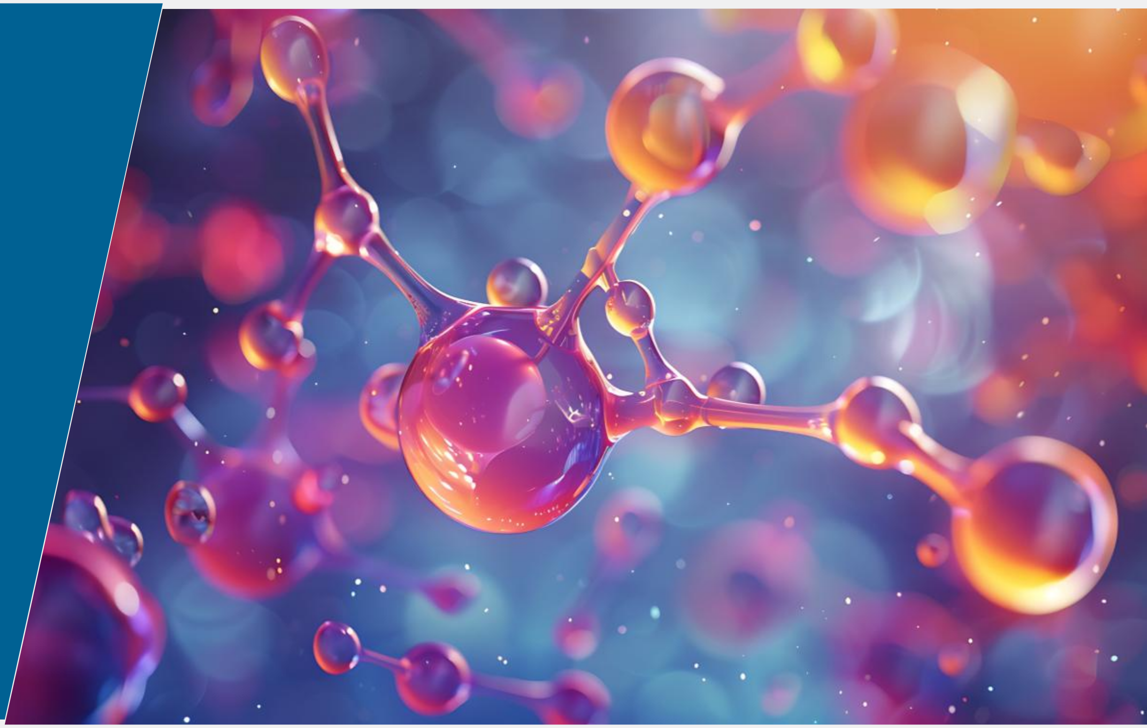
Global Asset Allocation Insights

Fidelity Multi Asset



August 2026

Summary

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Big picture
The global economy continues to prove remarkably resilient. Growth remains supported by strong corporate earnings, fiscal expansion across several major economies, and continued AI-led investment. While geopolitical tensions remain elevated and the conflict involving Iran has entered a more complex phase, markets are increasingly refocusing on underlying fundamentals rather than near-term disruption. We remain overweight equities, believing the global expansion remains intact, but with greater regional divergence and policy uncertainty reinforcing the importance of active management and selectivity.

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Equities
We remain overweight equities. The AI investment cycle continues to broaden beyond a narrow technology story, supporting opportunities across industrials, infrastructure, advanced manufacturing, and selected financials alongside technology itself. While elevated valuations and market concentration remain important considerations, resilient earnings, fiscal support, and improving breadth continue to provide a constructive backdrop. We continue to favour Japan and emerging markets, while remaining underweight Europe.

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Credit
Credit valuations continue to leave little room for disappointment. Corporate fundamentals remain resilient and default expectations are still relatively benign, but spreads, particularly in investment grade, offer limited compensation for risk. High yield continues to provide attractive income, although tighter spreads mean future returns are increasingly likely to come from carry rather than further spread compression. In this environment, selectivity remains key and we remain cautious overall.

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Government bonds
Government bonds are becoming more differentiated as regional policy paths diverge. While yields are more attractive than earlier in the cycle, resilient growth and higher-for-longer inflation expectations limit the scope for a broad rally in duration. We continue to see the strongest opportunities in markets where valuations remain compelling and central banks are likely to be less hawkish than currently priced, with UK Gilts remaining our preferred developed market duration exposure.

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Cash / Currencies
In currencies, we remain constructive on the US dollar, supported by resilient US growth and a more hawkish Federal Reserve. We have moved underweight the euro, reflecting weaker earnings momentum, softer growth prospects, and the increasing divergence between the US and Europe. We also remain underweight sterling, where fiscal and political uncertainty continues to weigh on the outlook. Gold retains a role as a portfolio diversifier in an environment of geopolitical uncertainty and less stable cross-asset correlations, although some of the near-term tailwinds from earlier in the year have ceased.

Source: Fidelity International, July 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 rising regional divergence

What has changed?

- **AI investment broadening:** Leadership is gradually expanding beyond technology, creating opportunities across industrials, infrastructure, advanced manufacturing, and selected financials.
- **Regional divergence increasing:** Inflation, policy, and growth are becoming more differentiated across regions.
- **Policy expectations shifting:** More resilient US growth and persistent inflation have increased the likelihood of a higher-for-longer policy environment.

What has stayed the same?

- **Growth remains resilient:** Strong earnings, fiscal support, and AI-led investment continue to underpin the global expansion.
- **Equities preferred to credit:** Tight spreads continue to limit the attractiveness of credit despite resilient corporate fundamentals.
- **Active management remains key:** Greater regional and sector dispersion continues to reinforce the case for selective positioning.

What are we watching?

- **Geopolitics and energy markets:** Whether developments in the Middle East lead to renewed disruption or allow markets to remain focused on underlying fundamentals.
- **Broadening AI investment:** Whether earnings growth continues to spread beyond the largest technology companies into the wider economy.
- **Regional policy divergence:** How differing inflation trends and central bank responses shape opportunities across asset classes.

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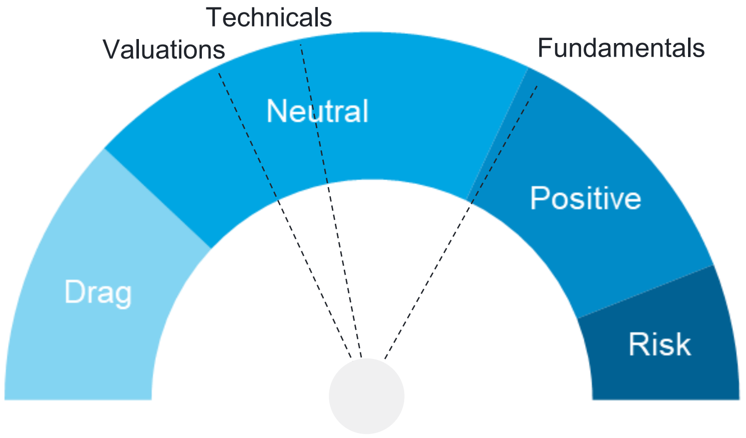
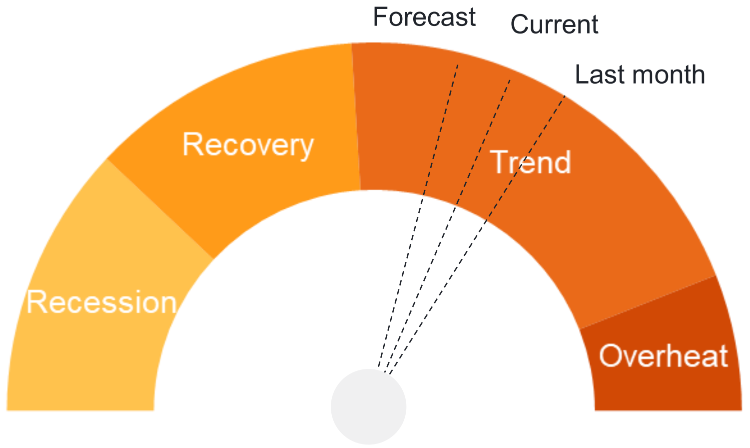
Cycle gauges

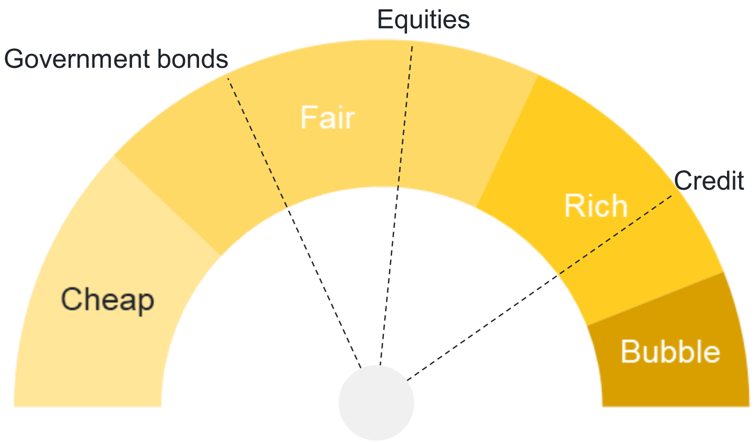
Fundamentals, valuations, technicals



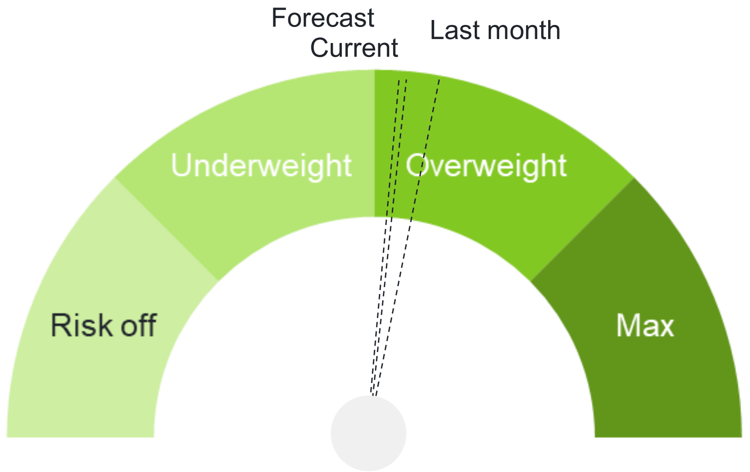
US business cycle



Valuations



Risk appetite



Source: Fidelity International, July 2026.

TAA views summary

		– –	–	=	+	++	Snapshot of views
Equities	**Equities**				●		**Resilient growth and broadening earnings support an overweight position, although regional and sector selection important.**
	US			●			AI leadership continues to underpin earnings, with opportunities broadening beyond the largest technology companies.
	Europe		●				Slower growth, weaker earnings momentum, less attractive valuations, and greater sensitivity to higher energy prices leave us underweight.
	UK			●			Attractive valuations and global earnings exposure are balanced by a softer domestic economic outlook.
	Japan				●		Corporate reform, rising inflation, and improving domestic demand continue to support Japanese equities.
	Emerging markets				●		Country selection remains key, with attractive opportunities in markets benefiting from structural reform and resilient fundamentals.
	Asia Pacific ex. Japan		●				AI supply chains remain supportive, but weaker Australian fundamentals and mixed regional prospects support a neutral view.
Credit	**Credit**		●				**Strong fundamentals offset by tight spreads, leaving us underweight overall.**
	Investment grade		●				Tight spreads continue to offer limited compensation despite resilient corporate fundamentals.
	High yield			●			Attractive carry is balanced by tight valuations and limited scope for further spread compression.
	Emerging market debt (hard)			●			Solid fundamentals support the asset class, but tighter spreads justify a neutral stance.
Government bonds	**Government bonds**			●			**More attractive yields are balanced by resilient growth and inflation pressures.**
	US Treasuries			●			Sticky inflation and a more hawkish Federal Reserve reduce the appeal of US duration.
	Euro core (Bund)			●			Softer growth supports Bunds, although ECB policy and fiscal risks limit conviction.
	UK Gilts				●		Attractive valuations and scope for Bank of England to be less hawkish underpin our preferred duration exposure.
	Japanese gov. bonds			●			Bank of Japan normalisation continues to place upward pressure on yields, limiting conviction.
	Emerging market gov. bonds (local)			●			Elevated real yields remain attractive, although opportunities are increasingly country specific.
Cash, currencies, & gold	**Cash**			●			**Cash at neutral.**
	US dollar				●		Stronger growth and higher-for-longer interest rates support the dollar in the near term.
	Euro		●	←			Weaker growth and softer earnings momentum, especially compared to the US, weigh on the outlook.
	Japanese yen			●			Monetary policy normalisation is offset by fiscal concerns and uncertainty over future tightening.
	Sterling		●				Softer domestic growth and expectations for a less hawkish BoE policy weigh on the outlook.
	Emerging markets FX			●			Attractive carry supports selected currencies, but a firmer dollar and divergent fundamentals favour a selective approach.
	Gold			●			Structural demand remains intact, but a stronger dollar and renewed momentum elsewhere create a more balanced outlook.

Source: Fidelity International, July 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.

Best ideas for investment outcomes

Growth

- **Japan and EM equities preferred, particularly Korea, Taiwan, and China tech**, supported by structural tailwinds, earnings momentum, and attractive valuations.
- **Thematic equities related to AI infrastructure, grid upgrades, and electrification** remain supported by strong investment and long-term demand.

Income

- **Emerging market bonds** in select local markets continue to look attractive given elevated yields and commodity-exporting fundamentals. Selectivity is key.
- **Quality income equities** provide resilient cashflows and relative defensiveness in a more uncertain macro environment.

Capital preservation

- **Gold** continues to provide portfolio diversification in a world of elevated geopolitical uncertainty and less reliable asset correlations.
- **Infrastructure and real assets** linked to electrification, digital infrastructure, and energy security continue to offer long-term diversification benefits.

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.

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.

Equities

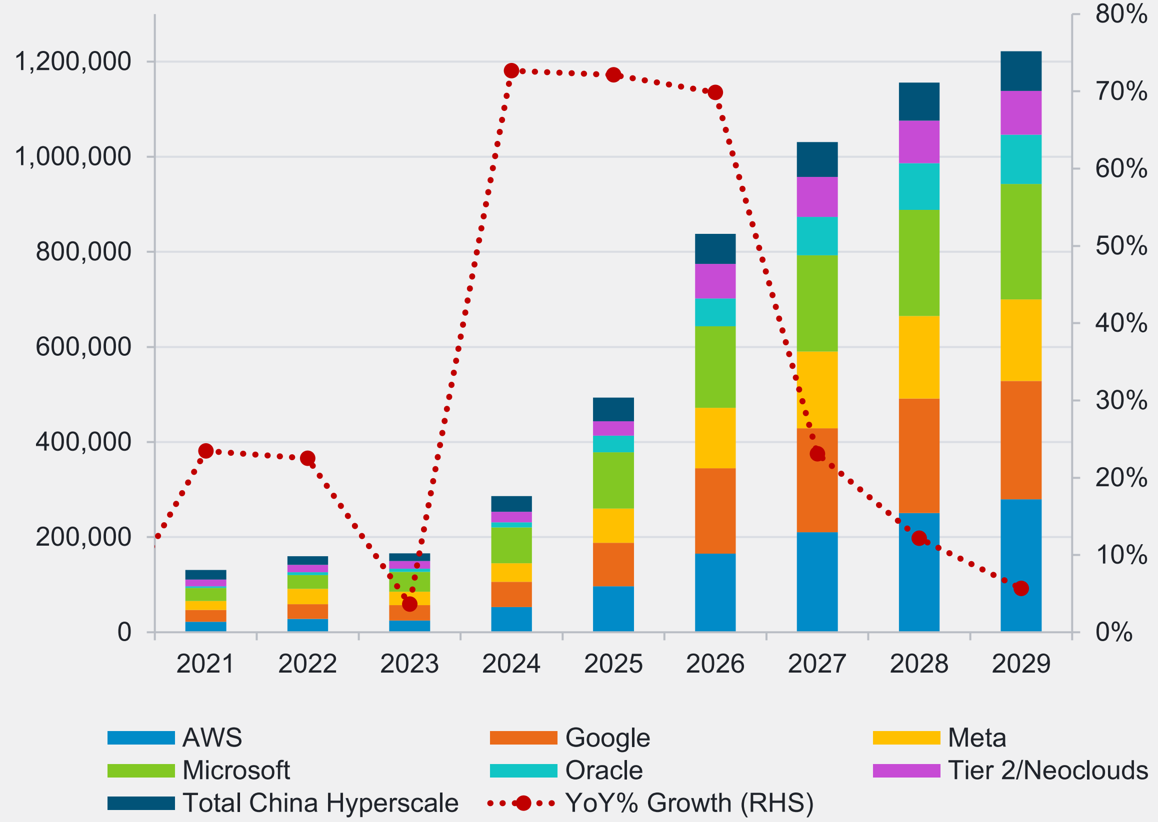
	– –	–	=	+	++
Equities				●	
US			●		
Europe		●			
UK			●		
Japan				●	
Emerging markets				●	
Asia Pacific ex. Japan		●			

Key views

- **The AI investment cycle is broadening:** Leadership is gradually expanding beyond technology, creating opportunities across industrials, infrastructure, advanced manufacturing, and selected financials.
- **Japan remains our highest conviction market:** Wage-led reflation, resilient earnings, corporate reforms, and improving shareholder returns continue to support the outlook.
- **Emerging markets continue to offer attractive opportunities:** We favour selective exposure to markets benefiting from improving earnings, structural reforms, attractive valuations, and participation in the AI investment cycle.
- **Europe remains our least preferred region:** Weaker growth, softer earnings, and greater energy sensitivity continue to weigh on the outlook.

Hyperscalers continue to invest aggressively

Hyperscalers' capex projection (USD, Mil)



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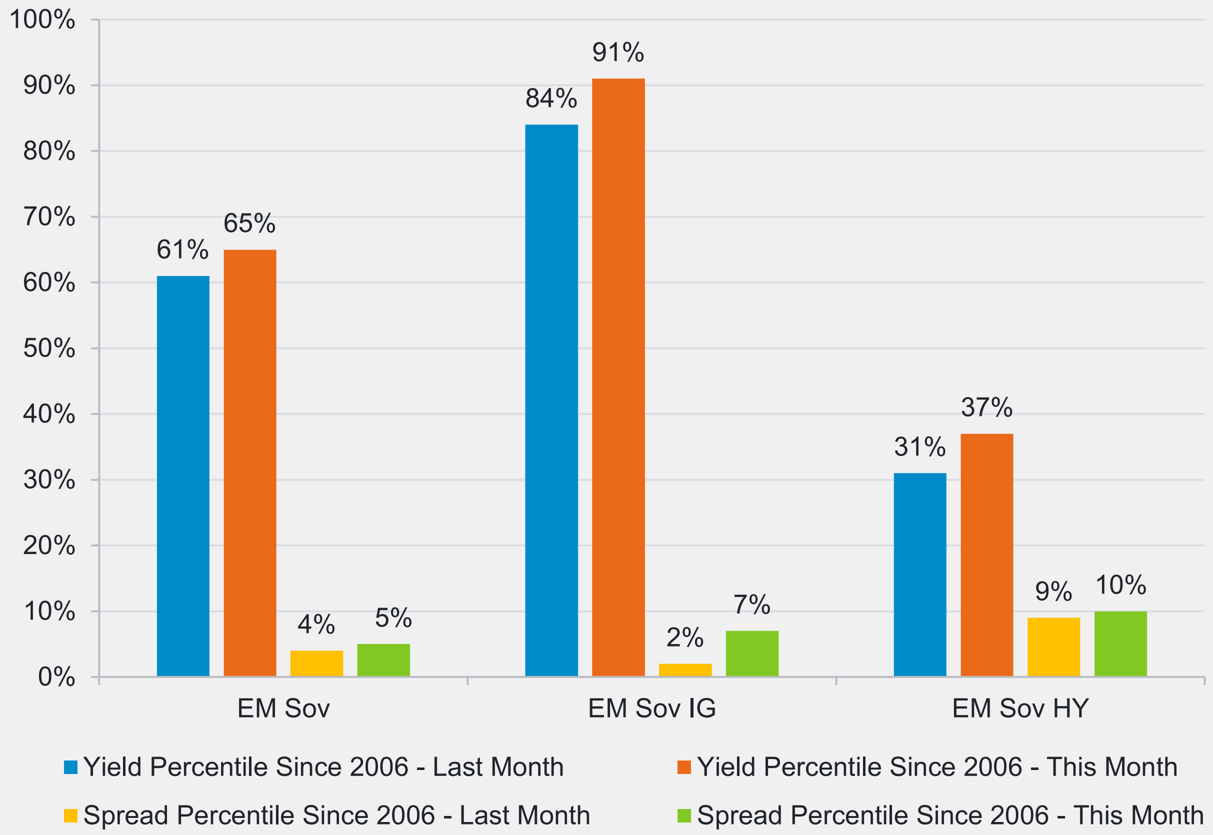
Credit

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

Key views

- **Valuations remain the key challenge:** Corporate fundamentals continue to hold up well, but spreads, particularly in investment grade, offer little compensation for risk.
- **High yield remains an income opportunity:** Carry continues to support returns, although tighter spreads mean future performance is increasingly likely to come from income rather than capital appreciation.
- **Selective opportunities remain in emerging markets:** Fundamentals remain resilient, but dispersion is increasing, reinforcing the importance of country and issuer selection.

EMD HC spreads don’t leave much room for error



Source: Fidelity International, July 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, July 2026.

Government bonds

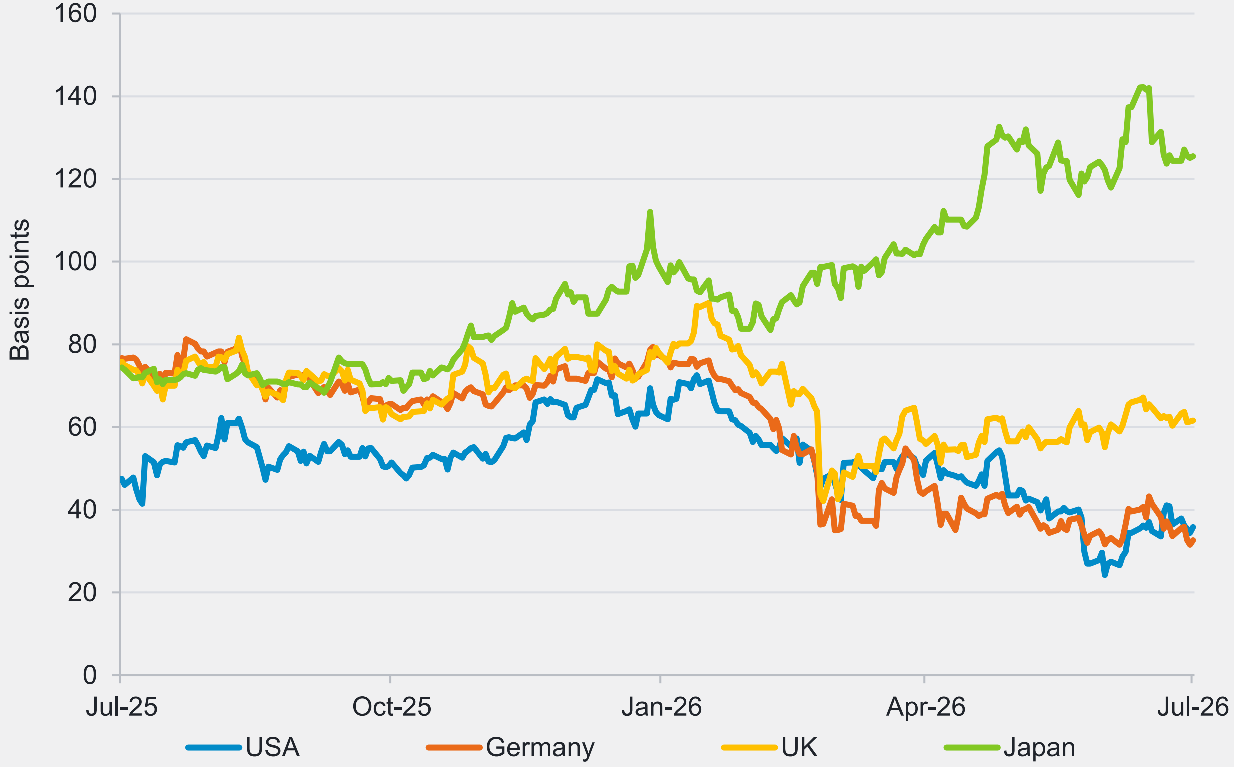
	– –	–	=	+	++
Government bonds			●		
US Treasuries			●		
Euro core (Bund)			●		
UK Gilts				●	
Japanese gov. bonds			●		
Emerging market government bonds (local)			●		

Key views

- **Competing forces keep us neutral:** Higher yields are improving valuations, but resilient growth and persistent inflation continue to limit the case for duration.
- **Regional differences matter more:** Diverging inflation and monetary policy paths are creating a wider range of opportunities across developed bond markets.
- **UK Gilts remain our preferred developed market exposure:** We continue to favour Gilts, where valuations are attractive and we believe the Bank of England will ultimately prove less hawkish than markets currently expect.

US curve flattens as Fed becomes more hawkish on stronger data, while BoJ seen as 'behind the curve'

G4 2s10s curves



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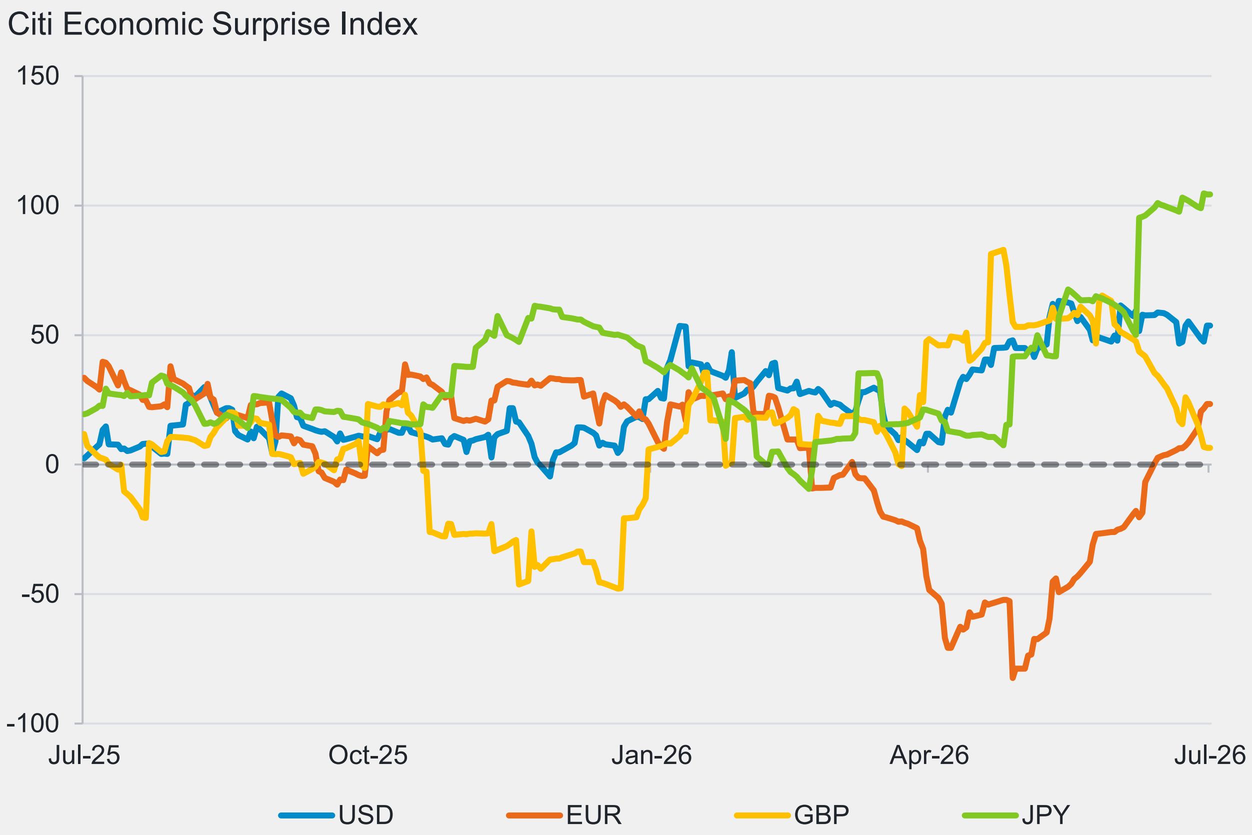
Cash, currencies & gold

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

Key views

- **Strong fundamentals support the dollar:** Resilient US growth, higher yields, and a more hawkish Federal Reserve continue to underpin the near-term outlook.
- **We have moved underweight the euro:** Weaker growth and softer earnings momentum continue to weigh on the outlook.
- **Sterling remains under pressure:** Weak labour market dynamics, fiscal challenges, and political uncertainty continue to create headwinds.
- **Gold remains a diversifier:** Structural support from central bank demand, geopolitical uncertainty, and a more fragmented world remains intact despite a more balanced near-term outlook.

Greater dispersion amongst major regions should create opportunties



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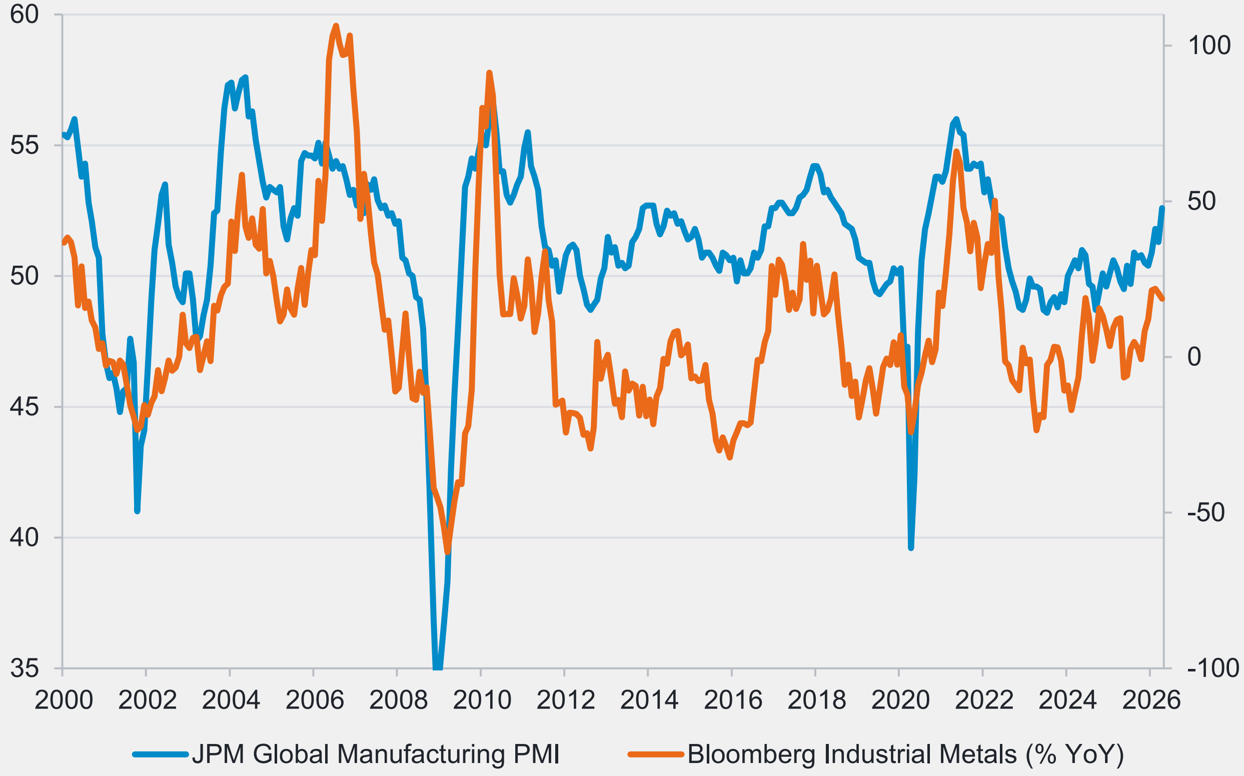
Other TAA views

- **AI infrastructure:** We continue to favour companies supporting the buildout of AI infrastructure, including power infrastructure, grid modernisation, and digital infrastructure. These areas offer exposure to the AI investment cycle beyond the largest technology companies.
- **Healthcare:** We believe healthcare offers an attractive combination of resilient earnings, reasonable valuations, and long-term structural growth. The sector also provides a useful source of diversification within equity portfolios at a time when market leadership remains heavily concentrated in AI-related technology stocks.
- **Japan financials:** Wage-led reflation, gradually higher interest rates, and continued corporate governance reforms continue to improve the outlook for Japanese banks and broader financials.
- **Broad commodities**: Resilient global growth and structural demand from AI, electrification, and energy security continues to support the long-term outlook. In oil, stronger strategic demand following the Iran conflict and the rebuilding of strategic reserves should provide near-term support, while higher production is likely to keep prices broadly range-bound over the medium term.

Resilient global growth supportive of industrial metals strength

Global Manufacturing PMI & BCOM Industrials



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Important information

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