

# Monthly Market Commentary

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### **Iran conflict challenges market assumptions:**

February ended with a sharp escalation in the Middle East that has potentially materially altered the risk landscape for global markets. US and Israeli strikes on Iran, which began over the weekend and drew retaliatory missile barrages from Tehran have disrupted shipping through the Strait of Hormuz. This waterway carries roughly a fifth of the world's seaborne oil trade. Brent crude surged approximately 6% and drone strikes on Saudi Aramco's Ras Tanura refinery underscored the widening scope of the conflict. President Trump indicated that operations could continue for up to four weeks.

A sustained rise in oil prices risks reigniting inflationary pressures at precisely the moment markets had been pricing in a path toward monetary easing. While any disruption of this scale is unwarranted, it comes at a time when OPEC spare capacity is at its highest and when global inventory levels are elevated. While the passthrough to inflation will be immediate as prices reflect a variety of risks, a prolonged shutdown of the straits will require a change in the balance of air and naval power, which seems unlikely.

Outside of the expected moves in the oil price, market reaction has so far been muted, suggesting that much of this was already priced in. Even before the Iran escalation, February had been an eventful month. US GDP came in at just 1.4% annualised, well below consensus, partly linked to disruption from the government shutdown. The Q4 2025 earnings season, however, delivered stronger results with year-over-year earnings growth rate stands at 14.2%, well above the 8.3% estimate at the start of the quarter. This marks the fifth consecutive quarter of double-digit earnings growth. \*

Trade policy also returned to the spotlight. In a 6-3 decision, the Supreme Court ruled that tariffs introduced under emergency powers exceeded presidential authority, invalidating an estimated \$130-\$160 billion in tariff revenues. The administration quickly responded by introducing a new 10% global tariff under different legal grounds. Despite the political drama, markets reacted calmly, with investors appearing to believe that businesses will adjust.

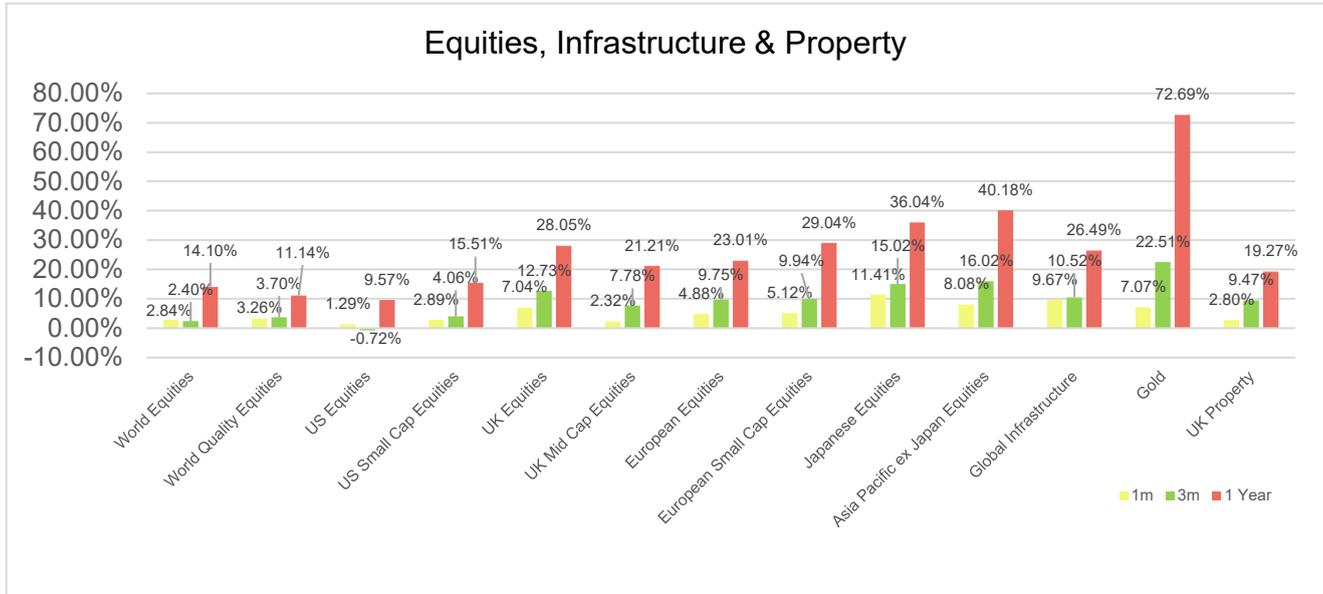
In the private credit market, Blue Owl Capital restricted withdrawals from one of its retail-focused credit funds. While this does not appear to pose a broader financial stability risk, it is a reminder that tighter conditions can expose stress in less transparent parts of the market.

These dynamics reinforce the importance of active portfolio management. Ahead of the recent escalation, we completed the rebalance of portfolios to our 2026 Strategic Asset Allocation. Within fixed income, we increased exposure to short duration government bonds, which offer attractive yields with lower sensitivity to rate movements, a positioning which could be beneficial if inflation expectations rise. We also broadened our bond allocation through active flexible funds, giving managers latitude to navigate shifting rate expectations rather than being anchored to a single benchmark. On the equity side, we diversified regional allocations while reducing exposure to European smaller companies, where earnings visibility is more limited. We retained some allocation to global quality equity income, which provides a defensive tilt through companies with strong balance sheets, consistent cash flows, and reliable dividends.

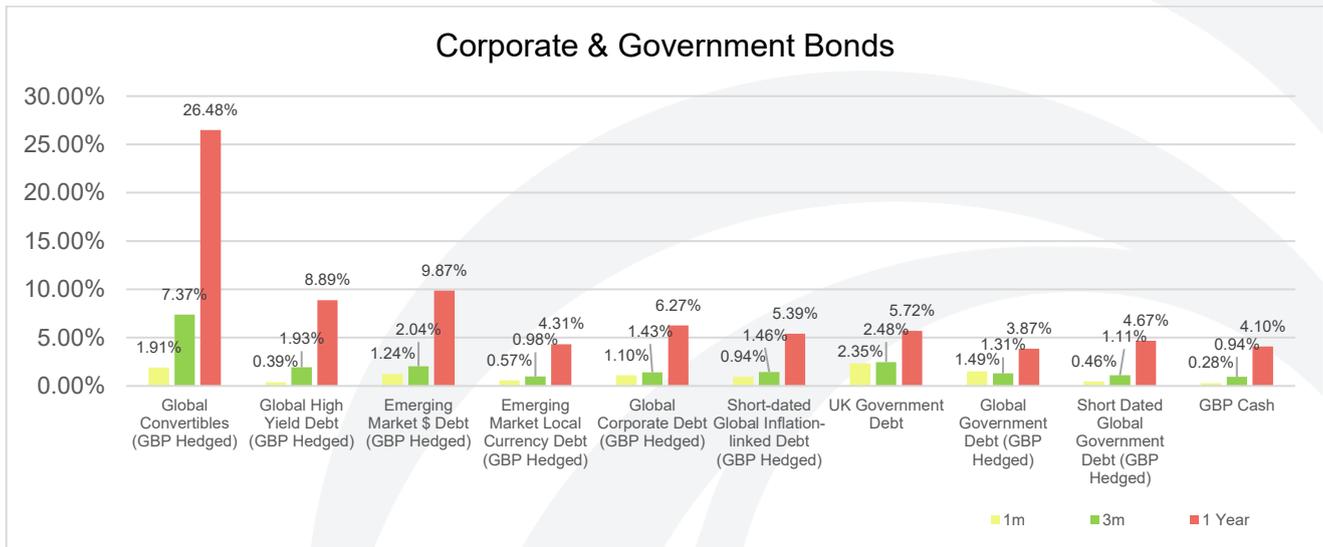
The Iran conflict introduces a significant new risk that may delay rate cuts, pressure consumer spending, and test the resilience of global supply chains. Our willingness to act decisively, whether by adjusting duration, diversifying equity exposures, or adding flexibility in our bond allocations has provided near term benefits to portfolios even as we wait for the intermediate term impact of the conflict to become clear. We are prepared to take additional steps to protect portfolios should we deem it necessary.

\*Source FactSet

### Asset Class Returns: Equities and Alternatives



### Asset Class Returns: Fixed Income and Cash



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