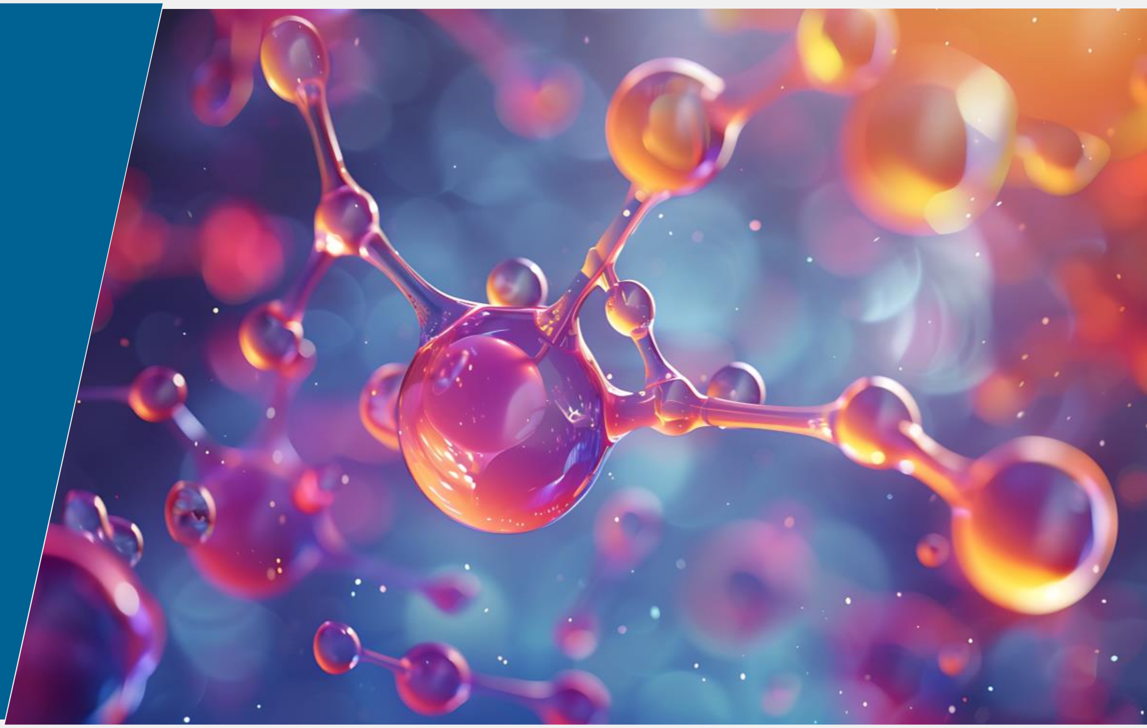
Global Asset Allocation Insights

Fidelity Multi Asset



June 2026

Summary

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Big picture

Growth entered 2026 on a resilient footing, supported by firm earnings, easing financial conditions, and continued fiscal support across major regions. While the Iran conflict and disruption to energy markets have introduced a more challenging and uncertain backdrop, the global cycle remains intact and we continue to see support for risk assets over the medium term. However, the environment has become more path dependent, with higher oil prices, geopolitical fragmentation, and policy uncertainty increasing dispersion across regions and asset classes. Against this backdrop, we remain risk-on while recognising that the balance of risks has become more complex and that volatility is likely to remain elevated as markets continue to assess the interaction between growth, inflation, and geopolitics.

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Equities

We remain constructive on equities, supported by resilient earnings growth, fiscal support, and still favourable medium-term fundamentals. However, we are increasingly mindful of the range of risks facing markets, including geopolitical uncertainty, energy price volatility, elevated valuations in parts of the market, and the possibility of tighter financial conditions if inflation proves more persistent. This month we move underweight Europe as several of these risks swirl around the region, despite largely resilient earnings. We continue to favour Japan and selective emerging markets, particularly where valuations remain attractive and earnings momentum is improving, while maintaining exposure to structural growth themes linked to AI, electrification, and energy infrastructure.

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Credit

We remain cautious on credit overall, as spreads continue to offer limited compensation for the increase in macro and geopolitical uncertainty. Corporate fundamentals remain broadly resilient, and default expectations are still relatively contained, but tighter financial conditions and a more uncertain growth outlook reduce the margin for error. Investment grade valuations remain particularly stretched, while high yield continues to offer more attractive carry, though we continue to view it primarily as an income opportunity rather than a source of significant capital appreciation.

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Government bonds

We maintain a neutral view of government bonds, as the interaction between inflation and growth continues to create a more nuanced backdrop for duration. Higher energy prices and fiscal pressures may limit the scope for yields to fall materially in the near term, while at the same time rising growth risks could support bonds if conditions weaken meaningfully. Recent market dynamics have also highlighted that traditional diversification relationships are less reliable than in previous cycles.

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Cash / Currencies

We remain tactically neutral on the US dollar, as near-term support from geopolitical uncertainty and yield differentials is increasingly balanced by medium-term headwinds related to fiscal dynamics, policy uncertainty, and questions around US exceptionalism. Energy and commodity dynamics are continuing to drive divergence across currencies, with commodity exporters generally better supported while energy importers remain more vulnerable. We continue to see a role for gold and selected commodities as portfolio diversifiers in an environment of heightened geopolitical risk and less stable cross-asset correlations.

Source: Fidelity International, May 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters.

Big picture

Resilient growth amid high uncertainty

What has changed?

- **Energy shock feeding into the macro backdrop:** Higher oil prices are beginning to tighten financial conditions and add to inflation pressures, particularly across Europe and parts of Asia.
- **Move underweight European equities:** Energy vulnerability, weaker earnings momentum, and rising external risks lead us to a more cautious view of European equities despite improving fiscal support.

What has stayed the same?

- **Markets looking through the conflict:** The global economy still showing strength and investors are focusing on resilient growth and earnings fundamentals as expectations shift towards a messy resolution rather than continued escalation.
- **Macro divergence across regions is increasing:** Commodity exporters and more energy-independent economies are proving relatively resilient, while energy importers are facing a more difficult inflation-growth trade-off.

What are we watching?

- **Energy market and supply disruption:** The duration and severity of the shock will be key for inflation, growth, and central bank expectations.
- **Signs of macro slowdown emerging in the data:** Whether higher energy prices begin to weigh more materially on consumer demand, margins, and business confidence.
- **Durability of broadening earnings growth:** Whether earnings momentum can continue broadening beyond US mega-cap technology into other regions and sectors, alongside potential high-profile IPOs this year and their impact on sentiment.

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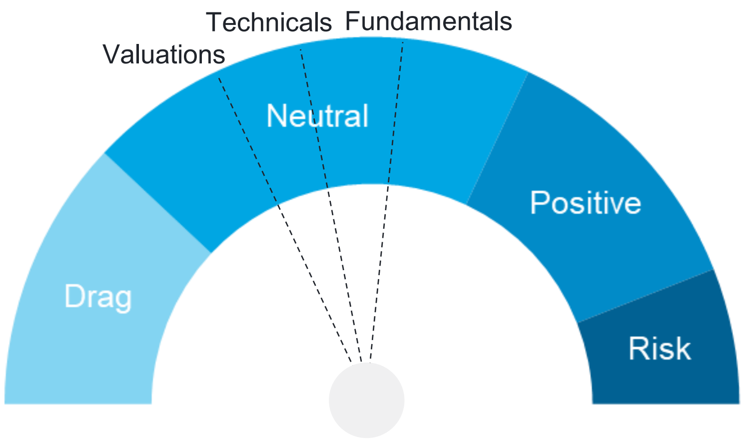
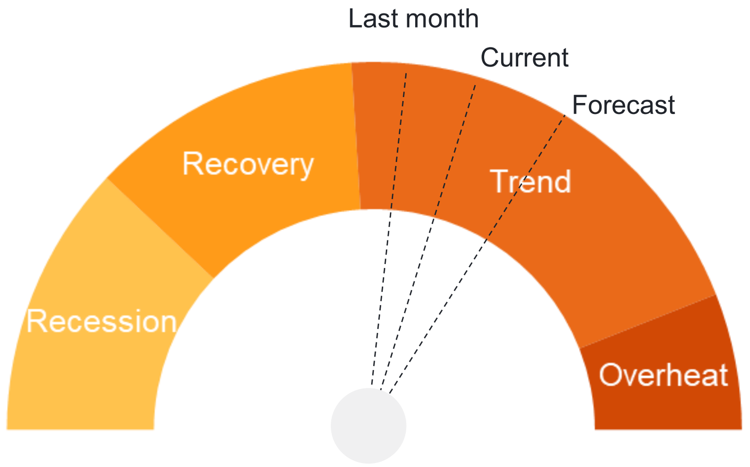
Cycle gauges

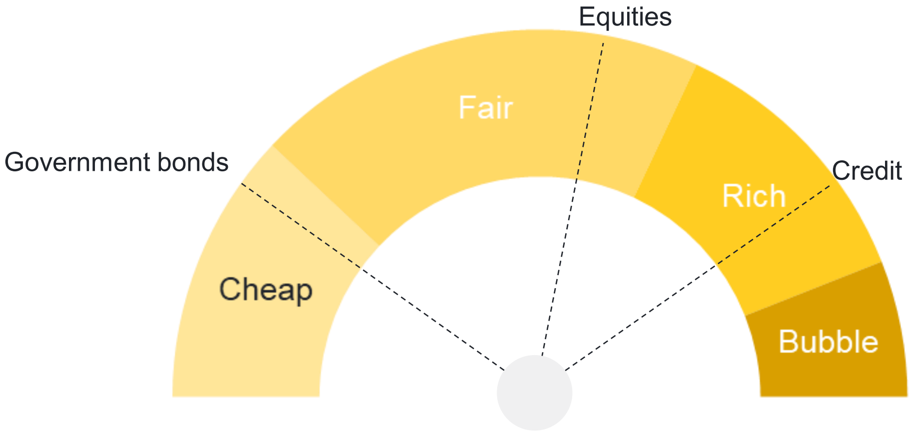
Fundamentals, valuations, technicals



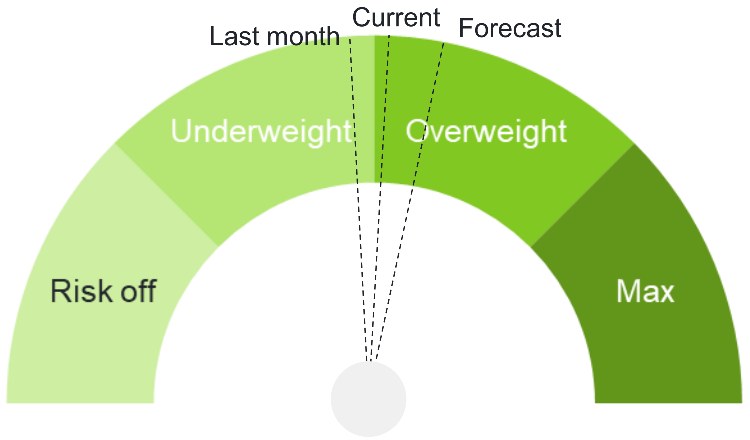
US business cycle



Valuations



Risk appetite



Source: Fidelity International, May 2026.

TAA views summary

		––	–	=	+	++	Snapshot of views
Equities	**Equities**				●		**Resilient earnings and fiscal support remain supportive, though geopolitical and inflation risks require greater caution.**
	US			●			AI-led investment and strong profitability continue to support earnings, despite elevated valuations and narrow leadership.
	Europe		●	←			Weak external demand, soft earnings, energy vulnerability, and sticky inflation are beginning to weigh, despite Germany's fiscal push.
	UK			●			Attractive valuations and defensive characteristics help offset weak growth and fiscal pressures.
	Japan				●		Earnings momentum, corporate reform, and supportive policy continue to underpin the market.
	Emerging markets				●		Attractive valuations and improving earnings momentum continue to support selective opportunities.
	Asia Pacific ex. Japan		●	←			Australia continues to weigh on the region given weak consumer demand and earnings growth.
Credit	**Credit**	●					**Spreads remain tight and do not adequately compensate for increased macro and geopolitical risks.**
	Investment grade		●				Valuations remain stretched relative to duration and liquidity risks.
	High yield				●		Carry remains attractive, though we continue to view HY primarily as an income opportunity.
	Emerging market debt (hard)			●			Stable fundamentals but tighter spreads reduce relative value in a more uncertain global backdrop.
Government bonds	**Government bonds**			●			**The backdrop of large deficits and rising inflation is not supportive for duration, but the re-emergence of growth fears would present a more compelling case.**
	US Treasuries			●			Fed cuts have been priced out as growth and inflation data remains firm, although yield levels relatively attractive.
	Euro core (Bund)			●			Softer growth supports Bunds, though inflation and fiscal risks limit conviction.
	UK Gilts				●		Weakening growth and improving disinflation continue to support Gilts.
	Japanese gov. bonds			●			Policy normalisation and fiscal uncertainty contribute to ongoing yield volatility.
	Emerging market gov. bonds (local)			●			Higher dispersion – Asian central banks may need to hike, while real yields still attractive in Latin America.
Cash, currencies, & gold	**Cash**			●			**Cash at neutral.**
	US dollar			●			Near-term support from risk aversion and yields balanced by medium-term headwinds from policy and deficits.
	Euro			●			Fiscal support and a less dovish ECB remain supportive, despite energy-related risks.
	Japanese yen			●			Valuation support and policy normalisation tempered by fiscal concerns and rates volatility.
	Sterling			●			Weak domestic backdrop and fiscal tightening balanced by valuation support and external exposure.
	Emerging markets FX			●			High carry and commodity support offset by divergence driven by energy exposure and external risks.
	Gold				●		Medium term drivers still supportive, including central bank buying, policy uncertainty, and unstable asset correlations.

Source: Fidelity International, May 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Regional equity views use universes defined by MSCI indices.

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Best ideas for investment outcomes

Growth

- **Japan and EM equities preferred, particularly Korea, South Africa, and Brazil**, supported by structural tailwinds, earnings momentum, and attractive valuations.
- **Thematic equities related to the grid upgrade** benefit from idiosyncratic return drivers as the US and EU look to accommodate greater demand and more renewable energy.

Income

- **Emerging market bonds** in select local markets continue to look attractive given elevated yields and commodity-exporting fundamentals.
- **Quality income equities** provide relative defensiveness and stability, particularly in an environment of higher uncertainty. Dividend growth and strong balance sheets remain key filters.

Capital preservation

- **Commodities**, particularly energy exposure, remain effective diversifiers in an environment of geopolitical uncertainty and supply-side inflation risks.
- **Gold** remains a medium-term diversifier, however its behaviour has been less consistent as a hedge during the recent volatility.
- We remain positive on **selected real assets**, **particularly transition materials such as copper**, supported by structural demand from electrification, reshoring, and AI demand.

Uncorrelated returns

- **Absolute return** strategies, driven by active investment decisions and incorporating idiosyncratic sources of risk – particularly those with a focus on tail risk mitigation.

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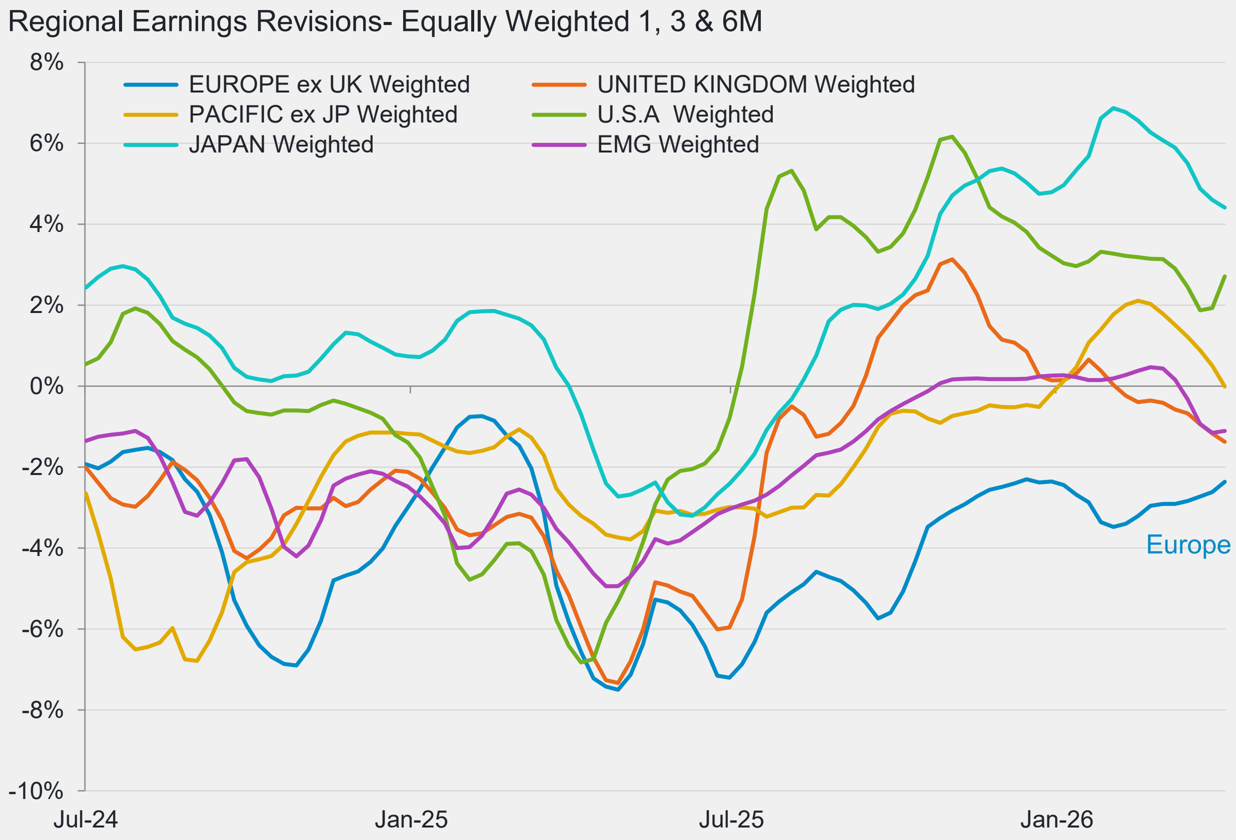
Equities

	−−	−	=	+	++
Equities				●	
US			●		
Europe		●	←		
UK			●		
Japan				●	
Emerging markets				●	
Asia Pacific ex. Japan		●	←		

Key views

- **Move underweight Europe:** Energy risks, weaker earnings momentum, and external headwinds increasingly outweigh the benefits of fiscal support.
- **Remain positive on Japan equities**, particularly mid-caps, supported by earnings growth, shareholder returns, and supportive domestic policy.
- **US earnings remain resilient** and continue to broaden beyond mega-cap technology, although elevated valuations and concentrated leadership limit upside.
- **Select emerging markets still attractive**, particularly Korea, South Africa, and Brazil, where valuations, reform momentum, and earnings dynamics remain supportive.

Europe remains weakest region for earnings revisions



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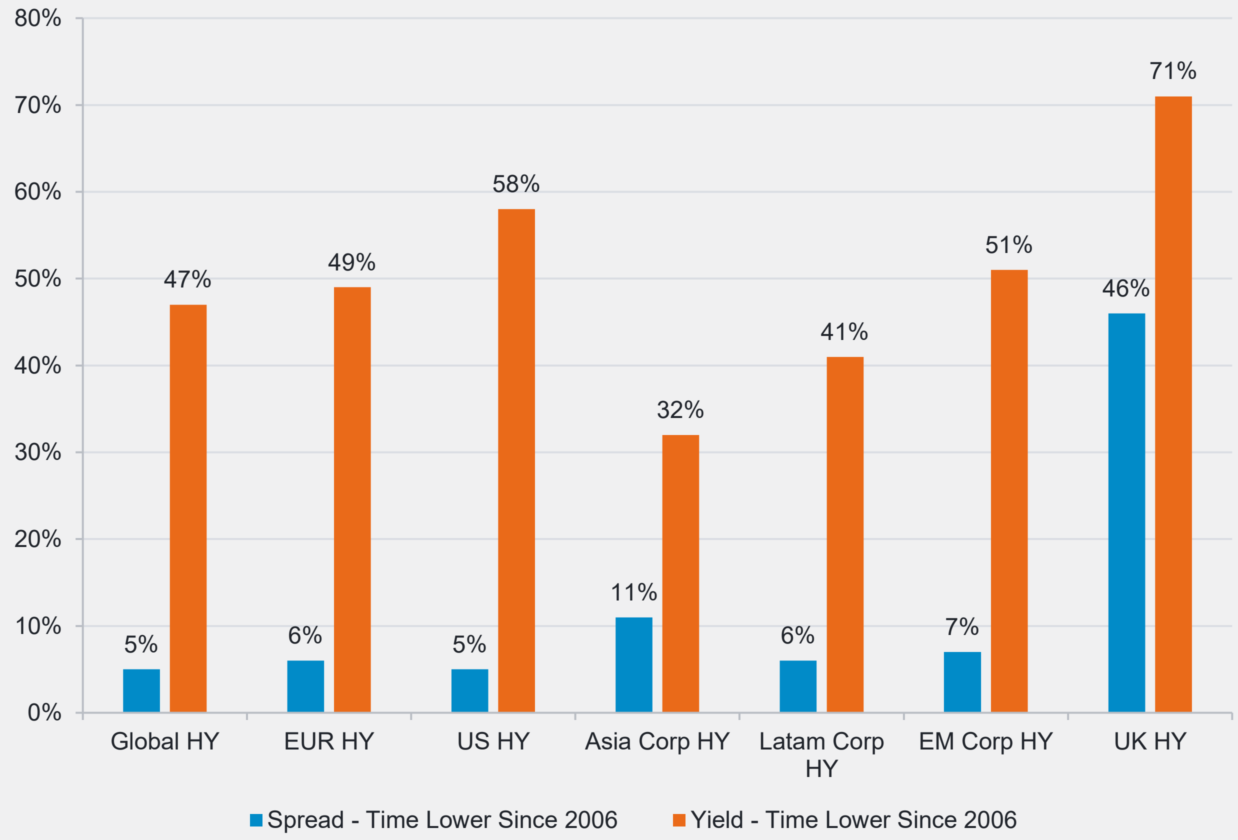
Credit

	−−	−	=	+	++
Credit	●				
Investment grade		●			
High yield				●	
Emerging market debt (hard)			●		

Key views

- **Remain cautious on credit overall** as spreads continue to offer limited compensation for rising macro and geopolitical uncertainty.
- **Investment grade still looks expensive:** Elevated issuance and tighter financial conditions leave little margin for error at current spread levels.
- **Prefer high yield to investment grade**, with carry still attractive and corporate fundamentals broadly resilient despite a more uneven growth backdrop.
- **Selective EM local markets remain attractive** where high real yields and stronger policy credibility continue to support returns.

High yield spreads are tight, but yield is decent



Source: Fidelity International, June 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Chart source: Fidelity International Fixed Income Quant Dashboard, May 2026.

Government bonds

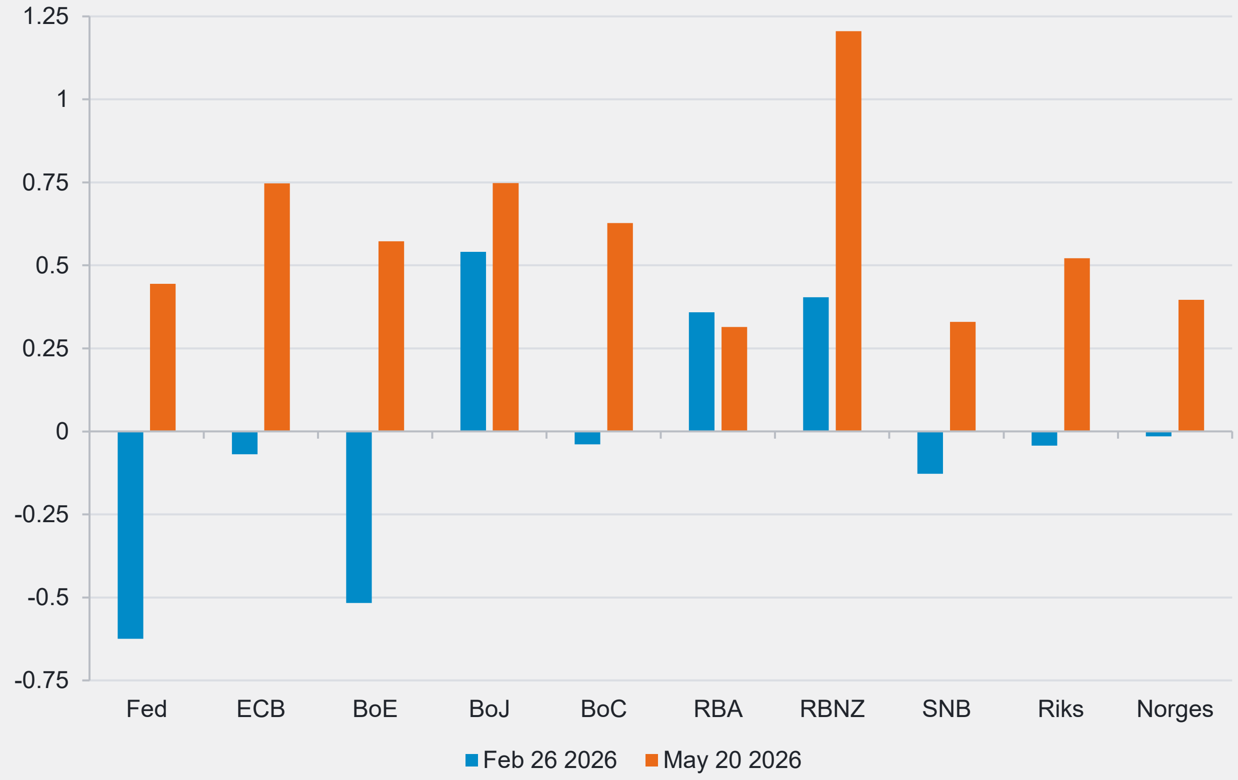
	– –	–	=	+	++
Government bonds			●		
US Treasuries			●		
Euro core (Bund)			●		
UK Gilts				●	
Japanese gov. bonds			●		
Emerging market government bonds (local)			●		

Key views

- **Neutral on duration overall** as appealing medium-term real yields are offset by near-term inflation, fiscal pressure, and less helpful equity-bond correlations.
- **Remain positive on Gilts**: Weakening growth and a more favourable disinflation backdrop continue to support UK duration.
- **US Treasury yields look more balanced**, though persistent inflation and fiscal concerns continue to limit the diversification benefits of duration.
- **Selective EM local markets remain attractive** given high real yields, supportive carry, and improving central bank credibility.

The Iran conflict reverses the global cutting cycle

Expected change in policy rate 1yr ahead



Source: Fidelity International, May 2026. Views reflect a typical time horizon of 12–18 months and provide a broad starting point for asset allocation decisions. However, they do not reflect current positions for investment strategies, which will be implemented according to specific objectives and parameters. Chart source: Fidelity International, Bloomberg, May 2026.

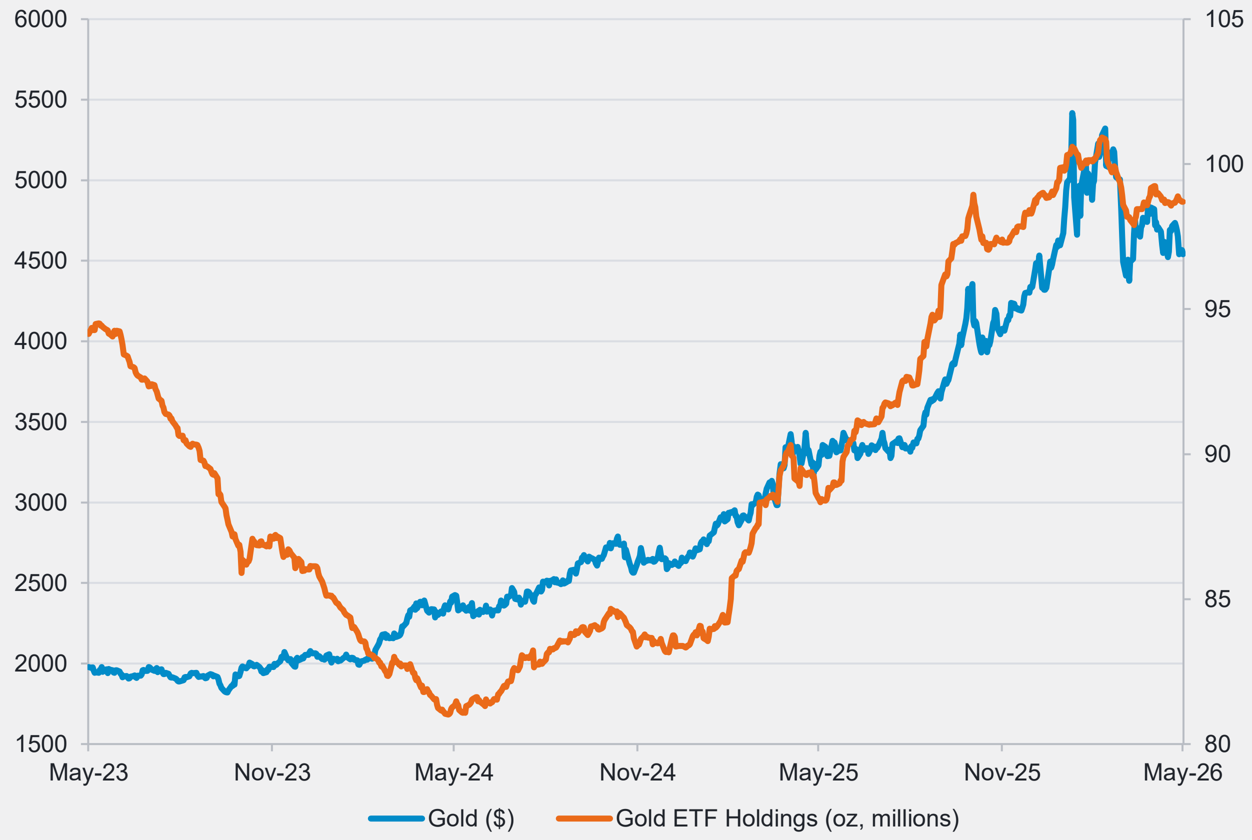
Cash, currencies & gold

	– –	–	=	+	++
Cash			●		
US dollar			●		
Euro			●		
Japanese yen			●		
Sterling			●		
Emerging markets FX			●		
Gold				●	

Key views

- **Stay neutralised on the US dollar** as short-term safe-haven support is increasingly balanced by medium-term concerns around fiscal deficits, policy uncertainty, and softer structural demand for US assets.
- **Commodity-linked currencies remain better supported**, while energy-importing regions continue to face headwinds from higher oil prices and weaker external balances.
- **Gold remains structurally supported** by central bank buying, geopolitical uncertainty, and concerns around fiat debasement, despite less reliable diversification benefits during the recent volatility.

Retail flows into ETF have picked up, but not to the extent we saw last year



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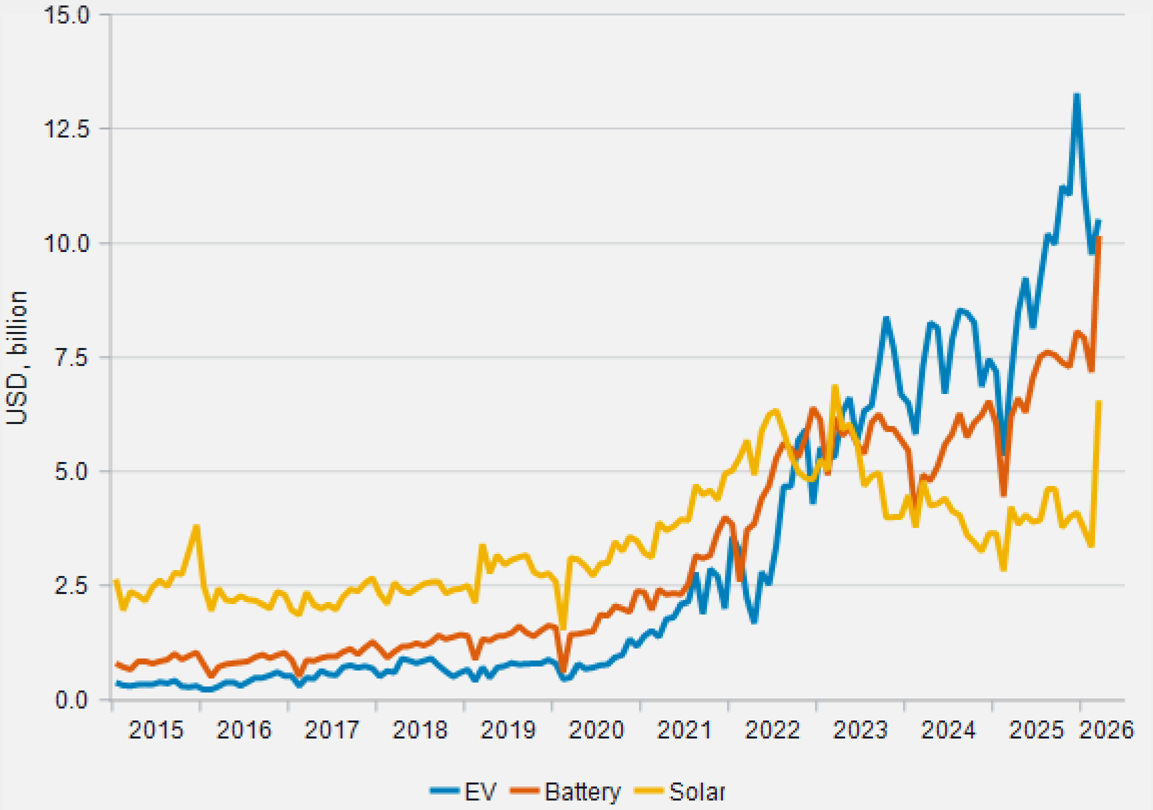
Other TAA views

- **Grid upgrade and electrification remain key structural themes** as AI infrastructure, reshoring, and rising power demand continue to drive investment across transmission networks, automation, power equipment, and industrial supply chains.
- **Remain positive on transition materials**, particularly copper and selected industrial metals, where electrification demand, constrained supply, and strategic stockpiling continue to support the medium-term outlook despite recent volatility. Manufacturing PMIs remain supportive, while geopolitical fragmentation and energy disruption are increasing the strategic importance of secure access to critical resources.
- **European defence continues to benefit from a structural fiscal tailwind** as governments accelerate spending commitments and prioritise greater regional security and industrial resilience.
- **Energy resilience and infrastructure investment** are becoming increasingly important themes, especially in Asia which has been hurt by the Iran conflict, as governments and companies adapt to a more fragmented world with less secure supply chains and greater focus on domestic energy security. We expect the green tech sector, particularly in China, to perform well.

China's green tech exports set to receive a further boost as Asian economies look to build energy resilience



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