

Monthly Investment Update

June 2026

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Performance Update

Global stock markets continued their strong run, with the FTSE 100, FTSE 250, S&P 500, Euro Stoxx and Nikkei 225 rising 0.74%, 4.59%, 6.11%, 4.38% and 5.22%, respectively. Our portfolios rose between 2.62% and 11.75%.

Global equity markets had a great month as investors grew increasingly optimistic that a diplomatic solution to the war in Iran could be reached. As tensions eased, markets shifted their focus back to economic fundamentals and, in particular, the transformational impact that artificial intelligence is expected to have on productivity, profitability and long-term economic growth. Technology shares led the advance, with the Nasdaq once again reaching new highs. Whilst comparisons are increasingly being made with the technology boom of the late 1990s, there is one significant difference: many of today's AI leaders are already highly profitable businesses generating substantial cash flows, rather than relying on future promises alone.

The prospect of a Middle East agreement also helped drive oil prices lower, easing concerns about future inflation. Lower energy costs should feed through into the wider economy over time and reduce pressure on central banks to raise interest rates. This proved supportive not only for equity markets but also for bonds, with UK Corporate Bonds rising by 1.90% and UK Gilts gaining 1.86% in May. The combination of falling inflation expectations and stable interest rate outlooks has created a more favourable environment for both equities and bonds.

However, not every asset class rose in May, with Gold, commodities and Infrastructure falling.

Against this backdrop, our Trend Following portfolios are now fully invested once again and have benefited from rising equity and bond markets. Our Dynamic Equity portfolio has benefited significantly from the momentum strategy, and the Fourth Industrial Revolution portfolio has benefited from its diverse investment approach and from being invested in the industries at the forefront of current technological advancement.

The performance of the portfolios over the last month, six months and one year is shown below:

Portfolio	Performance % 1 month	Performance % 6 months	Performance % 1 year
Foundation	2.62	5.79	15.95
Cautious	4.65	8.55	19.74
Balanced	5.40	10.24	23.10
Adventurous	6.35	12.85	30.02
Dynamic Equity	6.99	17.40	38.15
Income Generating	3.19	6.79	15.97
Fourth Industrial Revolution	11.75	20.09	48.71
Retirement Investment Solution 1	5.01	10.78	24.59
Retirement Investment Solution 2	5.40	11.96	26.90
Retirement Investment Solution 3	5.75	13.00	28.95

Trend Following Signals

The table below shows whether the asset class has a positive trend (✓) or a negative trend (x). A positive trend occurs when the market price exceeds the average price over the previous 200 days. The portfolios will have more exposure to asset classes with a positive trend and less (if any) to those with a negative trend. These are the main asset classes we monitor:

Asset Class	Trend Signal	Asset Class	Trend Signal
Global Equity	✓	Emerging Market Equity	✓
UK Equity	✓	Commodities	✓
Europe ex UK Equity	✓	UK Corporate Bonds	✓
US Equity	✓	UK Corporate Bonds (Short dated)	✓
Japan Equity	✓	UK Index-Linked Bonds	✓
Pacific Equity	✓	Global Bonds	✓
Gold	✓	UK Gilts	✓
Global Property	✓	Emerging Market Bonds	✓
Global Infrastructure	✓	Overseas Corporate Bonds	✓

Of the leading 23 markets we monitor, all are above trend.

Cautious, Balanced and Adventurous portfolios

These portfolios are once again fully invested, benefiting from the recovery in both equity and bond markets, with all major asset classes now above trend. Performance across the range has been strong, reflecting the positive market environment and the effectiveness of our investment process. We are particularly pleased with the performance of the Cautious portfolio, which has significantly outperformed its benchmark over the last year whilst maintaining a cautious risk profile.

Dynamic Equity portfolio

The Dynamic Equity portfolio continues to perform exceptionally well, as illustrated in the chart below, beating its benchmark (red line). In addition, when compared with a peer group of 48 high-risk investment funds, it currently ranks as the best performer over 1-, 3-, and 10-year periods. This places it ahead of funds managed by many of the UK's largest and most recognisable investment houses, including HSBC, Aviva and Legal & General. We are extremely pleased with these results, which provide further evidence that our disciplined momentum-based investment approach continues to add significant value. Of course, past performance is never a guide to future returns, and momentum can experience periods of underperformance, but over the long term, we are confident that outperformance will continue. No changes were made to the portfolio.



30/05/2025 - 01/06/2026 Data from FE fundinfo2026

Foundation portfolio

The Portfolio is again fully invested and benefitting from the rise in equities and bonds. However, not every asset class rose in May, with Gold, commodities and Infrastructure falling. This is a very diverse portfolio, and it is unlikely that every underlying holding will go up each month, but also during the difficult periods, not every holding should fall. This should provide a smoother investment journey. This was demonstrated at the start of the Iran war as the commodity holding (mainly oil) rose significantly.

[Income Generating portfolio](#)

Last month, we highlighted the risk that an escalation in the conflict involving Iran could lead to higher energy prices, increased inflation and, ultimately, higher interest rates. This would create a challenging environment for income-generating assets, as higher interest rates tend to make investment yields less attractive and can place downward pressure on the value of assets such as infrastructure, property and higher-yielding equities. Fortunately, significant progress towards a resolution in the region, combined with increased global oil supply, has resulted in a sharp fall in oil prices and a reduction in inflation expectations. This has improved the outlook for interest rates and created a more supportive environment for income-focused investments. The Portfolio performed well during May, and if inflation continues to ease and interest rates begin to fall over the coming quarters, this could mark the beginning of a period of significant outperformance for many of the Portfolio's underlying holdings.

[Fourth Industrial Revolution portfolio](#)

The Fourth Industrial Revolution portfolio delivered another outstanding month, rising by 11.75% as every underlying holding generated a positive return. As we have seen on numerous occasions, performance within the portfolio's themes varied significantly, with a remarkable 28.79% difference between the best and worst-performing holdings. This highlights both the opportunities and volatility that can accompany investment in disruptive technologies. The strongest contributor was the L&G Cyber Security Fund, which gained 30.65%, closely followed by the L&G Artificial Intelligence Fund, which rose 25.29%. The Portfolio continues to benefit from the Nasdaq reaching new record highs and growing investor confidence in the transformational potential of artificial intelligence.

[Retirement Investment Solutions](#)

The Retirement Investment Solutions (RIS) are benefiting from its allocation to the Dynamic Equity portfolio. The allocation ranges from 20% within RIS 1 to 40% within RIS 3. The balance of the Solutions are invested in the Foundation portfolio and a trend following portfolio, both of which increase and decrease their exposure to asset classes depending on their trends. This provides the "brakes" when markets suffer a prolonged fall. The Solutions are once again fully invested.

[Summary of Portfolios](#)

Our portfolios have benefited significantly from the strong recovery in financial markets following the volatility experienced in March, with many major stock markets at or near all-time highs. Investor sentiment has improved considerably as the likelihood of a diplomatic resolution involving Iran has increased, while higher Russian oil exports have helped push energy prices lower. As a result, inflation expectations have eased, reducing the prospect of further interest rate rises and increasing the likelihood of interest rate cuts over the medium term. This has created a supportive environment for both equities and bonds.

With concerns over inflation and energy prices subsiding, investors have once again turned their attention to the long-term opportunities presented by artificial intelligence and the potential for significant improvements in productivity and corporate profitability. This renewed optimism has been a major driver behind recent market gains, particularly within technology and growth sectors. Our portfolios are well-positioned to benefit, with the trend-following portfolios fully invested and the momentum strategy having a higher exposure to the strongest-performing asset classes, sectors and regions. Whilst periods of volatility are inevitable, the current environment remains supportive for our investment philosophy and long-term strategy.

The one caveat is that negotiating with Iran and Trump can be volatile, and oil prices could spike again, which would almost certainly lead to investment losses.

Asset Class Review

This section will give you an insight into our current thinking. This month, we look at the markets that hold the key to what is happening in the world.

AI - it's a game changer.

The Nasdaq 100 continues to benefit from the rapid growth of AI. Despite geopolitical tensions, the index has risen by around 20% this year, and there are signs that it may be entering a "melt-up" phase. History shows that periods of technological transformation can drive substantial market gains. For example, the Nasdaq rose approximately 180% in the two years leading up to the technology bubble peak in 2000. The improvements from AI in productivity, automation and business efficiency are already becoming evident across many industries. As a result, we may still be in the early stages of a significant long-term transformation, with AI continuing to create both opportunities and challenges for investors.

Nasdaq 100 (NDX INDEX) 30333.18 109.29

2026-05-29



Interest Rates – on a knife edge

This is a pivotal point for the global economy. Government debt levels are high in most countries, and our economies are now very reliant on interest rates. If interest rates go up from here, then we could experience a shuddering halt to economic growth. The war in Iran has been inflationary, and you can see how bond yields in the US (a good indicator of future interest rates) broke below 4% but then rose above 4.6% last month before falling again. Trump is desperate for the level to fall and is banking on AI to bring deflation to the economy and therefore interest rates can fall. This is the worlds most important chart.

US 10yr Treasury Bond Yield (USGG10YR INDEX) 4.4355 -0.01

2026-05-29



Copper flying - new all-time high

Copper continues to surge higher, reaching record levels as demand from electrification, artificial intelligence and power infrastructure investment accelerates. Electric vehicles require significantly more copper than traditional cars, while the rapid expansion of AI data centres is creating substantial demand for power cables, transformers and electrical equipment.

Copper (CMX) (HG1 COMB COMDTY) 648.75 34.1

2026-05-11



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Oil – Peace in Iran?

Higher oil prices are inflationary, and Trump cannot afford for the price to remain high for too long, as it could mean interest rates have to rise to combat inflation. Every time it has spiked higher, Trump talks about peace and the progress being made. Are we now finally at the stage where we have a deal, or is this another opportunity for Trump to put more pressure on the regime?

Oil (2nd Brent) (CO2 COMB COMDTY) 89.11 -3.59

2026-05-29



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In Summary

Global stock markets are advancing, especially those closely tied to AI, and we could be experiencing a melt-up. However, higher oil and copper prices could mean that interest rates have to rise, and global growth comes to a halt. We are thus at a pivotal point in the investment cycle, with peace in Iran the catalyst for further advances to the value of our wealth.

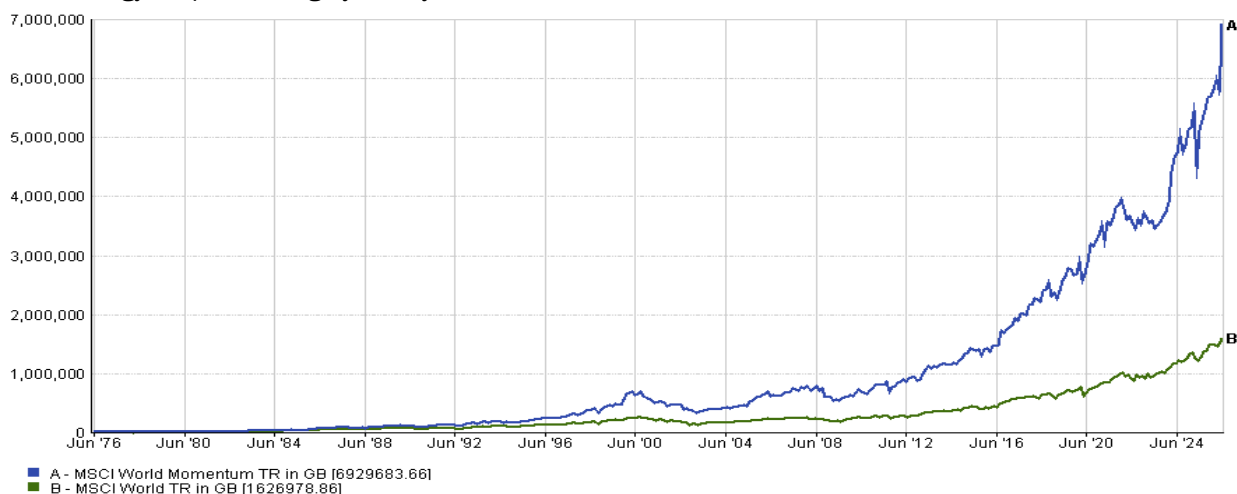
Momentum Investing

What is Momentum Investing?

Momentum investing is a simple but powerful concept: assets, sectors and companies that are already performing strongly often continue to outperform for longer than investors expect. Rather than trying to predict turning points or buy what has been weak simply because it looks “cheap”, momentum investing focuses on owning the current winners and reducing exposure to areas that are falling behind.

How does it perform?

If you had invested £10,000 fifty years ago in the MSCI World index (green line), then it would be worth £1.62 million today. However, if you had overlaid a momentum strategy on the same index (blue line), it could have grown to £6.92 million! Recently, we have seen momentum perform exceptionally well with the same strategy outperforming by nearly 10% within the last 6 months.



31/05/1976 - 29/05/2026 Data from FE fundinfo 2026

Why is it performing so well now?

The reason momentum investing is working particularly well today is that we are living through a period of enormous structural change. Historically, the biggest winners in the stock market were often industrial companies, banks or commodity businesses whose fortunes moved in cycles. Today, however, technology and artificial intelligence are creating companies with global scale, dominant market positions and extremely high profitability. In simple terms, the winners are winning by more than ever before.

Companies leading the AI revolution are benefiting from significant investment, rising productivity, and increasing demand for their products and services. Unlike previous technology cycles, AI is not just affecting one sector – it is beginning to reshape the entire global economy. Businesses that adapt quickly are seeing stronger profits, faster growth and increasing market dominance.

Momentum investing also reflects an important behavioural reality of markets: investors consistently underestimate how long major winners can continue outperforming. Many of the world’s leading companies have continued delivering strong returns for far longer than most analysts predicted.

What is the downside of momentum investing?

During a sudden shift in stock market direction, investors can sell the companies and assets that have risen the most, thereby locking in their profits. This can result in the previous momentum winners falling the most. Therefore, momentum investors have to be prepared, from time to time, to suffer greater losses than others.

How do we use momentum?

Most of our portfolios use momentum as part of their investment philosophy, with the highest-risk ones using it most, such as the Dynamic Equity portfolio. A momentum investment philosophy must be regularly rebalanced, a process handled by our DFM partner, WM Capital Management.

Final Comment

Growing optimism surrounding a potential diplomatic resolution involving Iran, combined with increased global oil supply, has helped drive energy prices lower and reduce inflation expectations. This has eased concerns about further interest rate rises and provided support for both equity and bond markets. At the same time, investors have increasingly refocused on the long-term opportunities presented by artificial intelligence, with growing confidence that AI will drive significant improvements in productivity, profitability and economic growth over the coming years.

Our portfolios have benefited from this more favourable environment. The Trend Following portfolios are once again fully invested, as both equities and bonds have moved back above their respective trends, whilst our momentum-based strategies continue to allocate more capital to the strongest-performing regions, sectors and themes. Whilst returns have been good, we all know that unpredictability is a key trait for Donald Trump and at any moment we could see something that leads to a short, sharp fall in markets.

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The past is not necessarily a guide to future performance. The value of any investments can go down as well as up and you may not get back the full amount invested. Taxation is subject to change and you may have to pay tax on any gains. The Watson Moore portfolios are unlikely to exactly mirror our clients' portfolios due to the timing of the initial investment and the speed of response to our fund switch recommendations as well as the effect of charges. The figures above therefore assume a client invested on the launch day and have responded immediately to our recommendations. As from the middle of 2016, the portfolios have been run on a discretionary basis by our sister company WM Capital Management. All figures and charts are provided by Financial Express.