



S.P. HINDUJA

BANQUE PRIVÉE

Global House View

February 2026



Thoughts of the CEO

“Periods of Political Drama: Markets Adapt, Fundamentals Persist, and Investors Are Often Overly Alarmed”

The year has begun with a density of political and geopolitical events that would ordinarily be spread across quarters, if not years. In just a few weeks of January, markets have confronted renewed instability in Venezuela, unrest in Iran, strategic attention on Greenland, and the return of unconventional policymaking at the center of global power.

It is therefore unsurprising that investors feel caught between urgency and uncertainty. The prevailing narrative suggests the global order is fraying: trust in Western governments appears diminished, political “strongmen” are gaining ground, and postwar institutions seem ill-equipped to manage contemporary pressures. Each development is debated intensely, often framed as either a unique failure or a decisive rupture with the past.

We take these developments seriously, but it’s important not to confuse political noise with what will actually happen to the economy. Markets are highly sensitive to immediacy, but durable investment outcomes are shaped by deeper forces: productivity, capital allocation, balance sheet strength, and institutional functionality rather than institutional perfection.

History is there to offer us perspective. Periods of heightened political drama are rarely as novel as they appear. They reflect moments when long-running structural tensions (demographics, uneven globalization, technological disruption, and inequality) become more visible and politicized. Institutions are tested, trust erodes, and policymaking becomes more experimental. Yet economies and markets often adapt in ways less dramatic, though no less consequential, than headlines suggest.

From a portfolio perspective, this environment reinforces a clear lesson: prioritize resilience over precision, since forecasting political outcomes with confidence is unlikely to be rewarded. Quality is increasingly scarce and therefore valuable. Companies

and issuers with strong balance sheets, sustainable competitive advantages (hence durable cash flows), and limited reliance on favorable policy assumptions are better positioned to navigate political experimentation and fiscal strain. Volatility should be approached as a feature rather than a flaw, as uncertainty creates mispricings where long-term fundamentals remain intact.

We are also mindful that political unpredictability does not automatically translate into economic decline; however, investor sentiment can magnify short-term market moves even when economic fundamentals remain intact. History reminds us that markets have operated across many different political systems. What ultimately matters for returns is not rhetoric, but outcomes: investment, innovation, productivity, and the rule of law as applied in practice.

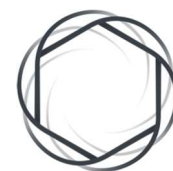
Looking ahead, political noise is likely to remain elevated. Fiscal pressures are rising, social expectations are high, and institutional trust will not be rebuilt quickly. In this context, patience, selectivity, and discipline are essential. Our focus remains on assets that can compound value across cycles, supported by economic fundamentals rather than fragile political consensus.

The instinct in moments like this is to conclude that “this time is different.” Occasionally it is. More often, markets reward those who can distinguish between genuine structural change and the illusion of rupture created by a crowded news cycle.

Yours sincerely,

Fabrice d'Erm





Investment Positioning

Our **outlook for risk assets** remains constructive though cautious, supported by resilient global growth, which could surprise to the upside, boosted by the lagged effect of lower policy rates and fiscal stimulus. Improved policy clarity, and earnings momentum also continue to be favourable across key regions. While inflation progress has been uneven and geopolitical risks persist, financial conditions have stabilised and corporate fundamentals remain solid. As far as **Global Equities** are concerned, with a preference for markets supported by structural tailwinds and favourable domestic dynamics, particularly in parts of Asia including Japan. At the same time, we remain more selective in the US and the Eurozone, where valuations appear more stretched. We continue to favor quality companies. In **Fixed Income**, our positioning is more balanced and neutral. With a meaningful degree of policy easing already reflected in market pricing, the upside potential in government bonds looks limited, and yields are likely to remain range-bound absent a significant growth shock. Credit fundamentals remain healthy and carry remains attractive, but tight spreads argue for a selective approach rather than broad-based exposure. By contrast, we continue to hold a constructive view on **Alternatives**. Real assets, infrastructure, commodities, and gold remain important components of our cautious portfolio construction, providing income, diversification, and protection against ongoing macroeconomic and geopolitical uncertainty.

Recent Investment Committee Decisions

We have increased our equity positions across all profiles to “neutral” again. We have also slightly increased our exposure to the US market. By doing this, we partly closed our underweight gap to that region compared to our benchmark. We maintain an above-normal weighting in gold.

Markets, Policymakers and the Illusion of Unprecedented Disorder

Markets, policymakers, and commentators are understandably absorbed by the immediacy of events. Political shocks demand attention, and financial markets are exquisitely sensitive to headlines that signal uncertainty or disruption. President Trump’s return to the center of global politics, with his unconventional policymaking style and transactional approach to alliances, is widely portrayed as a destabilizing force. Simultaneously, **trust in Western governments** appears to be eroding, political “hard men” are consolidating power across regions, unrest periodically erupts in countries such as Iran, and the institutions forged in the aftermath of the Second World War appear increasingly fragile. Each of these developments is debated intensely, often framed as either a unique failure or a radical break from the past.

This framing, while understandable, risks obscuring more than it reveals. The temptation to interpret current events as unprecedented is strong, particularly in a media environment

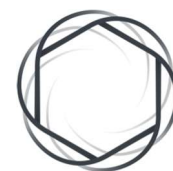
that rewards novelty and urgency. Yet history suggests that moments of apparent rupture often represent the culmination of long-running pressures rather than sudden departures. For investors, the distinction is not academic. Whether today’s political turbulence reflects a fundamental reordering of the global system or a cyclical phase within it has direct implications for asset allocation, risk management, and return expectations.

The Politics of Immediacy and Market Perception

Financial markets are forward-looking, but they are also reactive. Prices adjust rapidly to new information, even when that information is ambiguous or incomplete. Political developments are particularly prone to misinterpretation because their economic consequences are often indirect, delayed, unclear, and contingent on institutional responses. As a result, markets frequently oscillate between complacency and alarm, depending on the day’s headlines.

President Trump’s policymaking style illustrates this dynamic clearly. His approach, characterized by public confrontation, rapid shifts in stated positions, and a preference for bilateral over multilateral engagement, has generated **persistent uncertainty**. Markets have responded with bouts of volatility, particularly in sectors exposed to trade policy, defense, and global supply chains. Yet it is notable that during previous periods of similar political disruption, economic outcomes were often less dramatic than initially feared. Institutions adapted, policy





implementation diverged from rhetoric, and businesses adjusted their behavior accordingly.

This pattern is not unique to the United States. Across advanced economies, falling trust in government comes from a growing gap between official economic messages and how people actually experience the economy. Voters increasingly perceive institutions as unresponsive, captured by elites, or incapable of addressing structural challenges such as inequality, housing affordability, and labor market insecurity. Therefore, political movements that promise decisive action and personal authority thrive in this environment, even if their policy coherence is limited.

Markets, however, tend to focus **less on legitimacy and more on functionality**. The critical question is not whether institutions are popular, but whether they continue to enforce contracts, manage fiscal policy, and provide a predictable framework for economic activity. Erosion of trust matters most when it undermines these functions. To date, in most major economies, that threshold has not been crossed.

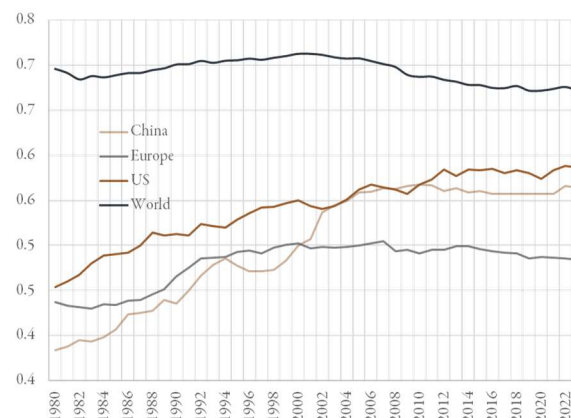
The Post-War Order: Erosion or Evolution?

Much of the current anxiety centers on the **perceived weakening of institutions** established after the Second World War. Multilateral organizations, rules-based trade, and collective security arrangements are increasingly questioned or sidelined. Critics argue that the post-war order is unraveling, replaced by a more fragmented and confrontational system.

There is truth in this assessment, but it requires nuance. The post-war order was never static. It evolved through the Cold War, the collapse of the Soviet Union, the expansion of globalization, and repeated financial crises. What is changing today is not simply the strength of institutions, but the balance of power and the distribution of economic gains that underpinned their legitimacy.

Globalization delivered substantial aggregate benefits, but those benefits were unevenly distributed. As **growth slowed** in advanced economies and **inequality widened**, political support for open systems eroded. Emerging powers, meanwhile, gained influence without fully subscribing to the norms established by earlier Western dominance. The result is not an abrupt collapse, but a gradual renegotiation of rules and expectations.

Fig 1: Gini Coefficient (Inequality index) 1980-2023



Source: World Inequality Database

For investors, this suggests a **world of increased friction** rather than outright disintegration. Cross-border trade continues, capital flows persist, and multinational corporations remain deeply embedded in global networks. However, the cost of complexity is rising. Regulatory divergence, geopolitical risk premiums, and supply chain redundancies are becoming permanent features rather than temporary adjustments.

The Rise of Political “Hard Men” and Economic Reality

The emergence of strong, centralized political figures is often interpreted as a rejection of liberal democratic norms. While this trend is real, it is also historically recurrent. Periods of economic stress and social anxiety frequently produce leaders who promise clarity, decisiveness, and national revival. What varies is the economic impact of such leadership.

In practice, **“hard men” govern within constraints**. Fiscal realities, capital mobility, and institutional inertia limit the scope of radical change. Even in systems with weaker checks and balances, economic performance ultimately shapes political survival. Policies that undermine growth, provoke capital flight, or trigger inflation tend to encounter resistance, whether from markets, bureaucracies, or the public.

Iran provides a different but instructive example. Periodic popular unrest reflects deep economic and social frustration, exacerbated by sanctions and governance challenges. Yet the regime has demonstrated resilience, adapting policies at the margin to maintain stability. For markets, the lesson is that political unrest does not automatically translate into regime change or economic collapse. Risk is real, but it unfolds over





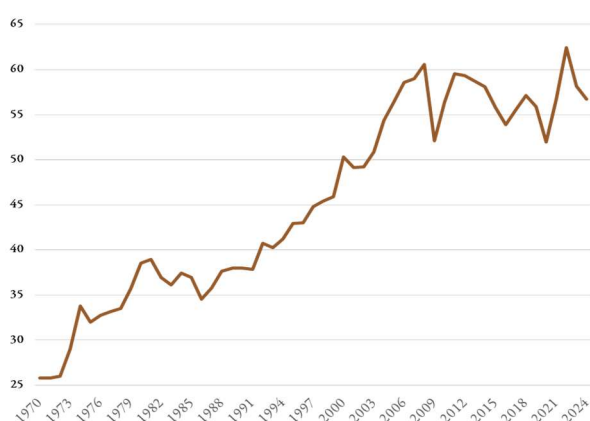
extended timeframes and through complex channels. This country is a useful illustration of how political instability often plays out in practice: not as a sudden rupture, but as a persistent source of tail risk that markets learn to price over time.

Are We Facing a Structural Break?

The central analytical challenge is determining whether today's developments constitute a **structural break** or an intensified version of familiar dynamics. Structural breaks, such as the abandonment of the gold standard or the collapse of the Soviet bloc, redefined economic relationships in lasting ways. Cyclical disruptions, by contrast, generate volatility without fundamentally altering long-term trajectories.

Several **indicators** suggest caution **against assuming a clean break**. First, technological and economic interdependence remains high. Even as political rhetoric turns inward, supply chains, financial markets, and data flows continue to bind economies together. Second, policy experimentation is occurring within broadly recognizable frameworks. Central banks, despite political pressure, largely maintain their mandates. Fiscal expansion, where it occurs, reflects pragmatic responses to stagnation rather than ideological revolution.

Fig 2: World Trade as % of Global GDP



Source: World Bank Group

That said, complacency would be misplaced. The risk is not sudden collapse, but **gradual degradation**. Incremental erosion of institutional quality, persistent underinvestment, and rising geopolitical tension can collectively reduce potential growth and increase tail risks. Markets may not

price these developments immediately, but their cumulative effect matters for long-term returns.

Implications for Market and Portfolio Strategy

Periods of political uncertainty tend to compress investors' time horizons. Headlines drive rapid shifts in sentiment, and market narratives oscillate between optimism and alarm. In such environments, the temptation is either to retreat into cash or to chase perceived "safe havens." Both responses risk missing the more important task: aligning portfolios with **assets that can compound value** through institutional strain, fiscal experimentation, and episodic volatility.

The current backdrop reinforces the case for quality as the core organizing principle of portfolio construction.

Equities: Quality, Resilience, and Pricing Power

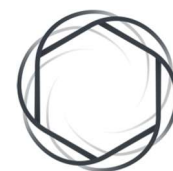
Stock market volatility is likely to persist as political factors combine with a maturing economic cycle and uneven global growth. However, **volatility** should not be confused with fragility. Historically, environments characterized by policy uncertainty and institutional stress have widened the dispersion between high-quality businesses and the rest of the market.

Quality equities, defined by strong balance sheets, high and stable returns on capital, durable competitive advantages, and credible management, are particularly well suited to this phase of the cycle. These companies tend to be less dependent on benign macro assumptions or policy support. They possess pricing power that allows them to defend margins amid inflationary pressures, regulatory changes, or shifts in trade policy. They also retain strategic flexibility, enabling them to invest through downturns, acquire weaker competitors, or return capital to shareholders when others are forced to retrench.

By contrast, **lower-quality segments** of the equity market often embed implicit assumptions about continued fiscal support, low funding costs, or stable regulation. In a world where governments face rising debt burdens, polarized electorates, and limited policy credibility, those assumptions deserve skepticism. Political intervention may be frequent, but it is unlikely to be consistently coherent or growth-enhancing.

Geographically, quality should be assessed bottom-up rather than inferred from national narratives. Even in jurisdictions facing institutional strain or political experimentation, globally integrated firms with diversified revenue streams can remain attractive. Conversely, companies operating in apparently stable systems but reliant on domestic policy





favors may warrant caution. The erosion of trust in institutions increases the premium on corporate self-sufficiency.

Fixed Income: Rethinking Duration and Sovereign Risk

Fixed income presents a more complex challenge. For much of the post-global financial crisis period, duration was a reliable hedge against risk assets. Today, that relationship is less certain. Elevated public debt, persistent fiscal expansion and political pressure on central banks complicate the outlook for long-duration sovereign bonds.

Governments across advanced and emerging economies show limited appetite for fiscal consolidation. Political incentives favor visible spending over long-term discipline, particularly amid social **dissatisfaction and weak institutional trust**. While outright fiscal crises are not imminent, the direction of travel raises the risk that inflation volatility, rather than deflation, becomes the dominant long-term concern.

In this context, duration risk should be approached with caution. **Long-dated government bonds** may still offer episodic protection during acute risk-off events, but their reliability as a **store of value** is increasingly questionable. Investors should distinguish between liquidity and safety: sovereign bonds remain liquid, but liquidity does not guarantee protection against real capital erosion.

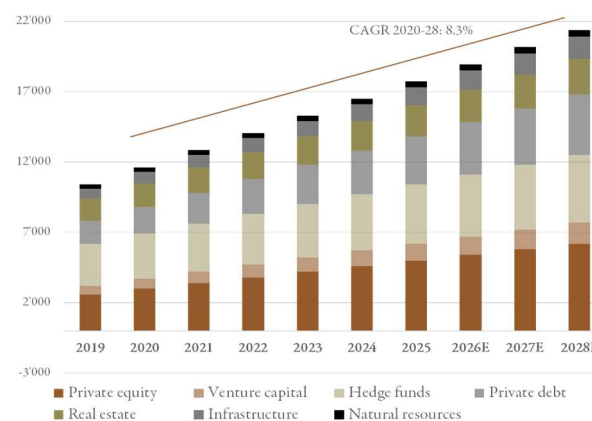
Opportunities within fixed income are therefore more selective. Shorter-duration instruments, inflation-linked securities and credit backed by strong balance sheets may offer more attractive risk-adjusted returns. Credit selection is critical as fiscal dominance grows and balance-sheet quality matters more, not less.

Alternatives and Real Assets: Hedging Institutional Uncertainty

The gradual erosion of institutional credibility also strengthens the case for **selective exposure to real assets and alternatives**. Assets linked to essential services, infrastructure, or long-lived physical assets can provide partial insulation from political volatility, particularly when revenues are contractually protected or indexed to inflation.

However, alternatives should not be treated as a homogeneous hedge against instability. Governance, regulatory exposure, and leverage are decisive factors. Assets that rely on political goodwill or regulatory discretion may underperform precisely when institutional trust weakens. By contrast, assets with transparent cash flows and limited policy dependency can enhance portfolio resilience.

Fig 3: Alternatives AuM by Asset Class 2010-28 (USD Bn)



Source: Preqin

The Recent Correction in Gold Prices

Gold remains structurally supported and we retain a positive outlook into 2026. Persistent safe-haven demand, elevated geopolitical risks, a weaker US dollar and low real interest rates continue to reinforce gold's role as a strategic hedge and alternative allocation. A **structural shift** in central-bank reserve management, with sustained public-sector buying, underpins our conviction. While elevated speculative positioning may trigger short-term pullbacks, these should be viewed as normal within a broader long-term uptrend, supporting our recommendation for above-normal gold exposure in portfolios.

Volatility as an Input, Not an Enemy

Finally, investors should reframe volatility as an input into expected returns rather than an adversary to be eliminated. Political noise amplifies short-term price movements, but it also creates opportunities to acquire high-quality assets at discounted valuations. The challenge is maintaining sufficient flexibility and conviction to act when sentiment overshoots fundamentals.

This suggests building portfolios that can hold up in many different scenarios, instead of betting on just one economic outcome. **Excessive concentration**, whether in duration-heavy fixed income, policy-sensitive equities, or narrative-driven themes, raises vulnerability to political disappointment.

Diversification across sources of return, combined with a bias toward quality and balance sheet strength, remains the most effective response to a world in which institutions are contested but not collapsing.





Macroeconomic estimates (per cent)

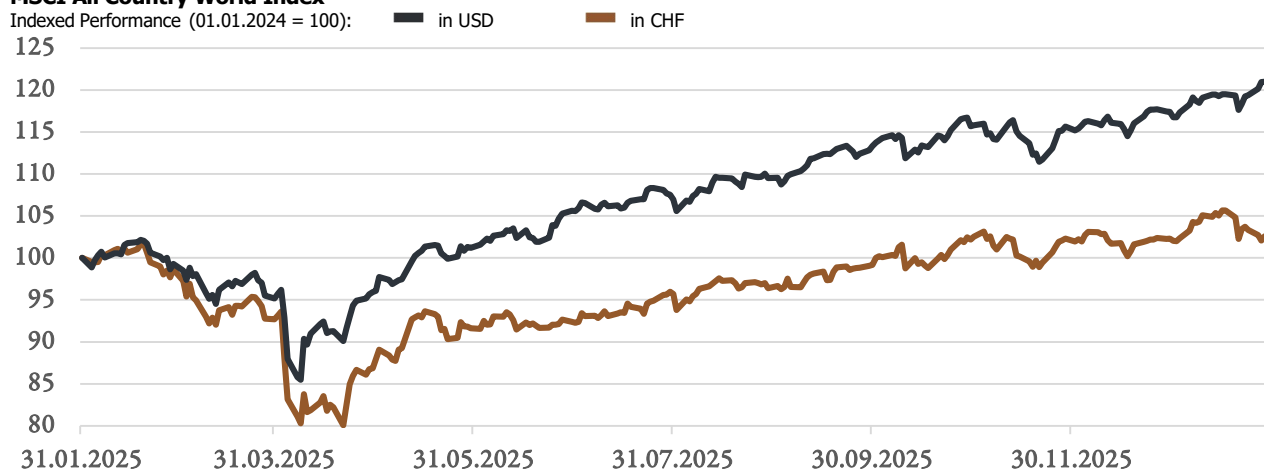
	GDP Growth			Inflation			Interest Rates	Fiscal Balance
	2024A	2025E	2026E	2024A	2025E	2026E	Current	Current
USA	2.8	2.2	2.4	2.95	2.7	2.7	3.75	-5.4
Eurozone	0.7	1.4	1.2	2.4	2.1	1.8	2.15	-3.0
UK	0.8	1.4	1.0	2.5	3.4	2.4	3.75	-5.5
Switzerland	1.3	1.2	1.2	1.1	0.2	0.4	0.00	0.6
Japan	0.1	1.2	0.8	2.7	3.2	1.9	0.75	-2.3
China	5.0	5.0	4.5	0.2	0.0	0.7	3.00	-4.8
Brazil	3.4	2.3	1.8	4.4	5.0	4.0	15.00	-8.3
India	7.8	6.4	7.5	4.8	4.6	2.0	5.25	-4.9
Russia	3.7	0.8	1.0	8.4	8.8	5.5	16.00	-3.6
World	3.0	3.1	3.0	4.2	3.5	3.3	-	-

SOURCE: Bloomberg

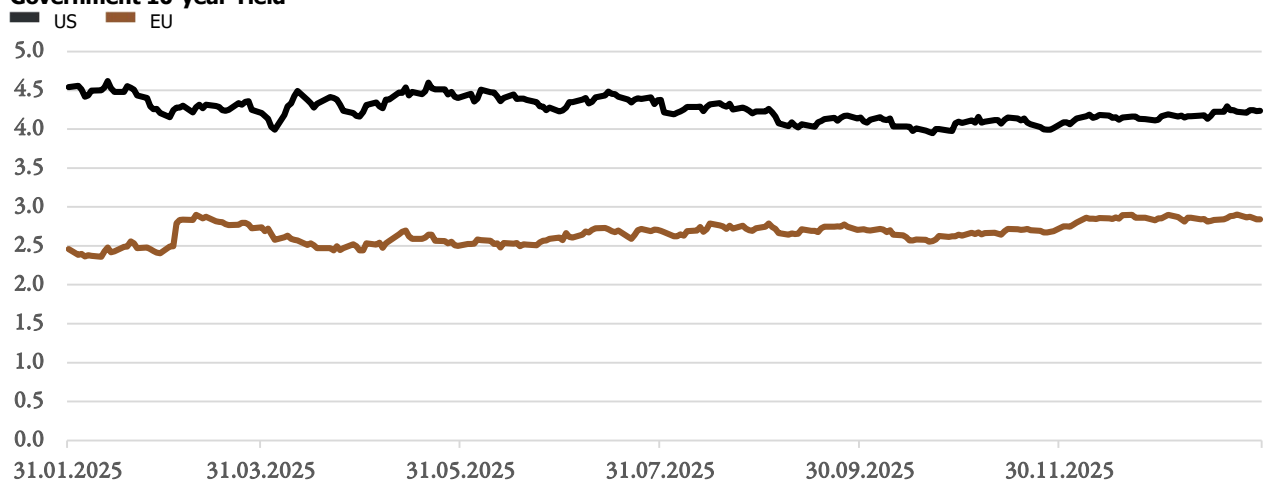
Financial Markets

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					February 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.
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 a residual exposure to HY bonds with good corporate fundamentals.
Equities	=	Markets	Overweight in EZ (selectively) and emerging markets (Asia ex-Japan). Underweight in US. Long-term India, and Japan	Rest of EM and UK	Global and US GDP growth look set to surprise to the upside in 2026, boosted by the lagged effects of lower policy rates and fiscal stimulus. This should support a broadening of the earnings growth, while Technology revenues still looked supported by the demand outlook.
		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.	On a global basis, US equities present better features: higher earnings growth, better RoE and exposure to AI-capex boom. In Europe, earnings growth is weaker and the region has little exposure to the AI-capex theme. We thus favour more selectivity with a particular tilt toward the value factor. UK equities suffer from poor profitability and present the most negative earnings revisions across the major regions. In emerging markets where we see earnings upgrades, we prefer Asia ex-Japan to Latin America. In general, 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, despite the recent correction, should continue to offer insurance in portfolios 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

0.026

This is population density of Greenland **per square kilometer**, making it the least densely populated country in the world. With a total population of approximately **56,000**, its vastness is staggering when compared to a place like **Singapore**, which packs about **8,290 people** into every square kilometer. To put its physical size into perspective, Greenland is about **nine times larger** than the United Kingdom and covers roughly the same land area as **Saudi Arabia**. With a vast landmass but only ~56,000 inhabitants, the country's ability to secure, develop, and govern its strategic space is structurally limited. This mismatch naturally increases vulnerability to external influence and geopolitical pressure.

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

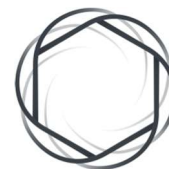
The future of banking is emerging at the intersection of profit and purpose.

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