JAGGER & ASSOCIATES

Investment Update
July 2026

Investment Headlines & Comment

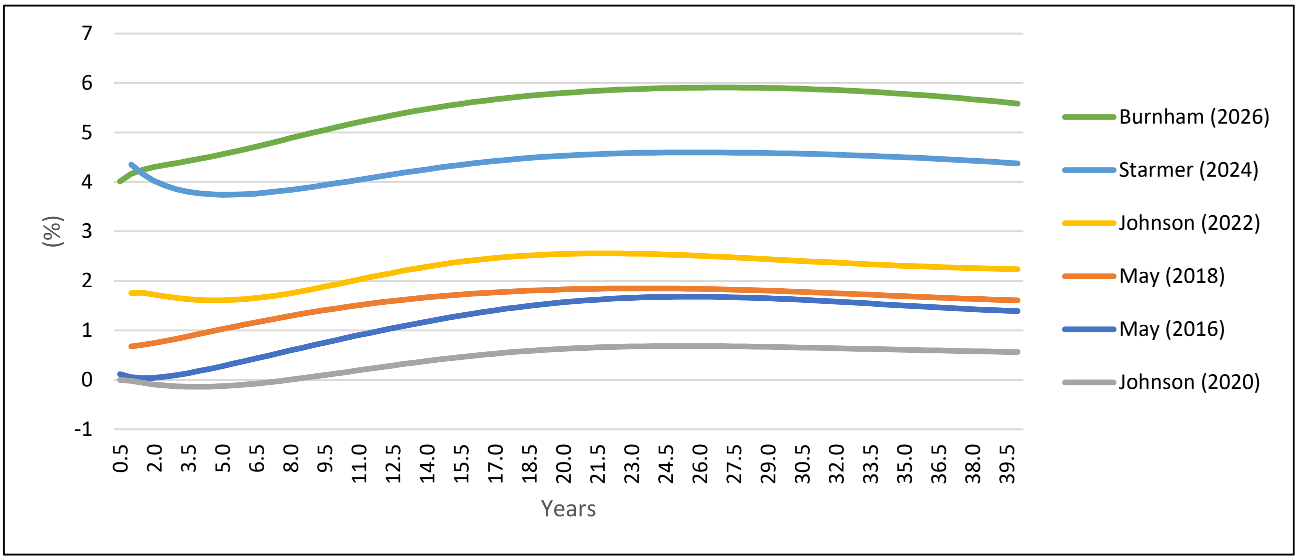
- A poor month for Far East equities.
- Commodities performed well due to the oil price increasing.
- Strong demand for the latest tranche of 2038 Index-Linked.

Feature Section

This month we reflect on how gilt markets have reacted to the last decade of revolving-door premierships. July has become a peculiarly dangerous month for Prime Ministers, with no fewer than four of the last six exits from Number Ten taking place in that month.

Figure 1 shows the gilt yield curve at 31 July for alternate years from 2016 through to 2026. Labels are in end value order for ease of reference.

Figure 1: Yield Curves



Source: Bank of England

Clearly, global events will have had a significant impact on each curve, as well as the individual Prime Minister's government policies. Due to the pandemic, the curve for July 2020 was astonishingly low. Yes, future economic historians will marvel that at the end of that July, nominal gilt yields were slightly negative for maturities right through to 8 years, and not rising by much over the remainder of the yield curve.

The two curve entries for 2016 and 2018 are remarkably similar (which is arguably unsurprising given it was the same government, endlessly grappling with Brexit). However, the curves do diverge somewhat at the short end, where the process had started of gradually raising short-term interest rates.

The 2022 curve basically follows that "raising rates" process further, with the pandemic distortion having fortunately largely abated. Although it is not an "end July" curve, the Truss-related jump in yields later that year achieved a curve roughly midway between the 2022 and 2024 curves.

With a change of governing party, the 2024 curve showed markets were wary, with rates having risen markedly, although rising energy costs would also have been a factor. Changing the party leader has led to the 2026 curve being even worse. 20-year yields are now back at levels last seen in July 1988, and 45-year yields are at an all-time high (although that dataset only starts in March 2009). With roughly 3 months to go to the new Chancellor's first Budget, will there be any improvement in investor confidence by then, or are these yields levels the new "normal"? Only time will tell.

Asset Returns and Financial Measures [*in Sterling unless marked otherwise*]

The cells in bold with light shading show the best and worst performing asset classes from each column. The commodities and $-based and unhedged-£-conversion hedge fund returns are excluded from that.
[**NB:** Future returns cannot be inferred from this table alone, but coupled with other items within *Update*, readers can make inferences as to whether they should be higher or lower than the past returns shown below.]

Table 1: Investment Data to 31 July 2026

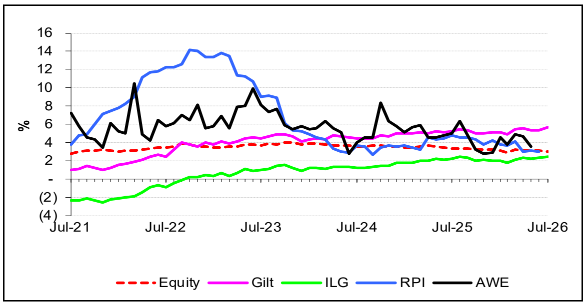
Asset Class	1 month (%)	3 months (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	20 years (% p.a.)
UK Equities	**3.7**	5.6	21.6	15.7	11.6	8.6	7.1
Overseas Equities	-1.7	5.8	22.0	17.6	12.3	13.0	11.2
US Equities	-1.3	5.3	17.5	17.8	13.2	**14.9**	8.0
Europe ex UK Equities	-0.5	6.6	20.6	12.8	8.6	10.0	**13.2**
Japan Equities	-0.5	6.1	29.6	16.2	10.9	9.4	7.0
Pacific ex Japan Equities	**-7.3**	**9.8**	**62.8**	**27.0**	**14.7**	12.4	11.4
Emerging Markets	-4.4	5.9	34.8	18.1	9.2	9.5	8.7
UK Long-dated Gilts	-3.6	0.4	-0.7	-1.8	**-12.3**	**-4.7**	**1.9**
UK Long-dated Corp. Bonds	-3.3	0.9	0.7	2.1	-7.5	-1.3	3.2
UK Over 5 Yrs Index-Linked Gilts	-2.3	**-1.7**	0.7	**-3.0**	-11.3	-3.0	2.8
High Yield (Global)	-1.5	1.3	3.3	7.0	4.0	4.8	8.0
Overseas Bonds	-2.0	-0.4	**-2.1**	-0.3	-2.6	-1.0	3.5
Property *	0.4	1.2	5.9	5.1	3.6	4.4	4.5
Cash	0.3	0.9	3.9	4.6	3.5	2.0	2.0
Commodities £-converted	11.0	-5.4	39.2	13.3	16.4	9.6	0.3
Hedge Funds original $ basis *	0.3	6.4	16.3	11.5	6.6	7.3	5.4
Illustrative £-converted version *	1.9	6.1	20.0	9.9	7.4	7.3	7.2
Euro relative to Sterling	-0.8	-1.0	-1.2	-0.1	0.0	0.2	1.1
US $ relative to Sterling	-1.4	1.0	-1.7	-1.5	0.7	-0.1	1.7
Japanese Yen relative to Sterling	0.7	-0.6	-7.1	-5.2	-6.6	-4.4	0.0
Sterling trade weighted	0.8	0.3	1.3	1.2	0.8	0.7	-0.9
Price Inflation (RPI) *	0.3	1.2	3.0	3.4	6.5	4.7	3.8
Price Inflation (CPI) *	0.1	1.1	2.6	2.7	5.1	3.5	2.9
Price Inflation (RPIX) *	0.3	1.3	2.9	3.0	6.0	4.5	3.8
Earnings Inflation **	-2.4	-2.2	3.5	4.5	5.2	4.2	3.2
All Share Capital Growth	3.6	4.9	17.7	11.6	7.7	4.8	3.4
Dividend Growth	0.2	0.6	4.8	4.5	9.1	3.1	3.4
Earnings Growth	4.4	9.3	25.7	20.8	10.8	12.8	2.6

Note: All market returns are total returns for pension funds with income reinvested monthly. Indices used are as follows:

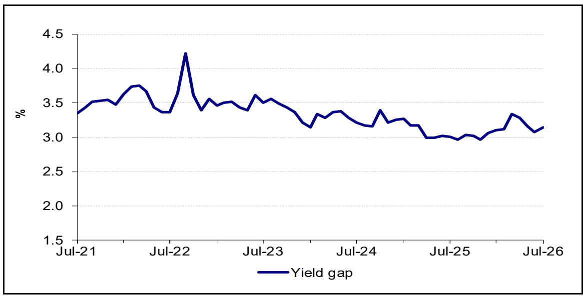
- *UK Equities (incl. dividends and earnings) – FT-A All Share.*
- *Overseas Equities (incl. regions) – blend of FT All-World / World sub-indices*
- *Emerging Markets from MSCI US $ based total return index (overall Index to 31 Oct 2001, Free Index from 1 Nov 2001 to take account of foreign investment restrictions), conversion to UK £ by J&A.*
- *UK Bonds – FT-A indices (Gilts Over 15 Years, ILG Over 5 Years)*
- *UK Corporate Bonds – iBoxx Non-Gilt **Over 15 Year** index (all credit ratings combined)*
- *High Yield – ICE Global, £ Unhedged*
- *Overseas Bonds – JP Morgan Traded Unhedged World ex UK*
- *Property – MSCI IPD UK Monthly Property Index*
- *Commodities – GSCI Total Return, converted to UK £ by J&A*
- *Hedge Funds Composite – HFRI US $ based total return index plus converted to UK £ by J&A. **NB A smooth "cash + x%" return will only be shown in the base 'hedged' currency, here the US $.***
- *Cash – an indicative index based on the three-month London Interbank Sterling mid-rate, and SONIA since March 2021, calculated internally by J&A*
- *Price and earnings inflation – RPI, CPI, RPIX, and Average Weekly Earnings (whole economy, not seasonally adjusted, latest provisional data)*
- *Currency data – London close, from the Financial Times*
- ** denotes data lagged by 1 month, ** by 2 months – these reflect the later publication dates of these data items.*

Yields and Yield Gaps

Figure 2: Yields, Inflation and Yield Gaps



The yield gap is a measure of expected average future inflation, derived as long bond yield minus ILG yield.

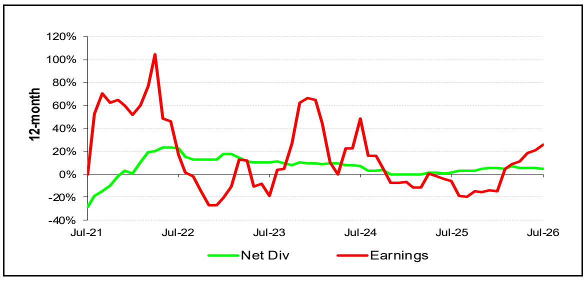


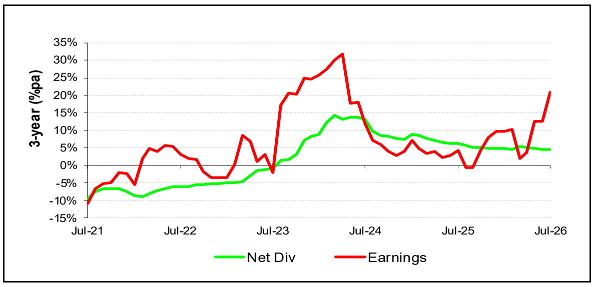
The gap gives a current expectation of around 3.2% p.a. for longer-term inflation including the (unknown) risk premium for gilts, relative to index-linked gilts.

Growth in Earnings and Dividends

These charts show movements in rolling 12-month and 3-year dividend and earnings growth for UK Equities over the last 5 years. [*NB the charts have different scales*]

Figure 3: Dividend & Earnings Growth

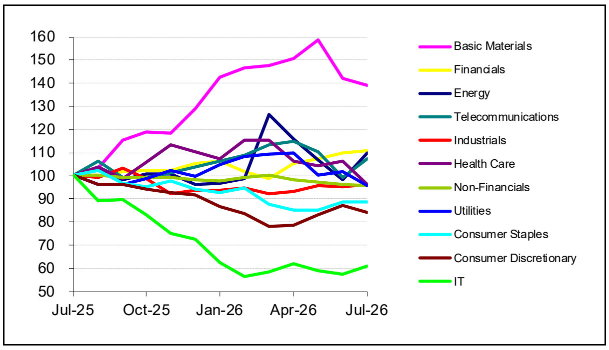




Note: Earnings data from mid-2015 onwards is no longer reliable as one-off events may be affecting the prospective P/E ratios

UK Equity Sector Returns

Figure 4a: Sectors relative to All Share



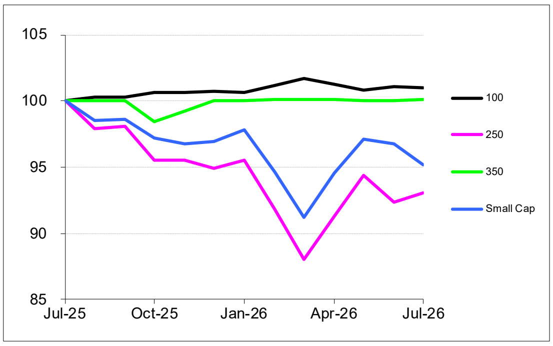
Note: Sector labels for relative lines are in end-value order

There was a fall this month in the rolling 12-month sector dispersion (down from 88% to 78%).

(% absolute return)	1 mth	3 mth	12 mth
Energy	16.0	0.0	33.5
Basic Materials	1.5	-2.6	69.1
Industrials	4.7	9.2	16.9
Consumer Staples	4.0	10.0	7.8
Health Care	-6.4	-4.8	16.6
Consumer Discretionary	-0.2	13.2	2.0
Telecommunications	12.1	-1.2	30.6
Utilities	-2.3	-8.1	16.4
Non-Finan	3.1	3.3	16.5
Financials	4.9	11.4	34.9
IT	10.4	3.9	-26.0
All Share	3.7	5.6	21.6

UK Equity Size Returns

Figure 4b: Size groups relative to All Share



This month, Small Cap fell relative to the All Share, but Mid Cap rose.

Sources for charts on this page:
Financial Times, Office for National Statistics, J&A

Bond market information

Figure 5: £ Non-Gilt Credit Margins

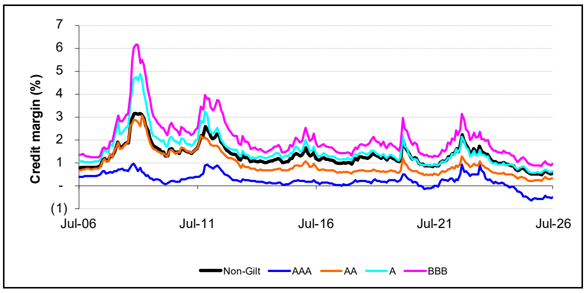


Table 2a: Over 15 Yr Corporate Yields & Margins

Month End	iBoxx Corp AA Y'ld (%)	FT 20 yr Gilt (%)	Margin (%)
Feb '26	5.44	4.89	0.55
Mar '26	6.06	5.42	0.64
Apr '26	6.15	5.56	0.59
May '26	5.93	5.37	0.56
Jun '26	5.94	5.34	0.60
Jul '26	**6.30**	**5.62**	**0.68**

Tables 2b, 2c: £ Market Size (£bn) and Maturity

Category	Mkt Val (£bn @ Jul 26 & 23, 20)			Weight (%)
Gilts (66)	1,697	1,370	1,676	74.9
Non-Gilts (1,237)	569	547	673	25.1
AAA (139)	121	115	135	5.3
AA (158)	71	71	85	3.2
A (461)	179	162	184	7.9
BBB (479)	198	199	268	8.7

Category	Mkt Val (£bn @ Jul 26 & 23)		W't (%)	Dur'n (yrs)
Gilts (66)	1,697	1,370	74.9	7.9
< 5 Yrs (15)	564	434	24.9	2.6
5–15 Yrs (24)	703	447	31.0	7.5
> 15 Yrs (27)	431	489	19.0	15.5
Non-Gilts (1,237)	569	547	25.1	5.1
< 5 Yrs (558)	295	269	13.0	2.5
5–15 Yrs (482)	205	195	9.1	6.5
> 15 Yrs (197)	68	83	3.0	12.6

Tables 2d, 2e: € Market Size and Maturity (Jul 26)

Category	Mkt Val (€bn)	Weight (%)
Sovereigns (563)	8,202	55.7
Non-Sovereigns	6,510	44.3
AAA (1,456)	2,358	16.0
AA (766)	853	5.8
A (2,005)	1,728	11.7
BBB (2,220)	1,571	10.7

Category	Mkt Val (€bn)	Weight (%)
1 – 3 Yrs (1,915)	3,678	25.0
3 – 5 Yrs (1,879)	3,247	22.1
5 – 7 Yrs (1,366)	2,409	16.4
7 – 10 Yrs (1,059)	2,414	16.4
10+ Yrs (791)	2,964	20.1

Table 2f: Breakdown of £ Index-Linked Market

Category (Number of issues)	Mkt Val (£bn @ Jul 26 & 23)		W't (%)	Dur'n (yrs)
Gilts (34)	551	563	100.0	13.0
< 5 Yrs (4)	100	95	18.2	2.2
5 – 15 Yrs (11)	232	196	42.1	8.7
> 15 Yrs (19)	218	271	39.7	22.5

Table 2g: High Yield bond yields (BB-B indices)

Month End	US (%)	Euro (%)	Sterling (%)
May '26	6.74	5.40	8.12
Jun '26	6.82	5.35	7.85
Jul '26	**7.02**	**5.54**	**8.14**

Sources: DMO, FTSE, iBoxx, ICE, J&A

£ Gilt Market "main" & "Green" Issuance

- £0.75bn, $^1/_8$% 2028 (4.97x, 3.99%, n/a, Apr '26)
- £0.75bn, $^1/_8$% 2028 (5.35x, 4.09%, n/a, Jul '26)
- £5.00bn, 4% 2029 (3.42x, 4.46%, 0%, Jun '26)
- £0.75bn, 4¾% 2030 (3.74x, 4.36%, n/a, Nov '25)
- £1.25bn, $^1/_8$% IL 2031 (4.26x, 0.93%, 0%, May '26)
- £4.85bn, 4$^1/_8$% 2033 (3.16x, 4.62%, 21%, May '26)
- £4.52bn, 4$^7/_8$% 2036 (3.13x, 5.04%, 6%, Jun '26)
- £3.25bn, 4$^5/_8$% Gr 2037 (3.31x, 4.93%, n/a, Jun '26)
- £4.75bn, 1¾% IL 2038 (***12.8x***, 2.08%, n/a, Nov '25)
- £0.75bn, 4¼% 2040 (3.86x, 5.33%, n/a, Dec '11)
- £0.50bn, 4% 2063 (3.51x, 5.72%, n/a, Jun '25)

Note: Issuance amounts are nominals. The second % figure in each row is the yield or real yield. The third % figure is the additional amount taken up under the Post Auction Option Facility (PAOF), as a % of the amount of the issue. No PAOF applies for Green Gilt (Gr), tender or syndication cases.

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