CAIM | CROWN AGENTS INVESTMENT MANAGEMENT

Capital Markets Monthly
EQUITIES

September 2026

SIMON PRICE
Senior Equity Fund Manager

simon.price@caiml.com

United States

Earnings Strength Offsets Higher Yields

U.S. equity markets reached fresh record highs in August, supported by strong corporate earnings and optimism that Middle East tensions would ease, although some of these gains faded later in the month. Fiscal concerns remained in the background, while rising corporate borrowing, particularly by hyper-scalers funding AI-related capex, added upward pressure to long-term Treasury yields.

U.S. economic data released during August presented a mixed but broadly resilient picture. The Federal Reserve's preferred inflation measure (PCE) was reported at 3.7% YoY through July, well above the Fed's 2% target, reinforcing concerns that disinflation had stalled. Furthermore, several Fed officials expressed the view that inflation remained "sticky" and insufficiently controlled. Monetary policy was also a key focus, with market expectations shifting from gradual policy easing to possible tightening following the Jackson Hole speech from Fed Chair Warsh.

Payroll growth disappointed, with headline employment declining and previous months revised lower, although weakness was concentrated in leisure and hospitality and local government education, which could see a rebound. By contrast, construction and other goods-producing sectors recorded solid job gains, while the unemployment rate fell to 4.1%, its lowest level since early 2025. Inflation data was more encouraging, with core CPI holding at its slowest annual pace since March 2021. Combined with a benign PPI release, the data suggested that underlying price pressures continue to moderate, reducing the immediate need for further monetary tightening.

Corporate earnings continued to provide a strong tailwind for U.S. equities. With the majority of earnings by market capitalisation having reported, earnings results materially exceeded expectations, supported by revenue growth and strong margins which had broadened. Nvidia delivered a moderate revenue beat, with revenue guidance for the current quarter also coming slightly ahead of expectations. This signalled greater optimism that current growth in AI demand would continue into next year. The software sector, which had faced concerns around AI-related business model disruption, delivered an encouraging set of results.

Outside of technology, Caterpillar raised sales guidance whilst pushing back on concerns that data-centre demand is slowing. US retail earnings supported the theme of a resilient consumer supported by a still-healthy labour market and wage growth, despite ongoing concerns about inflation and fuel prices. Guidance was largely maintained rather than reduced, suggesting management teams remained constructive on the outlook, even while acknowledging macroeconomic uncertainty.

US equities rose in August as strong earnings and AI-driven growth supported sentiment. Market leadership broadened beyond mega-cap technology, with mid- and equal-weight stocks outperforming. Energy led sector gains on higher oil prices, while Healthcare and Technology also advanced. Rising bond yields weighed on rate-sensitive sectors and tempered broader market gains.

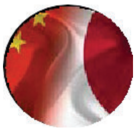
Europe

Germany Leads as Political Risks Weigh on France

European equities advanced on strong earnings and resilient economic data, despite higher energy prices fuelling inflation concerns. Gains eased later in the period as energy prices and bond yields rose, while the ECB left rates unchanged but signalled a likely September hike.

Earnings revisions continued to improve amid resilient growth, with broader sector participation supporting the market. Higher nominal growth remains a key tailwind for European earnings, while elevated oil prices and a more supportive FX backdrop provide additional support.

European equities rose in August, led by Germany on stronger economic data, while France lagged amid fiscal and political uncertainty. Sector performance presented a mixed picture. Materials led gains, with the technology sector rebounding from July losses. Defensive sectors, including real estate, utilities and consumer staples were laggards.



Developed Asia

Earnings and Currency Tailwinds Support Japan

Hong Kong equities were weaker in August as soft economic data and higher global bond yields weighed on sentiment, although policy support expectations and resilient earnings helped limit losses.

Japanese equities advanced on strong April-June corporate earnings with increased breadth, a weaker yen and resilient domestic demand. However, rising 10-year Japanese Government Bond yields reached multi-decade highs, and expectations of further Bank of Japan policy tightening tempered gains.

Emerging Markets

Equity

Emerging market equities rebounded in August, outperforming developed markets after two consecutive months of declines. The recovery was driven by strong gains in Korea and Taiwan as positioning pressures eased and investor confidence in the AI investment cycle improved. Continued AI-related capital spending, robust second-quarter earnings guidance, and shareholder return initiatives further supported sentiment.

Regional performance was mixed. CEEMEA was the strongest-performing region, while Emerging Asia recovered from July's weakness, led by Korea and Taiwan. Latin America lagged, with declines in Brazil and Colombia weighing on returns.

IMPORTANT NOTES

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any Crown Agents Investment Management Limited ('CAIM') funds and has not been prepared in connection with any such offer.

This communication may only be used by a person in a jurisdiction where it is legally permitted to do so. The original recipient is responsible to ensure that no breach of local laws occurs in sharing its contents. This document should not be reproduced or distributed except via original recipients such as authorised financial advisers that are permitted to do so by local regulation and should not be made available to retail investors. This communication is not for distribution in the United States of America.

Any opinions expressed herein are those at the date of issue and cannot be depended on to predict future events. They do not necessarily reflect the views of CAIM. All data is sourced to CAIM unless otherwise stated. We believe that the information contained is from reliable sources, but do not guarantee the relevance, accuracy, validity or completeness thereof. Subject to UK law, CAIM does not accept liability for irrelevant, inaccurate, invalid or incomplete information contained, or for the correctness of any opinions expressed.

Past performance is not indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of the investments. The value of investments and any income from them may fluctuate and investors may incur losses. All investments involve risks including the risk of possible loss of principal. Liquidity risk may delay or prevent account withdrawals or redemptions. High volatility of fund prices can result from unstable market conditions.

The investment opportunities described herein do not take into account the specific investment objectives, specific needs, knowledge, experience or financial circumstances of any particular person and are not guaranteed.

This document is produced and issued by Crown Agents Investment Management Limited, with Company Registration No. 02169973, and its registered office at 3 More London Riverside, London, SE1 2AQ, which is authorised and regulated by the Financial Conduct Authority in the UK (No 119207). For complaints relating to CAIM's financial services, please contact CAIMLEnquiries@caiml.com

CAIM | CROWN AGENTS INVESTMENT MANAGEMENT

3 More London Riverside, London, SE1 2AQ, United Kingdom

+44 (0)20 7489 7223

www.caiml.co.uk | CAIMinsights@caiml.com