S.P. HINDUJA

BANQUE PRIVÉE

Global House View

January 2026

Thoughts of the CEO

“Investment Strategy for 2026: Adapting to a Fragmented Landscape"

As we enter 2026, the global investment landscape is defined less by clear direction and more by complexity. After several years marked by rapid policy shifts, inflation shocks, and geopolitical realignment, markets are now navigating a phase where growth remains resilient, financial conditions are broadly supportive, and yet conviction around the path forward is increasingly fragmented. In such an environment, successful investing demands discipline, adaptability, and a renewed focus on fundamentals rather than short-term signals or consensus narratives.

This outlook reflects our conviction that risk assets can continue to deliver value in 2026, albeit in a more selective and uneven manner. Global growth has slowed but not stalled, corporate balance sheets remain robust, and earnings dynamics are still supportive across key regions. At the same time, inflation has proven sticky, public debt burdens are elevated, and policy credibility, particularly in the United States, has become a central variable shaping market outcomes. These cross-currents reinforce the importance of active management, diversification, and thoughtful portfolio construction grounded in long-term return drivers.

We approach the year with a constructive stance on equities, favouring markets and sectors supported by structural tailwinds, domestic reform, and improving governance. In contrast, we remain more measured where valuations already reflect high expectations and leave little margin for error. In fixed income, the opportunity set is more balanced. With significant policy easing already priced in, returns are likely to be driven primarily by carry and security selection rather than duration. Credit fundamentals remain sound, but tight spreads argue for selectivity, disciplined underwriting, and careful risk management.

Alternatives continue to play an increasingly important role in portfolios. Infrastructure, real assets, commodities, and gold provide income, diversification, and resilience in a world where traditional asset correlations are less reliable and confidence in institutions carries renewed importance. These assets also help mitigate policy and geopolitical risks that are likely to remain elevated. Our experience in 2025, where diversified portfolios, an early and significant allocation to alternatives, and disciplined regional positioning delivered strong risk-adjusted returns, reinforces our belief in this approach and in the value of proactive asset allocation.

Looking ahead, there is no reliable historical template for the current environment. Inflation remains above target, labour markets are tight, fiscal policy is expansionary, and geopolitical risks persist. In this context, resilience matters more than precision, and adaptability more than bold forecasts. Our objective remains clear: to navigate uncertainty with prudence, identify durable sources of return, and protect and grow capital over the long term, while remaining aligned with our clients' strategic objectives and evolving constraints.

We thank you for your continued trust and partnership, and we look forward to the year ahead with cautious optimism, clear-eyed realism, and an unwavering commitment to disciplined investment stewardship.

Yours sincerely,

Fabrice d'Erm

Investment Positioning

We enter 2026 with a broadly constructive view on risk assets, supported by resilient global growth, improving policy visibility, and earnings dynamics that remain favourable in key regions. While inflation progress has been uneven and geopolitical risks persist, financial conditions are no longer tightening and corporate fundamentals remain solid. As a result, we maintain a constructive stance on global equities, with a preference for markets benefiting from structural tailwinds and supportive domestic dynamics, notably parts of Asia including Japan, while remaining more selective in the US and the Eurozone where valuations are more demanding. In fixed income, we adopt a more balanced and neutral positioning. With a significant amount of policy easing already priced in, upside in government bonds appears limited, and yields may remain range-bound in the absence of a material growth shock. Credit fundamentals remain sound and carry remains attractive, but tight spreads call for selectivity rather than broad exposure. By contrast, we remain constructive on alternatives. Real assets, infrastructure, commodities, and gold continue to play an important role in portfolio construction, offering income, diversification, and protection against macroeconomic and geopolitical uncertainty.

A word on our 2025 Performances

All USD-denominated portfolios have outperformed their respective benchmarks in 2025, delivering strong risk-adjusted returns with low volatility (monthly standard deviation of 1.3% - Balanced portfolio). Performance was supported by an overweight to alternatives initiated at end-2024, alongside diversified equity exposure, value in Europe, growth and quality in the US, dividend stocks globally, allocations to emerging Asia, and in particular Japan.

The Macro Backdrop: Entering 2026 Without a Playbook

In 2026 confirming a clear market direction will be difficult as central banks, trade policy and fiscal dynamics pull in different directions. Therefore, this environment favors active management. The pace of Fed easing hinges on the labor market, while **policy divergence** persists across the ECB, BoE, Japan and emerging markets. Tariffs have eased from peak fears but remain a growth headwind if cost pass-through rises. Large deficits and heavy government debt keep fiscal risk elevated, especially where political constraints limit reform. Despite high US equity concentration, AI-led gains are viewed as fundamentally supported, though increasingly vulnerable to earnings disappointment. Recent bank and non-bank credit events appear idiosyncratic, reinforcing the value of security selection and disciplined underwriting. Key catalysts for returns include easing cycles across rates, credit and small caps; durable hyperscaler AI capex; a revival in M&A/IPO activity; potential US tax and deregulation shifts; rising economic-security investment; and rapid growth in power demand from data centers.

The **US Federal Reserve** is set to play an outsized role. Interest rates have already been lowered materially, yet the economic conditions that have historically justified prolonged easing cycles are largely absent. This disconnect leaves investors navigating a landscape defined less by economic necessity and more by judgement, leadership, and credibility.

The Federal Reserve closed 2025 with another 25-basis-point rate cut, bringing the policy rate into the mid-3% range and well below the restrictive peak reached in 2023. Inflation has continued to moderate, but progress has been incremental rather than decisive. Core inflation remains above target, while labor markets are still tight by historical standards. In real terms, monetary policy has shifted from clearly restrictive to only mildly so, even as growth has slowed but not meaningfully weakened.

This is not an environment in which the Fed has typically delivered aggressive easing. Unemployment remains close to cycle lows, financial conditions have eased rather than tightened, and equity and credit markets continue to signal confidence rather than stress. Yet the policy debate within the Federal Open Market Committee has become increasingly fractured, reflecting uncertainty not about whether rates should be lower, but about how much lower they can go without risking new imbalances.

The latest Fed projections highlight this lack of consensus. While the median expectation points to further rate cuts in 2026, **the range of views is unusually wide**. Some policymakers see little room for additional easing given inflation dynamics and resilient employment, while others are concerned that falling inflation could leave policy unintentionally restrictive if nominal rates are not adjusted further. The result is a policy outlook with limited conviction and heightened sensitivity to perception.

This uncertainty is compounded by a changing political backdrop. The upcoming transition in Fed leadership has injected an additional layer of ambiguity into market expectations. Potential successors represent meaningfully different philosophies on inflation tolerance, institutional independence, and the appropriate relationship between monetary and fiscal policy. While near-term decisions may not differ dramatically, longer-term expectations around the Fed's reactions could shift materially depending on the path chosen.

Overlaying all of this is a structural constraint that markets can no longer ignore: the scale of **US public debt** . With debt levels near post-war highs and interest costs rising rapidly, monetary policy operates in an environment where fiscal sustainability is an increasingly important background consideration. Even if not explicitly acknowledged, the interaction between rates, deficits, and debt servicing will shape investor perceptions of policy credibility.

For markets, this implies that lower policy rates in 2026 may not deliver the outcomes investors have come to expect. Long-dated bond yields may remain elevated, yield curves could steepen rather than flatten, and the benefits of easier front-end policy could be partially offset by rising term premia. **Confidence in the Fed's independence** will matter as much as rate differentials in determining currency performance, particularly for the US dollar.

There is no clean historical parallel for the current setup. Inflation remains above target, unemployment is low, fiscal policy is expansionary, and debt burdens are historically large. The absence of a reliable template increases the risk of policy missteps and abrupt shifts in market correlations.

Against this backdrop, **portfolio construction** in 2026 will need to prioritize resilience over precision. Duration risk, currency exposure, and diversification across regions and asset classes will matter more than in recent years. Assets that provide protection against policy credibility risk remain relevant, while equity performance is likely to be more uneven and leadership more selective. In a world where confidence in institutions carries renewed importance, adaptability will be as valuable as conviction.

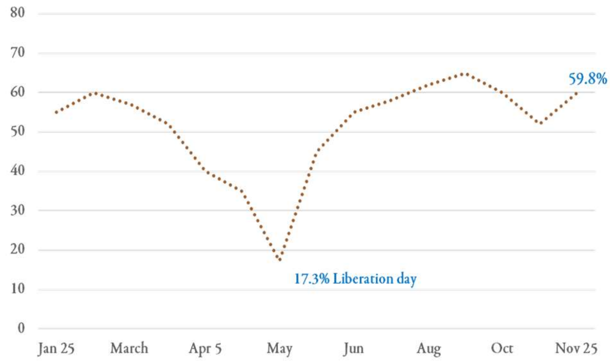
Equities

Equity investing in 2026 will be subject to a polycentric global environment, where geopolitical fragmentation, technological leadership, and divergent regional growth paths are reshaping opportunities. Broadly, healthy margins in the US and significant growth potential in parts of the emerging market universe create a supportive environment for equities. The new year begins with strong momentum regarding risk assets but any further monetary easing is absent in the near-term. Therefore, returns throughout the year must find support in growth and earnings.

The **US equity market** remains dominant, driven primarily by AI-related innovation and scale advantages among mega-cap technology firms. The top US companies account for a disproportionate share of global market capitalization and earnings, supported by strong balance sheets, high margins, and sustained reinvestment, particularly in AI infrastructure. While this concentration raises concerns, we should expect greater dispersion within the large-cap universe as differences in strategy, execution, and AI monetization become clearer. US large caps remain optimistic about future margin growth and continue to enjoy leading profitability and earnings upgrades.

Beyond US mega-caps, growing opportunities in US and **global small- and mid-cap** equities could emerge. These companies may benefit from anticipated rate cuts, accelerating earnings growth, and a revival in M&A activity, particularly as smaller firms become attractive acquisition targets. However, inefficiencies, idiosyncratic risks, and episodes of speculative trading reinforce the importance of active stock selection to capture alpha and manage volatility.

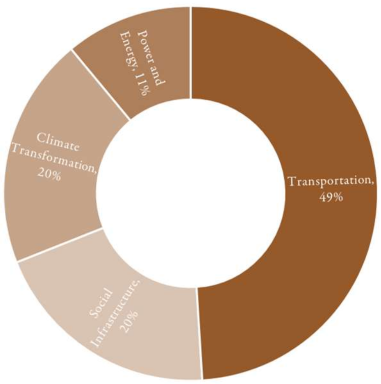
Fig 1: S&P 500 Stocks Above 200-day Moving Average (%)



Source: Bloomberg

Europe represents a shifting paradigm. After underperforming in recent years, European equities trade at a meaningful discount to US peers, even after adjusting for sector composition and growth expectations. Fiscal stimulus, especially Germany's easing of the debt brake and increased spending on defense and infrastructure, along with reindustrialization initiatives should support improved growth in 2026 and beyond. Sectors such as financials, defense, and utilities have already shown relative strength, while high-quality companies exposed to secular trends like energy transition may offer selective re-entry points. Key risks include uncertainty surrounding defense expenditure, political instability, and the commitment of countries to pursue economic reforms

Fig 2: Germany's 12-year Stimulus Package of EUR 500 bn



Source: Germany's Federal Office for Economic Affairs

Emerging markets also present differentiated opportunities. We recommend caution with Chinese equities. The country's push to reorient its economy toward advanced manufacturing is logical, but its effectiveness ultimately relies on whether external markets are willing to absorb the resulting surplus output. In our view, the ongoing weakness in the housing market is likely to persist, while prospects for further fiscal expansion remain limited, reflecting the central government's view that current growth is sufficient. India stands out for its strong demographics, a still-emerging consumer class, and digitalization-led productivity gains. Volatility in oil price remains a central risk factor for Indian equity markets. Ongoing structural progress in **Japan**, alongside corporate restructuring in Korea, continues to underpin favorable absolute return opportunities in these regions.

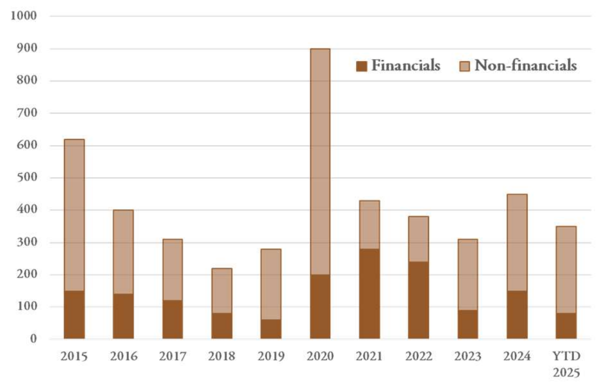
Fixed Income

Greater economic stability is likely in the coming year, with scope for renewed momentum in the second half as global trade dynamics become more predictable. Growth paths in the US and Europe are converging, reflecting a moderation in US activity and fiscal support in the euro area. China is showing early signs of stabilization, while Japan is moving toward fiscal expansion. Overall, the global economy appears resilient.

Hence, absent a meaningful economic downturn, the outlook for government bonds appears subdued. While real returns in 2025 were solid, performance lagged equities, and in 2026 returns are likely to converge toward carry, reflecting a global environment in which core sovereign yields generally sit in the 3–5% range. **Elevated public debt** across developed economies remains a key challenge, exerting upward pressure on term premia and constraining the potential for sustained rallies. Fiscal discipline varies by country: some governments, such as France, continue to face difficulties in narrowing deficits, while in others, notably the United States, markets appear more tolerant of fiscal slippage. Government bonds continue to play an important role in providing income and portfolio diversification, but expectations around risk and return should remain measured.

In the **corporate space**, credit spreads remain tight and reflect a benign outlook. Corporate fundamentals are solid with manageable debt and healthy earnings prospects. Coupons are attractive and demand for investment grade credit should remain robust in 2026.

Fig 3: North America Annual Net Corporate Issuance (USD bn)



Source: Bloomberg

One area to watch is the **high-yield corporate** bond market. While there are risks associated with rising defaults, companies with strong balance sheets and solid earnings growth could continue to perform well in a higher-rate environment. Investors will need to be selective, focusing on companies that can weather economic volatility and continue to generate robust cash flows.

By contrast, **local-currency emerging market** debt stands out for its relatively conservative fiscal positions, orthodox monetary policy frameworks, and potential for currency appreciation. Within this segment, there will be particular value in bonds from select Latin American countries, such as Mexico, Colombia, and Panama, which appear better insulated from tariff-related volatility and external trade shocks.

Finally, **private credit's** strong yield has attracted investor demand, though the sector's limited liquidity and lower transparency require additional due diligence and careful manager selection.

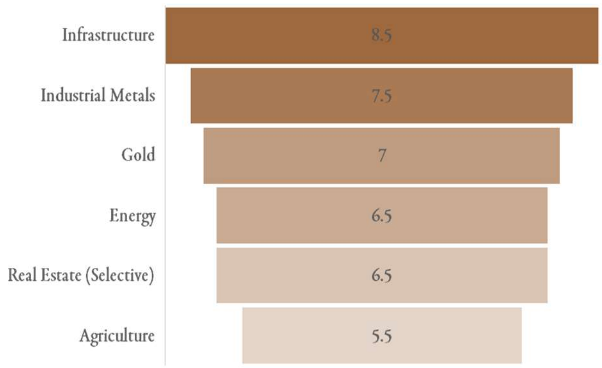
Alternatives

Against a backdrop of elevated valuations in risk assets and bonds, an always uncertain growth-inflation outlook, income-generating real assets, particularly infrastructure, stand out as attractive portfolio components. These assets typically benefit from long-duration contracted or regulated cash flows that are often explicitly or implicitly linked to inflation, providing both income stability and a degree of capital appreciation with lower volatility than listed equities. In addition, infrastructure assets tend to exhibit low correlation with traditional asset classes, enhancing portfolio diversification.

Commodities remain an important portfolio diversifier heading into 2026, with the strongest structural tailwinds concentrated in industrial metals, supported by electrification, infrastructure investment, and constrained supply growth. Energy and precious metals continue to offer protection against geopolitical and macroeconomic risks, while agriculture provides exposure to climate-driven supply volatility. In a world of moderate growth and elevated uncertainty, and positive correlation between stocks and bonds, a selective and actively managed commodity allocation remains well justified.

In particular, **gold** may also continue to play an important role as a form of portfolio insurance. In an environment characterized by gradual diversification away from the US dollar, persistent geopolitical uncertainty, and sustained central bank purchases, gold will continue serving as an effective hedge against tail risks, monetary debasement, and episodes of market stress.

Fig 4: Alternatives Consensus Attractiveness 2026



Source: Internal synthesis based on publicly available 2025–2026 investment outlooks and qualitative research themes from Goldman Sachs, Morgan Stanley, J.P. Morgan, and Citi.

As far as **real estate** is concerned, the sector appears to enter 2026 with improving fundamentals and a more constructive investment backdrop, supported by easing financial conditions, stabilized valuations, reduced new supply, and increasing transaction activity. While do not see uniform returns across the board. Instead, selective exposure to income-producing and structurally supported segments looks attractive.

Returns are likely to be driven primarily by income and asset-level fundamentals rather than cap-rate compression, resulting in meaningful sector dispersion. Residential, industrial, and specialized segments appear best positioned, while office remains structurally challenged.

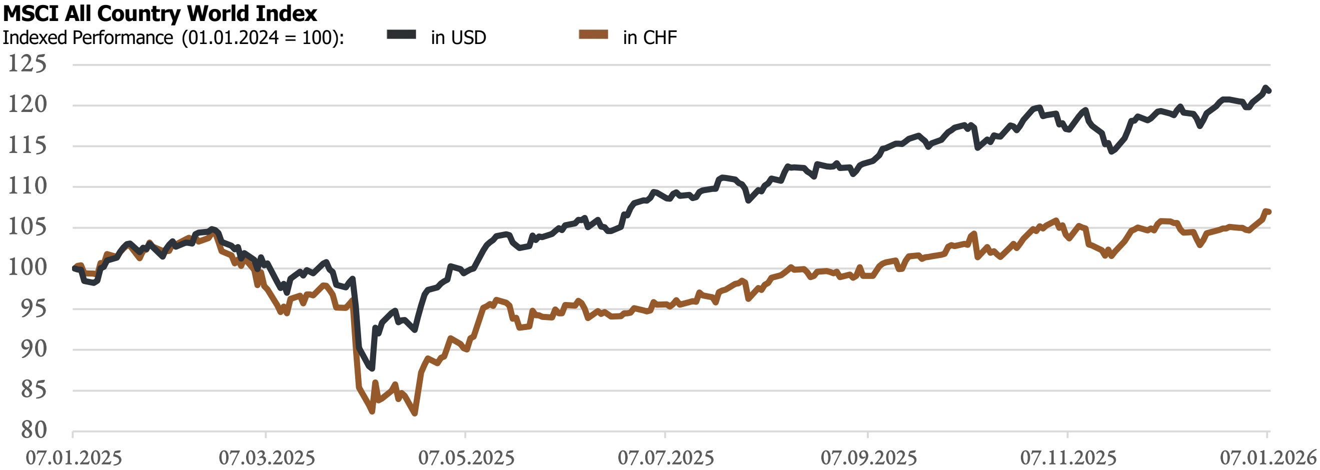
Macroeconomic estimates (per cent)

	GDP Growth		Inflation		Interest Rates	Fiscal Balance
	2024	2025*E*	2024	2025*E*	Current	Current
USA	2.8	2.0	2.95	2.8	3.75	-5.3
Eurozone	0.7	1.4	2.4	2.1	2.15	-2.8
UK	0.8	1.4	2.5	3.4	3.75	-5.4
Switzerland	1.3	1.2	1.1	0.2	0.00	0.6
Japan	0.1	1.2	2.7	3.1	0.75	-1.4
China	5.0	4.9	0.2	0.0	3.00	-4.8
Brazil	3.4	2.3	4.4	5.0	15.00	-8.1
India	7.8	6.4	4.8	4.6	5.25	-4.9
Russia	3.7	0.8	8.4	8.8	16.00	-3.6
World	3.0	3.0	4.2	3.4	-	-

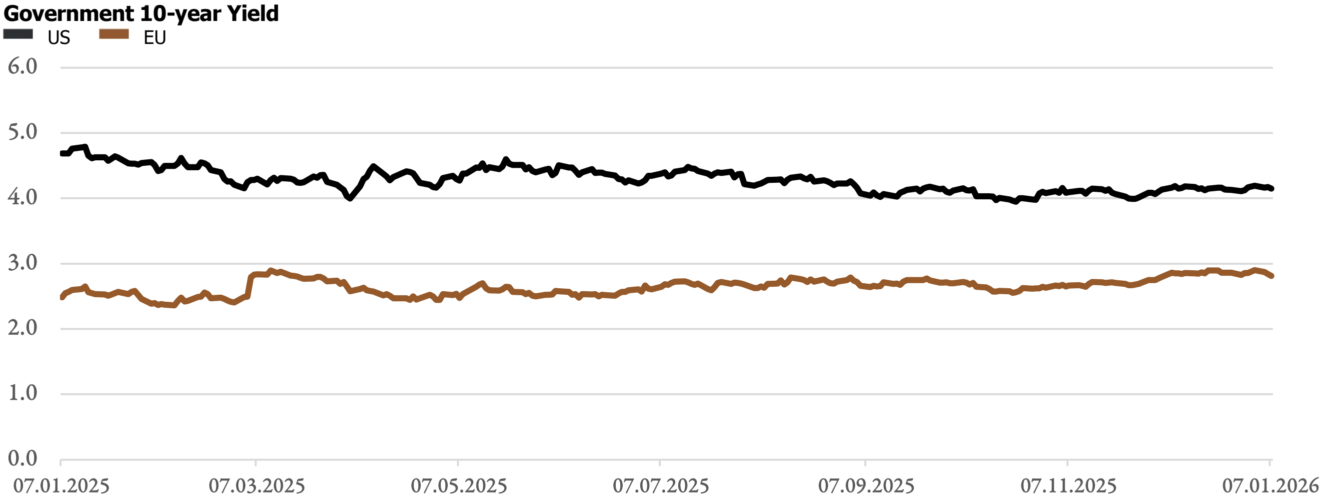
SOURCE: Bloomberg

Financial Markets

MSCI All Country World Index
Indexed Performance (01.01.2024 = 100):



Government 10-year Yield



SOURCE: Bloomberg

Global Asset Allocation Preferences

Global Asset Allocation Preferences					January 2026
Asset Class	**Opinion**	**Constituents**	**Most Preferred**	**Least Preferred**	**Commentary**
Cash	-				Due to our positive view on Alternatives, we only have a minimal allocation to cash, sufficient to preserve flexibility and support tactical allocation opportunities.
Fixed Income	=	**Segments**	IG credit, selective local currency EM	Convertibles	Our positioning in fixed income remains neutral. In the absence of an acute economic slowdown, government bonds are likely to deliver returns largely driven by carry, with limited scope for sustained price appreciation amid elevated public debt levels and positive term premia.
		Duration	Short-term		Investment grade credit continues to benefit from solid corporate fundamentals and attractive coupons, although tight spreads call for selectivity. Local-currency emerging market debt offers selective opportunities, particularly in countries with orthodox policy frameworks, while fixed income overall remains an important source of income and diversification. We also favor some exposure to HY bonds with good corporate fundamentals.
Equities	=	**Markets**	Ovwerweight in EZ (selectively) and emerging marktes (Asia ex-Japan). Underweight in US. Long-term India, and Japan	Rest of EM and UK	We hold a constructive view on equities as we enter 2026, supported by resilient global growth and favourable earnings dynamics in key regions. Following strong market performance through 2025, we moved tactically to an underweight position in November 2025 to protect gains and manage near-term risks. Since then, our assessment has improved, and we have upgraded our stance from underweight to neutral, reflecting more balanced valuations and stabilising market conditions.
		Styles/Sectors	High quality. Value Europe. Dividend growers. Financials. Utilities. Cash-flow resilient sectors.	Basic resources, Consumer products, Chemical, Auto and Auto parts. US value.	Our equity allocation continues to emphasise geographical and style diversification, with exposure to growth and quality franchises in the US, value opportunities in Europe, dividend strategies globally, and a preference for Asia ex-China, particularly Japan, where structural reforms and supportive policy dynamics underpin the outlook. We are also positive on India, supported by strong demographics, a still-emerging consumer class, and digitalisation-led productivity gains. On a global basis, we favor high-quality and dividend stocks, with a particular tilt toward value opportunities in particular in Europe. Our preferred sectors include banks, insurance, utilities, infrastructure and selective technology software. Active stock selection remains essential given valuation dispersion and uneven leadership.
Alternatives	+		Infrastructure, Gold and industrial metals. Hedge Funds.	Commercial REITs.	We remain constructive on alternatives, which play a central role in portfolio construction amid elevated uncertainty and changing market correlations. Income-generating real assets, notably infrastructure, benefit from long-duration, often inflation-linked cash flows and low correlation with traditional assets. Commodities continue to provide diversification, with a focus on industrial metals supported by structural demand and constrained supply, alongside gold, which we view as portfolio insurance in a context of geopolitical risk and sustained central bank demand. Real estate is approached selectively, favouring residential, industrial, and specialised segments over structurally challenged office assets.

Opinion legend: (--) very unattractive; (-) unattractive; (=) neutral; (+) attractive; (++) very attractive.

Figure of the Month

1,000

This is the number of tons of physical gold central banks have added annually in each of the past three years according to the World Gold Council's Gold Demand Trends and Central Bank Gold Reserves data. This pace of accumulation significantly exceeds the previous decade's average and highlights strategic reserve diversification amid geopolitical and macroeconomic uncertainty, supporting gold's role as a hedge and portfolio insurance.

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Founded in Geneva in 1994 by Srichand Parmanand Hinduja with a vision to provide clients with a bridge bet- ween East and West, our institution remains the only Indian-owned Swiss bank in history. With an active presence in Switzerland, India, UAE and the UK, S.P. Hinduja Banque Privée offers its clients the reliability of Swiss regulatory oversight, while providing specialized access to high-growth markets.

We are a private bank with an entrepreneurial spirit, embracing collective action and building creative solutions that advance the world, economically and socially.

The future of banking is emerging at the intersection of profit and purpose.

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