social progress, and governance best practice are central to driving economic growth and supporting a more sustainable global economy. This also includes responsible companies that are currently underappreciated by the market. Targeting these leaders enables the portfolio to capture opportunities across multiple sustainability themes, combining financial performance with positive contributions to sustainable development.

Fund Changes

7IM monitors the funds in our portfolios and make changes when we feel we can achieve better outcomes for our customers. This table shows the funds that were new additions in the rebalance and those that have been completely sold.

Bought:

Fund	Strategies	Rationale
Artemis SmartGARP UK	Active	This fund has been introduced to portfolios because it provides potential for enhanced performance relative to the current holding.
Core Quantitative Investment Strategies and Diversified Alternative Strategies	Active/Blended	These funds are provided by JPM but 7IM have full control over the underlying exposures. The funds act as an efficient and cost-effective way to obtain exposure to global portfolio diversifiers. For more information, please contact us.
Liontrust European Dynamic	Active	The fund was introduced to diversify the European sector blend and improve the consistency of outperformance.
Nordea BetaPlus Enhanced Emerging Markets Sustainable Equity Fund	Responsible Choice	Nordea was introduced to portfolios because it provides potential for enhanced performance relative to the current holding. Nordea is a leader in sustainable investing and their Beta Plus range can add alpha over multiple market cycles.
Invesco S&P 500 Swap Index	Active/Blended/Passive	This fund has been introduced to portfolios because of its lower charges and attractive return potential, while also aligning with our preference for index funds over ETFs.
Invesco UK Enhanced Index	Active	This fund has been introduced to portfolios because it provides potential for enhanced performance relative to the current holding.
Premier Miton Corporate Bond Monthly Income	Income	The fund was introduced to diversify the corporate bonds sector and provide a regular monthly income.

Fund Changes (continued)

Sold:

Fund	Strategies	Rationale
Fidelity UK Select	Active	This fund has been removed from portfolios, with proceeds reallocated to a higher-conviction fund.
Schroder Prime UK Equity	Active	This fund has been removed from portfolios, with proceeds reallocated to a higher-conviction fund .
Amundi MSCI EMs SRI	Responsible Choice	This fund has been removed from portfolios, with proceeds reallocated to a higher-conviction fund.
Amundi Core S&P 500 Swap ETF	Active/Blended	This fund has been removed from portfolios, with proceeds reallocated to a higher-conviction fund.

About the Investment Manager

Seven Investment Management (7IM) was established in 2002 by seven founders who set out to build a firm they could trust with their own families' money.

Since then, we have partnered closely with financial advisers and planners - delivering not only cost effective investment but an unrivalled service experience built around responsiveness, clarity, and genuine partnership. Every interaction is designed to make advisers' lives easier and to help them deliver outstanding outcomes for their clients.

Today, we are entrusted with over 24 billion pounds of clients' hard-earned assets, and our values remain unchanged:

- A commitment to putting clients and advisers first
- A transparent and disciplined approach to risk management
- A focus on clarity, partnership, and exceptional service

While we continue to evolve, our purpose endures: to support advisers and their clients with robust investment solutions and an unwavering dedication to service excellence.

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