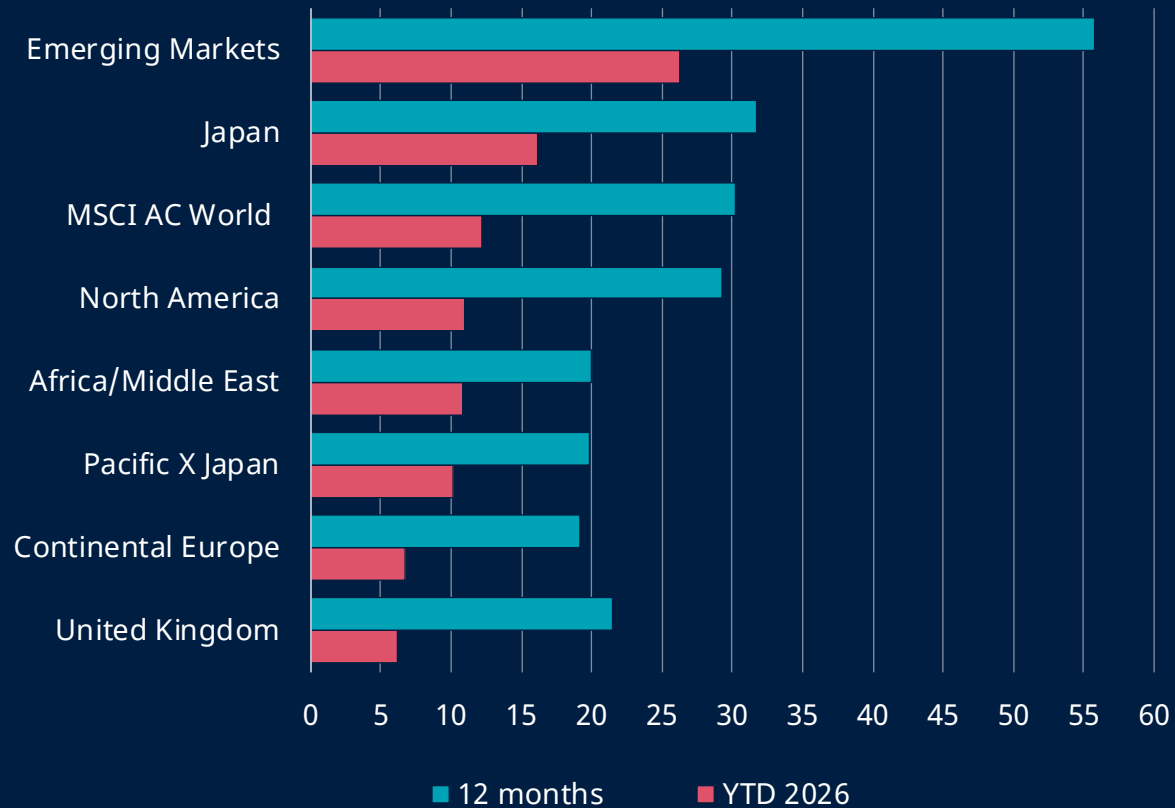


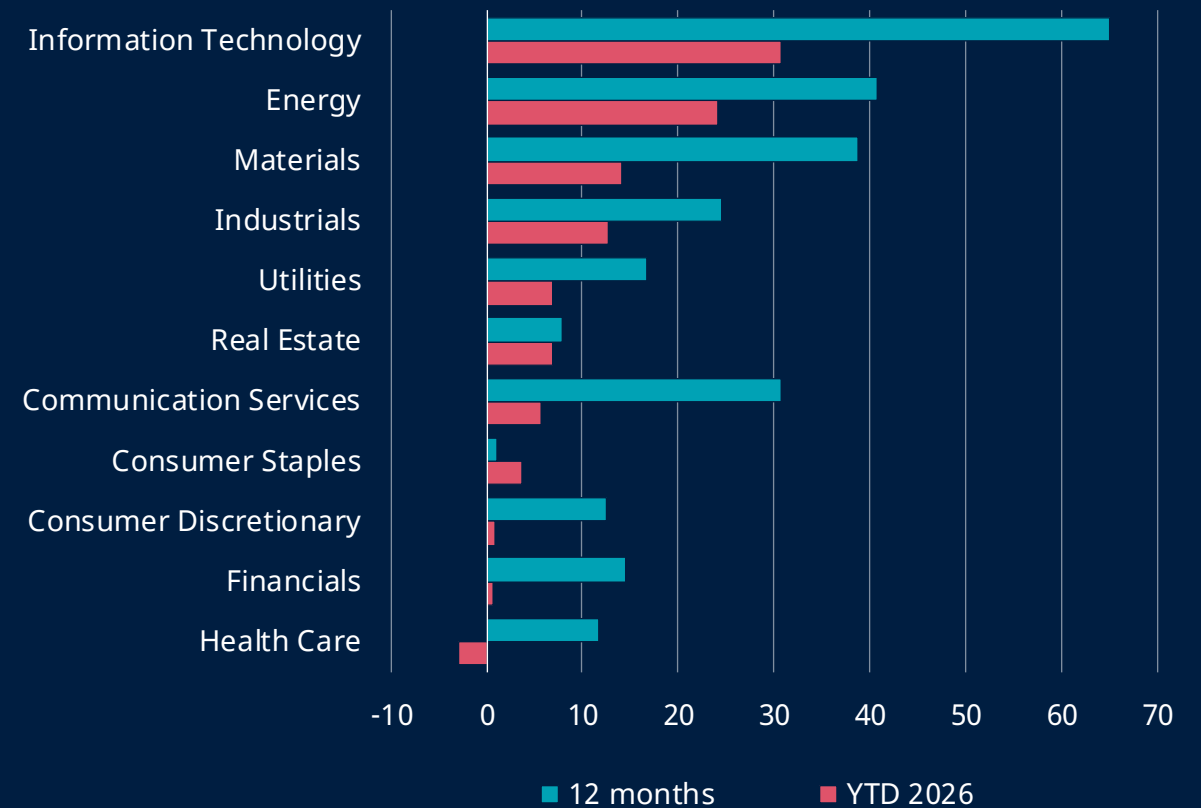
Market background

As at 31 May 2026

Region returns¹ (USD%)



Sector returns¹ (USD%)



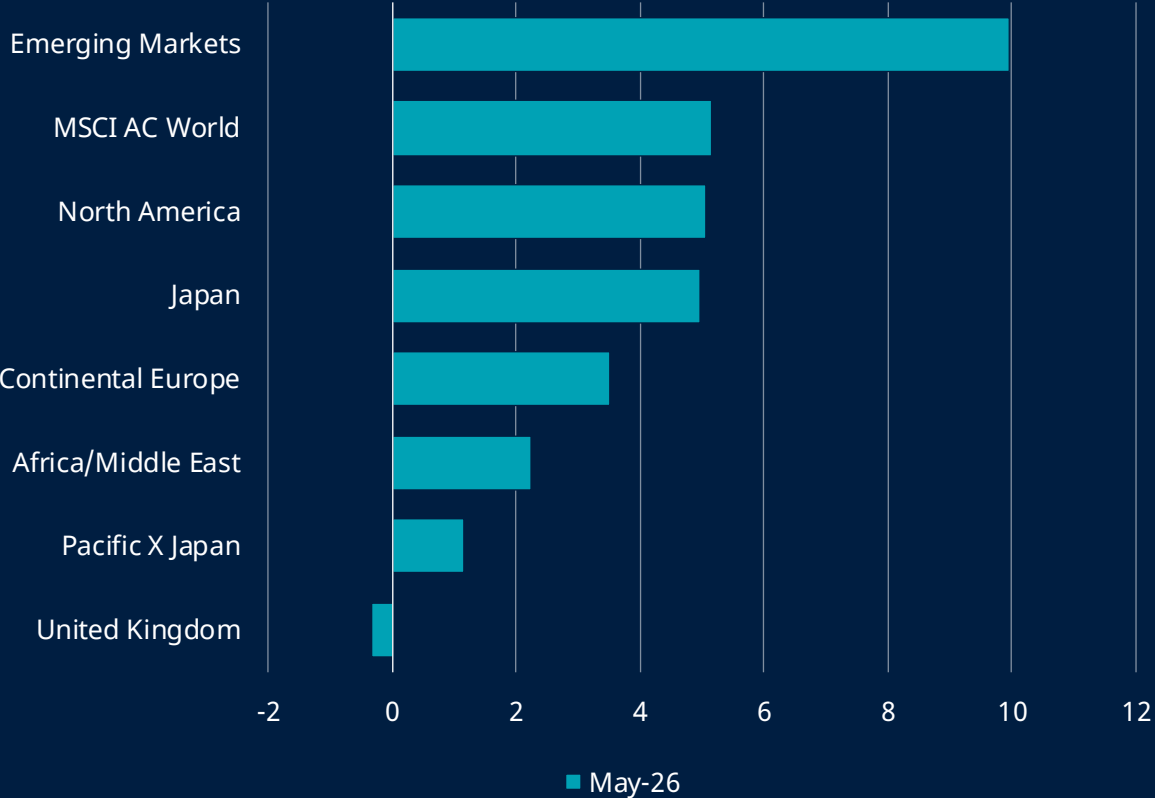
Past performance is not a guide to future performance and may not be repeated.

Source: FactSet, MSCI. ¹Based on MSCI AC World.

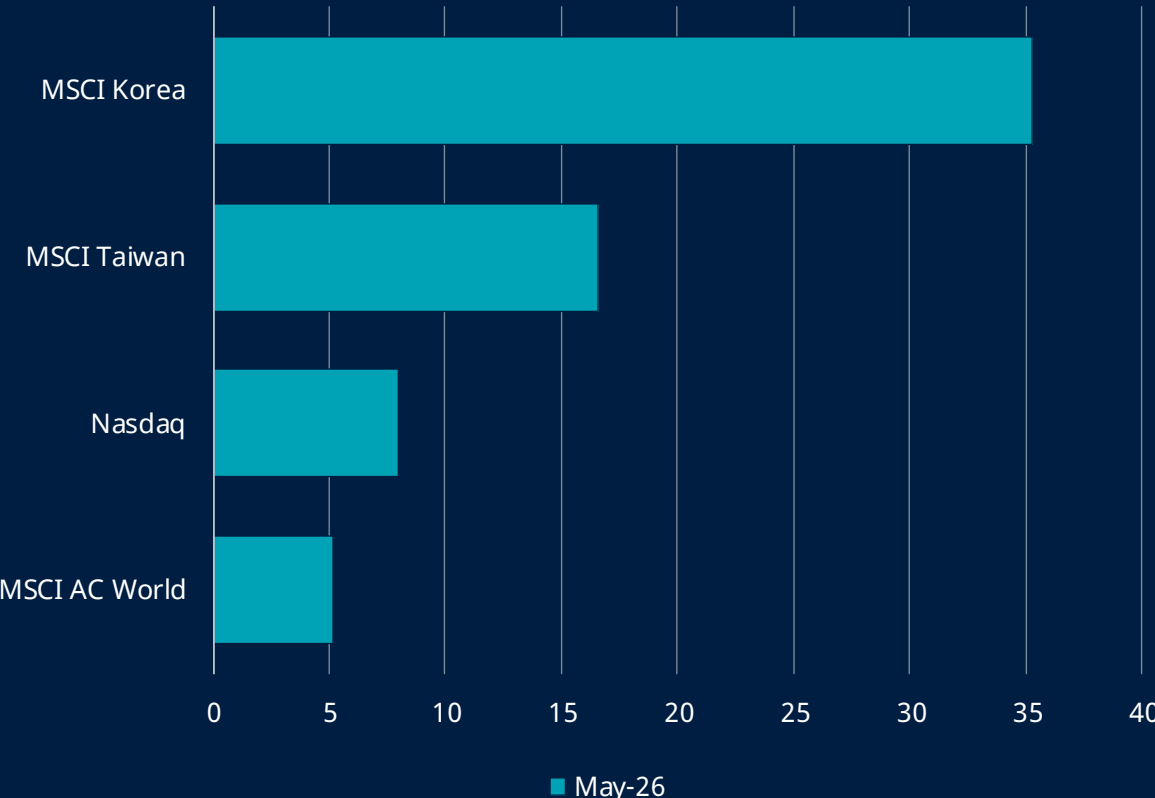
Exuberance returns in Q2

Earnings and AI drive global markets

Region returns (USD%)



Index returns (USD%)



Past performance is not a guide to future performance and may not be repeated.
Source: FactSet, MSCI. Based on MSCI AC World.

Uncharted territory

Unprecedented levels of market concentration

MSCI World accounted for by the largest five stocks

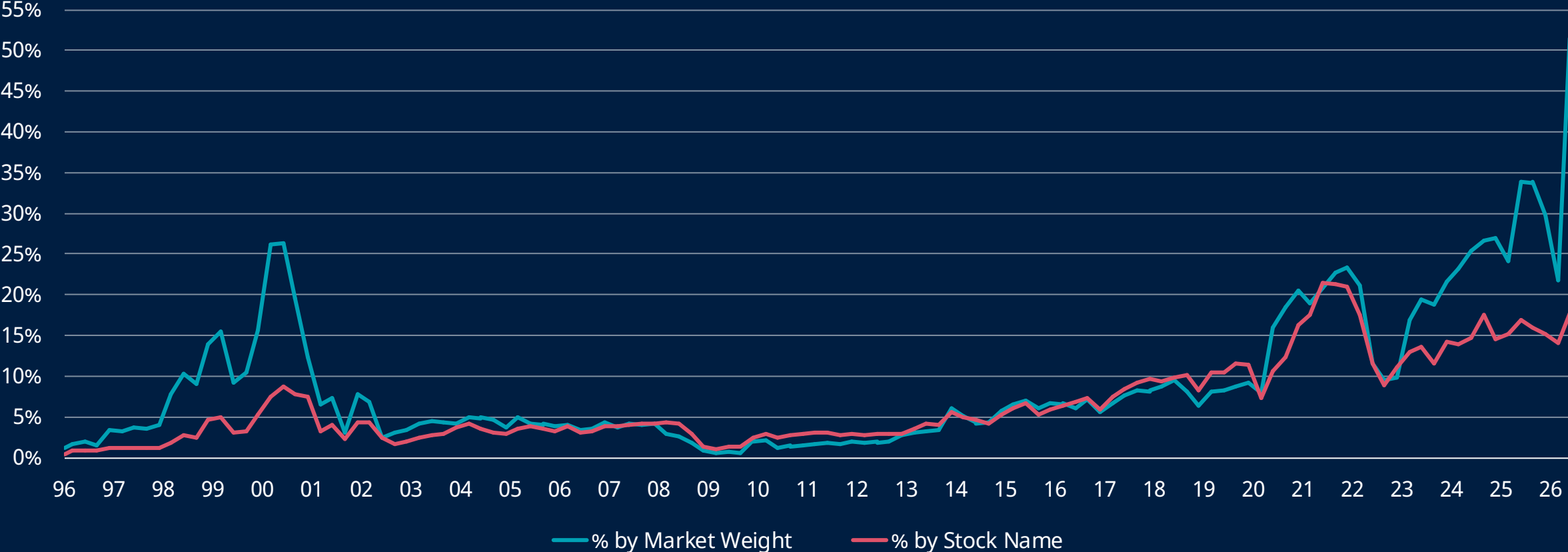


Source: Morgan Stanley, Schroders. 01 June 2026.

Uncharted territory

Is this time different?

Percent of S&P 500 trading > 10x EV/sales



Source: Schroders, Bloomberg. Data from 01 January 1996 to 08 June 2026.

Overall picture is of expensive markets...

EM probably the least demanding overall

Valuation as at 30 April vs. 20-year median (% above or below)

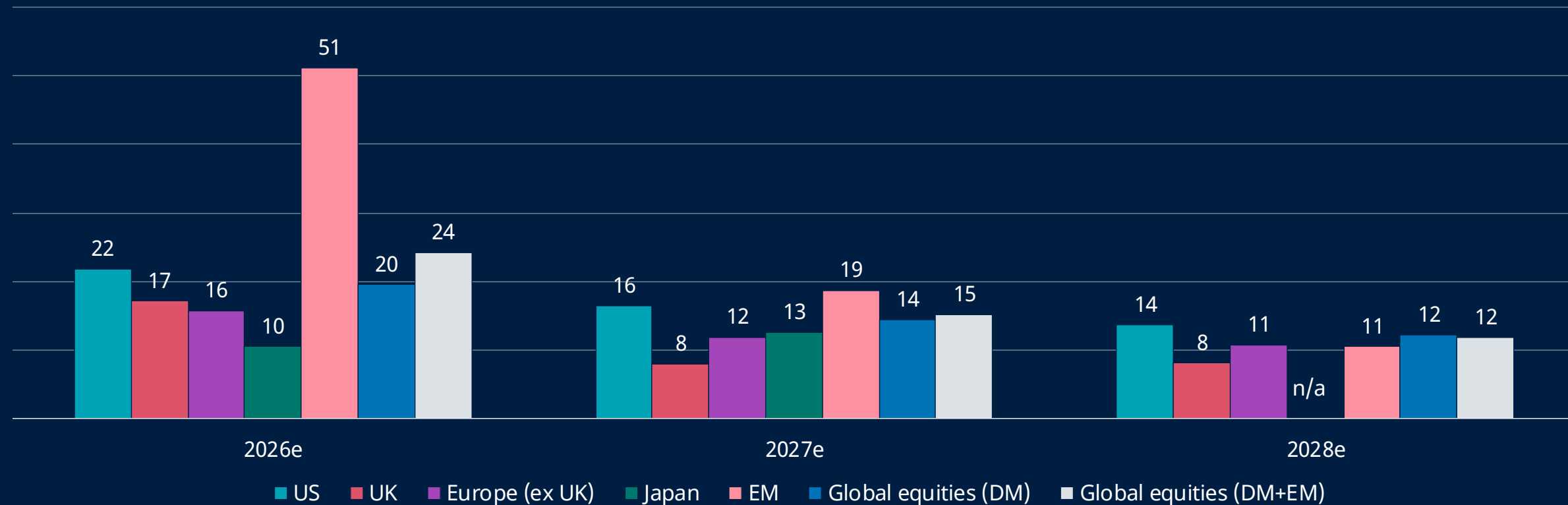
Equity market	CAPE	Forward P/E	Trailing P/E	P/B	Dividend yield
US	38 (53%)	22 (29%)	28 (37%)	5.7 (95%)	1.1 (71%)
UK	17 (25%)	13 (5%)	16 (14%)	2.3 (29%)	3.1 (21%)
Europe ex. UK	21 (13%)	15 (12%)	18 (8%)	2.4 (34%)	2.9 (9%)
Japan	27 (19%)	14 (17%)	20 (23%)	1.9 (42%)	1.9 (7%)
EM	18 (27%)	12 (2%)	18 (31%)	2.4 (42%)	2.1 (27%)



Source: LSEG DataStream, MSCI and Schroders. Data to 30 April 2026. Figures are shown on a rounded basis. Assessment of cheap/expensive is relative to 20-year median.

Consensus continues to expect strong EPS growth

Corporate earnings: consensus YoY EPS growth forecasts, %



Forecasts included are not guaranteed and should not be relied upon.

Source: LSEG DataStream and Schroders. Data to 30 April 2026.

Notes: Japan EPS is 4 quarter sum until 31 March of next calendar year, e.g. 2026 = 31/03/2026 – 31/03/2027. Consensus forecasts are not yet available for Japan 2028e.

Haven't we seen this movie before?

Many of the first tech-boom winners ultimately fell deeply out of favour

Top 10 US tech stocks in Jan 2000 by market cap	Annualised return since Jan 2000
Microsoft	10.9%
Cisco	34.8%
Intel	5.5%
IBM	6.6%
AOL	-1.1% ¹
Oracle	9.7%
Dell	-8.8% ²
Sun Microsystems	-24.2% ³
Qualcomm	7.3%
HP	3.6%

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

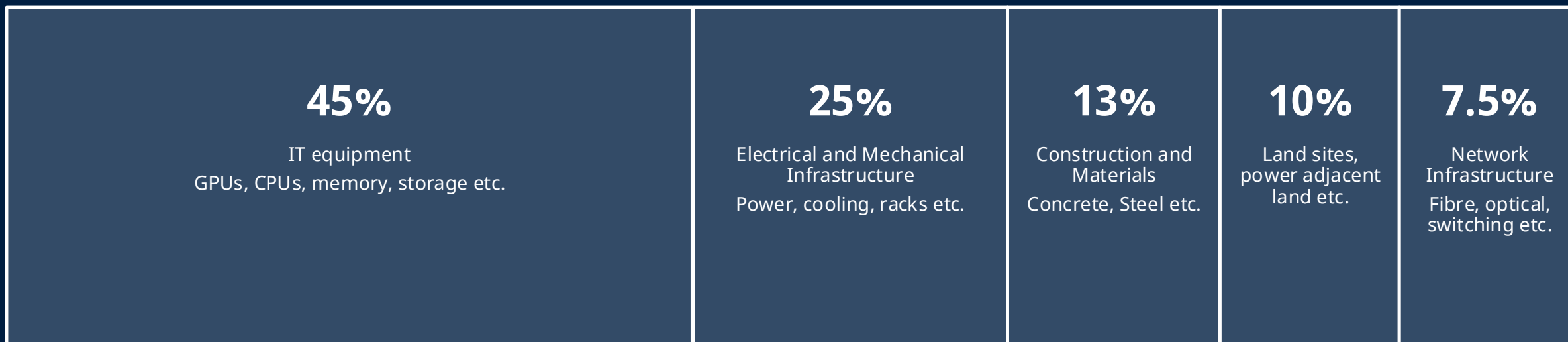
Source: Schroders, FactSet as at 31 May 2026. For illustrative purposes only and not a recommendation to buy or sell. ¹In the figure above, we treat Time Warner as America Online following AOL's acquisition in January 2001. Time Warner was acquired by AT&T in June 2018. ²Dell Computer went private in October 2013. ³Sun Microsystems was acquired by Oracle in January 2010.

AI Capex: \$1tn annually likely in the coming years

Creating opportunity across the supply chain



\$1tn AI capex

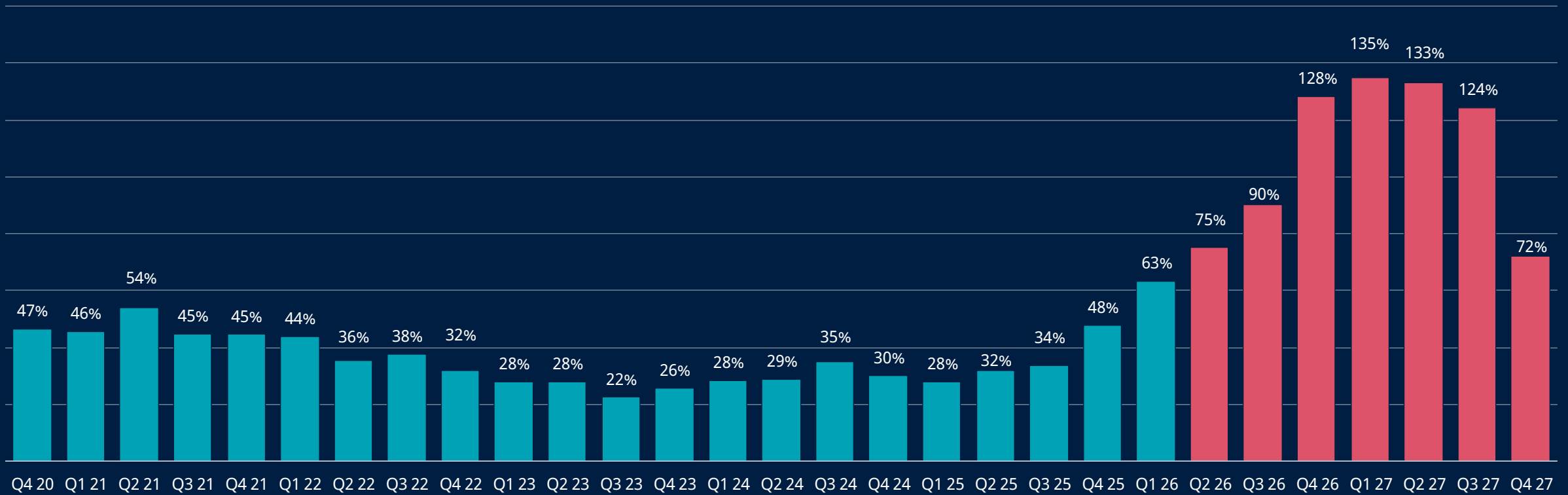


Source: Schroders, Bernstein, company websites, February 2026. Shown for illustrative purposes only and should not be interpreted as investment guidance. Forecast may not be realised. Logos are the property of their respective entities

Google's cloud revenues are exploding

Exponential volume growth, strong pricing

Google Cloud revenue growth rate %



We expect a material acceleration in Google Cloud revenues

Forecasts included are not guaranteed and should not be relied upon.

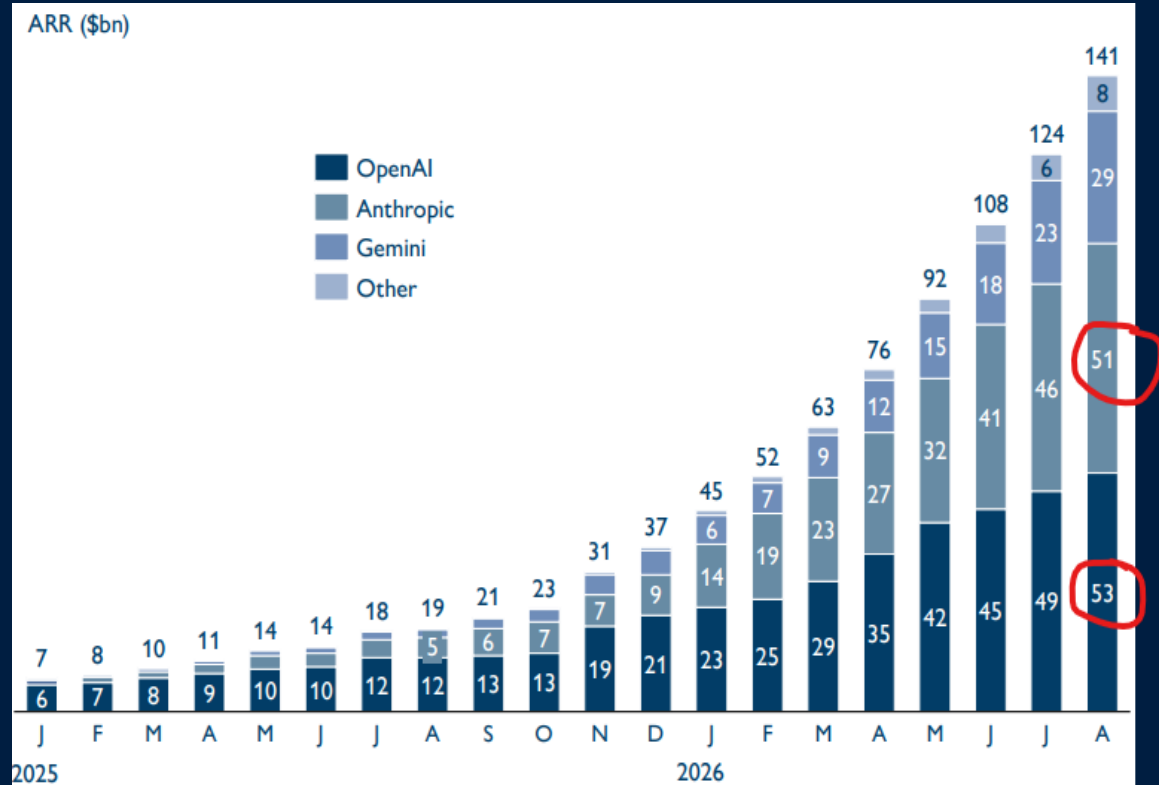
Source: Bloomberg, Schroders estimates – May 2026.

LLM model evolution

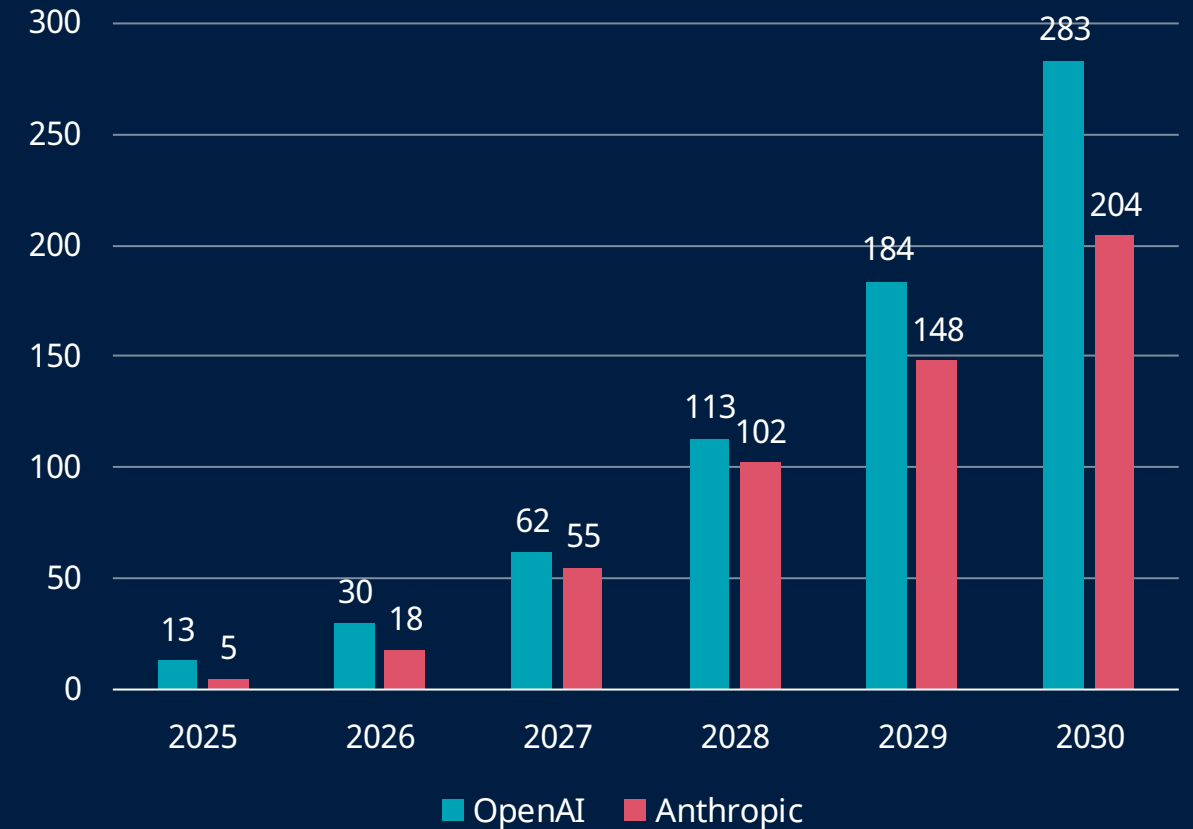
Revenue growth is accelerating fast through to 2030



Total Gen AI by Month, January 2025 – August 2026



Anthropic and OpenAI revenue targets \$bn

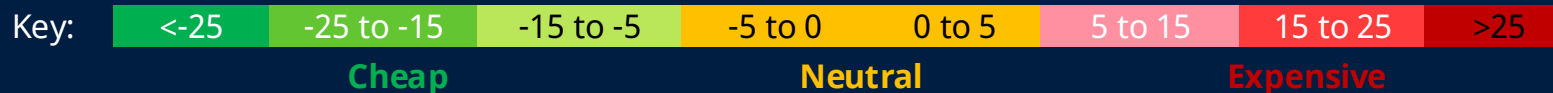


Source: The information, npm, Arete Research. Logos are the property of their respective entities

Traditional defensive sectors remain less expensively valued than

MSCI ACWI: 30 April 2026 valuation vs. 20-year median (above or below)

Sector	CAPE	Forward P/E	Trailing P/E	P/B	Dividend yield
Health care	11%	3%	-8%	15%	0%
Cons stap	12%	8%	8%	23%	-1%
Financials	57%	8%	8%	47%	9%
Materials	39%	13%	36%	34%	26%
Utilities	67%	16%	17%	37%	23%
Cons disc	35%	30%	29%	39%	56%
Energy	107%	24%	54%	37%	13%
Industrials	85%	46%	45%	71%	46%
IT	139%	19%	65%	169%	113%
Comm Svcs	151%	43%	28%	108%	306%



Real estate has been excluded due to data only being available since 2016. Note that the dividend yield on the communication services sector is very low vs. history. This is down to compositional changes over time e.g. Alphabet is now the biggest constituent by a long way, with Meta the next biggest. These are very different to the higher yielding companies in the sector in the past. Source: LSEG DataStream, MSCI and Schroders. Data to 30 April 2026.

Focus on the fundamentals

...and absolute valuations look reassuringly supportive

Shiller P/E of cheapest quintile of MSCI World

Median Shiller P/E

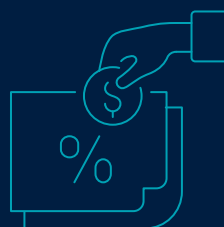


Past performance is not a guide to future performance and may not be repeated.

Source: Morgan Stanley Research, 31 January 1990 to 31 May 2026. Median Shiller PE by quintiles of Global Value. Value is based on composite score from the equal weighted average of the 12-M Fwd P/E, Price-to-Book and the Total Yield (Dividend yield plus Net Buyback Yield). The universe is MSCI World. Stocks are equal weighted and portfolios rebalanced every quarter. Shiller P/E (Shiller Price to earnings ratio) is a valuation metric showing the multiple of that the current price of a stock is trading over its inflation adjusted, 10-year average earnings.

Schroders' Global Equities capabilities

Varying levels of active risk to provide global equity exposures to meet your needs



Key features

	QEP Global Core	Global Equity	Global Equity Alpha	Global Recovery
	<ul style="list-style-type: none"> Highly diversified enhanced index solution with low index relative risk Systematic approach focused on valuations and business quality 	<ul style="list-style-type: none"> Benchmark aware core solution that is style agnostic Fundamental process to build a diversified portfolio of high conviction ideas 	<ul style="list-style-type: none"> Concentrated core solution with higher levels of active risk High conviction stock picking strategy 	<ul style="list-style-type: none"> High-conviction, deep value strategy Robust, repeatable process grounded in fundamental research, disciplined valuation and a clear risk and reward framework
Strategy inception date	January 2000	December 1998	August 2005	October 2013
Style exposure	Blend	Blend	Blend	Value
Benchmark	MSCI World	MSCI AC World	MSCI World	MSCI World
No. of stocks	c.400 stocks	c.150 stocks	c.50 stocks	c.50 stocks
Tracking error	<1.5%	c.2%	3-4%	6%+
Performance target	+1% p.a. over full market cycle	+2% p.a. over full market cycle	+3% p.a. over full market cycle	+3% p.a. over full market cycle
Active share	>30%	>50%	>60%	>80%

← Lower active risk
Higher active risk →

Source: Schroders, as at December 2025. There is no guarantee that any performance objectives will be realised.

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