Rebalance Update

August 2026

SUCCESSION
MODEL PORTFOLIOS

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.

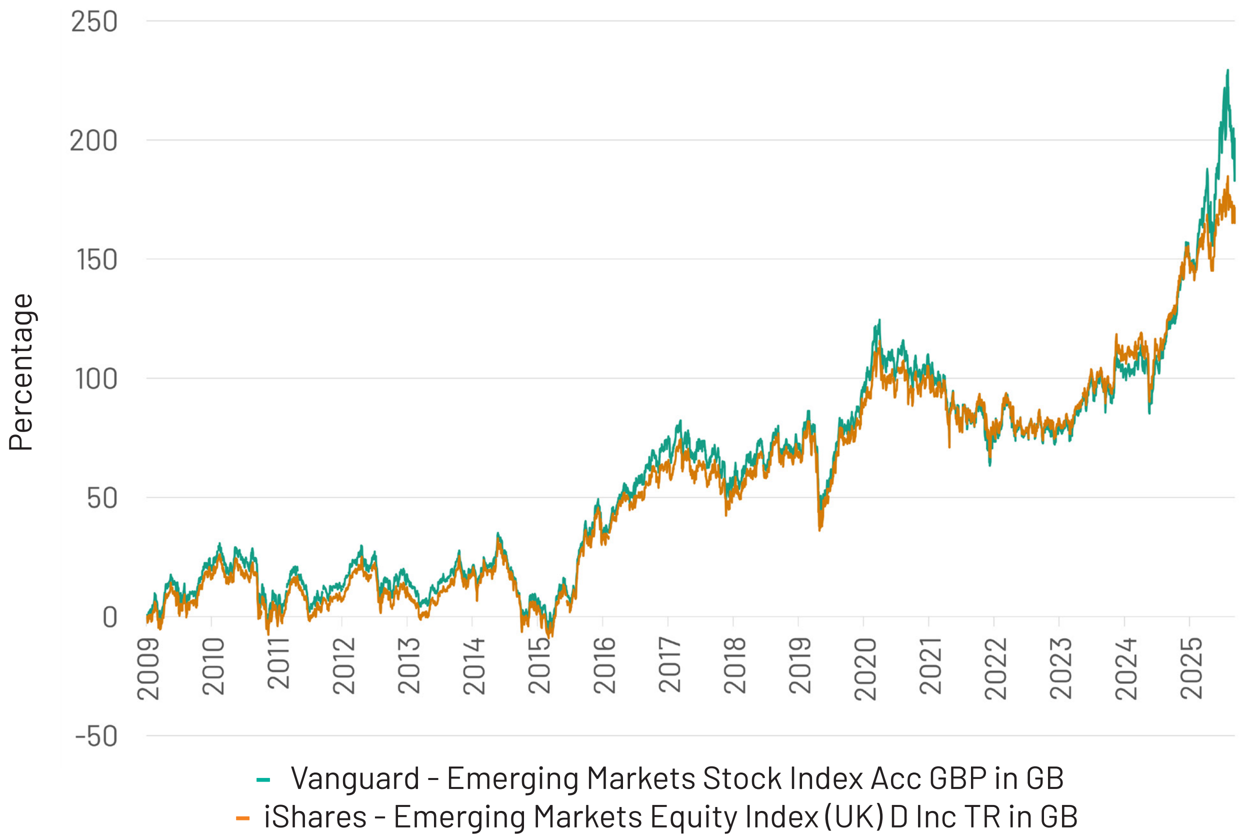
To be defined as a planet, an object must

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:

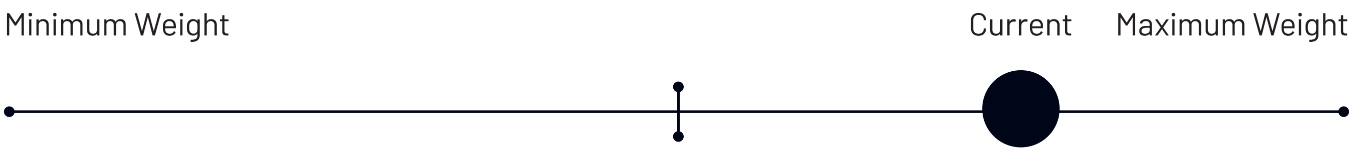
- **26 August** – Nvidia results. Arguably the most important earnings release of the month and a major test of AI infrastructure demand.
- **27-29 August** – Jackson Hole Economic Symposium remains one of the most important events of the economic calendar year. Central bankers and economists from around 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

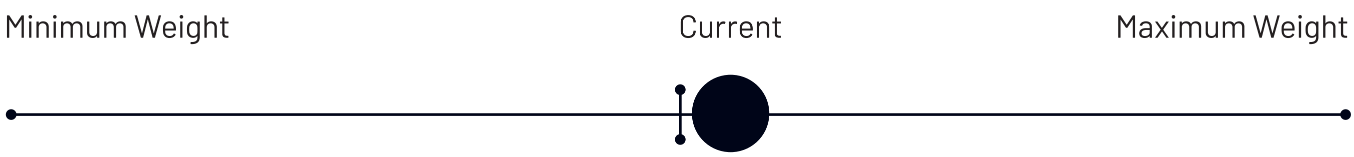
All portfolios are underpinned by 7IM's Strategic Asset Allocation, which seeks to diversify investments across a broad range of asset classes and global regions and is reviewed annually. Portfolios with tactical management will see 7IM adjust these long-term allocations to take advantage of opportunities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

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.

Fund Changes

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

Bought:

Core Quantitative Investment Strategies and Diversified Alternative Strategies	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.
Global Equity Premium Fund	This fund is provided by JPM but 7IM have full control over the underlying exposures, allowing us cheaper and more timely execution of equity premium positions. For more information, please contact us.

Sold:

Neuberger Berman US Equity Premium	The fund has been removed from portfolios following the introduction of the Global Equity Premium 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.

Please note: All of the comments in this document refer to the models we run on the 7IM platform, but the models are also available on a range of other platforms. As much as possible, we try to replicate the models we run of the 7IM platform across all platforms, but due to differing security availability, not all of the points outlined in this document may be relevant across these platforms. If you are unsure whether certain changes apply to models on a specific platform, please reach out to a member of the team.

The past performance of investments is not a guide to future performance. The value of investments can go down as well as up and you may get back less than you originally invested. Any reference to specific investments are included for information purposes only and are not intended to provide stock recommendation or investment recommendations to individual investors.

Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 1 Angel Court, London EC2R 7HJ. Registered in England and Wales number OC378740.

08.26

SUCCESSION
MODEL PORTFOLIOS

7IM