



Rathbone Greenbank Multi-Asset Portfolios

Rathbone Greenbank Defensive Growth Portfolio

Quarterly investment update April to end June 2026

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Hot topics

Markets hot topics (Macroeconomic)

This information reflects our general views and should not be taken as a recommendation or advice as to how a specific market is likely to perform.

Warsh's plot twist

Kevin Warsh spent much of last year on the campaign trail, so to speak, lambasting the US Federal Reserve for being too slow to cut rates. Yet at his first meeting as the new Chair in mid-June, the reformed rate-cutter came out sounding decidedly hawkish.

The Fed voted unanimously to hold the fed funds rate at the 3.50-3.75% band for the fourth meeting running. It also shifted stance: rather than continuing to imply that the next move would be a cut, it now signals a likely increase in rates. The Fed revised its 'dotplot' median rate forecast for the end of 2026 from 3.4% to 3.8%. Warsh himself declined to give his own forecasts for the dotplot, reinforcing a notable move away from forward guidance.

While investors have been surprised by Warsh's more hawkish flavour, we think it's more nuanced than that. The new Chair was particularly scathing about *the way* that the Fed has operated, as opposed to whether any particular interest rate move was right or wrong. He has set up a review of the Fed's processes, calling the Fed's data "old-fashioned". He has previously said that he prefers 'trimmed-mean' gauges of inflation that ignore the biggest outliers to get a better grasp of underlying inflation. We think this could make Warsh more dovish than his first appearance would suggest: you can see from our chart that it greatly undershoots the others.

Of course, criticising the last guy for not controlling inflation after spending the past six months urging him to cut rates is an eyebrow-raiser. Especially if his solution will be to simply move to a new calculation that happens to be much lower. Would fit our postmodern age like a glove though!

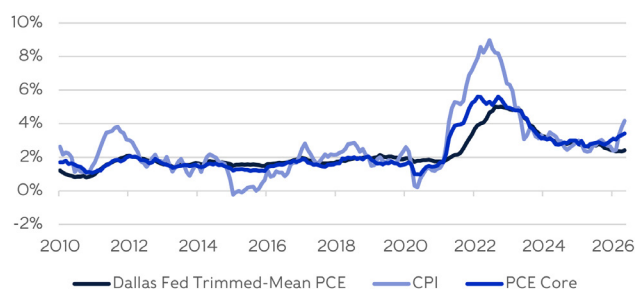
We think this posture is more about the moment than the man. He said what he needed to get the gig – he's been courting it for the better part of 15 years and narrowly missed out on the last two nominations. For all the concern that he's the President's puppet, he's a serious person with serious credentials. He seems hungry to put his own stamp on the job. Another lawyer by education (as opposed to an economist), he has worked on Wall Street, given economic advice in the White House, lectured at Stanford, and served a stint as Fed governor. His style seems to be one of a less-active, less-vocal Fed.

Aside from his aversion to forward guidance, his most vocal modern monetary policy objection is quantitative easing – where central banks buy huge amounts of debt to lower long-term borrowing rates. The Fed still holds \$6.7 trillion of assets bought to quell a number of crises since the Global Financial Crisis, when the Fed first used the strategy. It had been steadily reducing them until this year, when the assets started growing once again.

Hot topics

It could be that Warsh plans to reduce the Fed's involvement in the bond market, allowing the Fed to cut overnight rates. This is because selling its bonds would 'tighten' monetary policy by increasing the interest rate on debt and therefore making it harder to come by – just like if the Fed raised rates directly. Therefore, it could keep its monetary policy broadly stable by offsetting one effect (selling bonds) with another (reducing interest rates). This would likely 'steepen' the yield curve – i.e. increase the gap between lower short-term interest rates and higher rates for longer-term debt. That would be good for banks: they borrow from depositors at low rates and lend to homeowners and businesses at higher rates for many years. But it would hurt the value of high-growth companies that have a big portion of their value bound up in profits expected far out into the future.

New Fed chair prefers lower 'trimmed-mean' inflation



Source: FRED, Dallas Fed; data January 2010 to May 2026

\$6.7 trillion

20% of US GDP and the value of assets (mostly US government bonds) owned by the Fed – much to the new Chair's annoyance.

Chips on the table

The world's semiconductor giants added roughly \$2 trillion in combined market cap in the second quarter alone: Micron's share price soared more than 240%, Intel was up 216% and AMD 186%. Nvidia, still the biggest fish, booked \$215.9 billion of revenue in its latest financial year – a 65% jump – of which around 90% came from AI-related data-centre kit. The Semiconductor Industry Association reckons global chip sales swelled 26% to \$792 billion in 2025, the fastest growth in 20 years, and are on track for over \$1 trillion in 2026; researcher and agency Gartner thinks \$1.3 trillion.

Behind the numbers is a genuine, physical shortage. TSMC, the world's chip factory, is investing roughly \$55bn this year in new production – about 35% more than last year and the single-largest annual capex in semiconductor history. Despite that, there's still a waiting list for getting TSMC to fulfil future orders. All-important memory chips are also in short supply because the production facilities have been flooded with orders from AI hyperscalers and data centre operators. Prices for consumer electronics have already started to jump because of it.

Hyperscalers are queuing up to spend a collective \$600bn-\$725bn on AI infrastructure this year. And much of that is chips. Demand is exponential; supply is bottlenecked at almost every gate. That's a lovely place for margins to sit – memory chip maker Micron's gross margin (sales divided by the cost of producing its chips) leapt from 39% to nearly 85% in a year. This has encouraged the company to break ground on new capacity as well.

Hot topics

TSMC and Micron aren't the only ones, with plenty of other companies tempted by the big margins on offer. This is exactly how capitalism should work: higher prices attract investment to boost supply, which will keep our gadgets affordable. But it's also a reminder that semiconductors have been and remain infamously 'cyclical'. There's a lot of opportunity for profit in the next few years, but there's also a lot of risk that too much will be built too quickly, wiping out expected profits and causing widespread losses.

We admit we're a touch nervous. The investment atmosphere is feverish. Retail investors are heavily involved, many of them through leveraged ETFs (which borrow money and use derivatives to amplify single-stock and sector moves by multiples of the original investment). AI is undoubtedly one of the most significant technologies of the past 30 years. That's both a blessing and a curse. It's attracting mind-blowing amounts of investment, which is putting pressure on semiconductor supply chains and pushing AI stock values to levels that erode the margin of safety for any unforeseen hiccups along the road. Yes, phenomenal sums are being spent on building the infrastructure for this new tech, and this is having a significant impact on the earnings of companies in the supply chains. But this doesn't mean there aren't risks – around the return on investment of all this money being spent, the potential for the data centre rollout to slow on supply bottlenecks or planning pushback, or slower-than-expected adoption of the end AI product. If any of these come to pass, current prices could well be overestimating the future returns.

Our approach here is to have balance. We want exposure to AI – because this growth appears generational – but we're diversifying the way we get it. We own the hyperscalers that we think have the best business models and market position. We also own stocks across all sorts of industries: companies that build chip-making equipment, chip factories, and chip designers. But also the industrials selling construction equipment, utilities bolstering the power networks, real estate companies building and leasing out the data centres, and the suppliers selling the components that make them run. But also balanced with exposure to other areas of the market, less in focus, but which have solid fundamentals and an attractive outlook.

The oil crisis that wasn't, and renewables' part in the solution

The conflict between Iran and the US, which has often spilt into other countries and shut the flow of oil through the Strait of Hormuz down to a trickle, has dominated this year. It's been a volatile six months, with investors running first one way, then the other, like a Scooby Doo corridor chase scene.

At times, it's been a real headscratcher, too. Like when Scooby and the spook get confused, and the chaser ends up getting chased. Take the oil price: it's now lower than where it was before the fighting broke out, even though the tanker traffic going through the strait on a good day is only a tenth of normal. The Islamabad Memorandum of mid-June helped reinforce a shaky ceasefire and accelerate an oil sell-off as traders bought the beginning of the end of the war. Yet, for now, the oil still isn't flowing from the world's biggest energy bazaar. How has the oil market managed to defy economic reality?

Hot topics

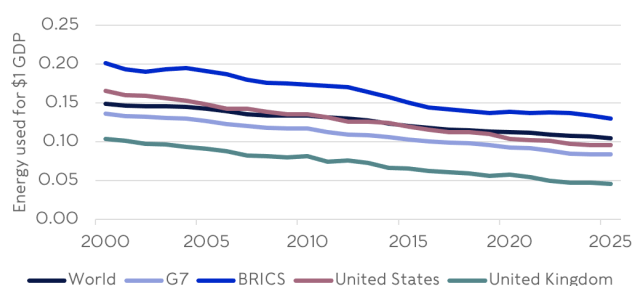
A large part of the solution was a huge release of emergency reserves by OECD nations. A record 400 million barrels – twice that unleashed in response to Russia’s invasion of Ukraine – was drawn to keep pumps full and allow the market to adapt. Ironically, the US also eased sanctions on Russia to allow its oil to re-enter the above-board global market (it was selling it on the sly anyway). There are rumours that China has quietly been drawing large amounts from its own stockpiles, too. This would explain how it has managed to import roughly 25% less crude oil than normal since the crisis began. JPMorgan calculates that accounts for about three-quarters of the fall in oil demand since the war kicked off.

Another reason for the lessened impact was that, compared with past shocks, the world has much more renewable energy to call upon. Greater electrification, with a greater mix of sources, has helped pushed the energy intensity of global economic growth much lower over the past few decades. Electricity is much more efficient than other forms of power, meaning we can do more with less. And added to that, electricity tends to be less carbon-intensive as well. More needs to be done, but this is a great sign of progress towards a zero-carbon future. The world still needs oil and gas to function, but we’re headed in the right direction.

Meanwhile, a lot of oil and gas wasn’t used because of cancelled flights due to the war and other projects were abandoned as the price rocketed higher. Then there’s the demand destruction caused by prices for energy and fertiliser (which is made from gas): especially in the emerging world, fuel was rationed, factories were missing feedstocks, and liquefied petroleum gas (LPG) was in short supply. Despite the ceasefire, this continues in many countries. Added to this, sharp falls in the currencies of energy-importing nations mean that, in many cases, oil is still significantly more expensive in the emerging markets than it was immediately before the war.

All this is not a long-term fix, though. It’s given Iran, the US and Israel months rather than weeks to negotiate a lasting peace and the reopening of the strait. We think it’s in the interests of all parties to come to lasting terms, and remain confident that this will happen.

More electricity in mix helps lower energy intensity of GDP



Source: Enerdata World Energy & Climate Statistics 2026 Yearbook, 2000 to 2024; BRICS is Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran and the UAE

32%

The reduction in energy required for every \$1 of global GDP output (inflation-adjusted) over the past 25 years.

Portfolio activity

Key purchases/additions	Key sales/trims
Intel (purchase)	London Stock Exchange (sale)
Advanced Micro Devices (purchase)	Accenture (sale)
Micron (purchase)	Partners Group (sale)
Arista Networks (purchase)	Canadian Pacific Kansas City (sale)
Keppel (purchase)	UK Government 0.625% 07/31/2035 (trim)

Source: Rathbones

Stock markets have done very well so far this year. But in reality, the rally has been overwhelmingly driven by a handful of mega-cap hyperscalers and AI enablers – the companies building and powering the vast data centres that underpin this technological revolution.

There is incredible demand for memory (RAM) right now, where the bottleneck is significant and very difficult to fix in the short term. With limited capacity coming on line, these shortages are likely to last until the end of the decade, helping to turbocharge earnings for the sector. Equally, AI inference and reinforcement learning are shifting the balance of CPU/GPU requirements. Alongside the rise of agentic AI, CPU demand is expected to quadruple. While the demand appears well underpinned, many companies in this space are highly cyclical with relatively commoditised products (especially memory), and therefore not natural long-term holdings for us.

To try to balance this, we bought a basket of American CPU manufacturers and a RAM maker in the quarter: Intel, AMD and Micron. The market for CPU chips and memory (RAM) is extremely tight. The AI buildout has soaked up virtually all the manufacturing capacity, leading to shortages for all types of chips.

Prices have jumped so much that they are compelling consumer electronics companies to raise their own prices significantly – Apple's iPhone is a case in point.

Semiconductor manufacturing is an infamously cyclical industry. In the past it tends to go through bouts of constrained capacity followed by overeager expansion. This remains a risk, however, we think today's market dynamics create strong tailwinds that should continue for some time yet.

The rise and rise of AI has made for a tough time for many businesses that could be displaced, even those that have strong arguments that this is mistaken – and earnings that continue to deliver. London Stock Exchange Group (LSEG) is one such company. Over the past five years, it has compounded its sales by 35% annually and its profits at 15%. For the coming three years, analysts expect sales to deliver an average of 6% revenue growth and earnings growth to average 20%. LSEG's share price has been hit hard over the past year, but it recovered strongly in the quarter. We used this strength to sell. While we still believe the stock can be relatively well insulated from disruption, it has had a strong recovery from its sell-off earlier in the year and may continue to be buffeted by AI headlines.

Portfolio activity

Another sale was business consultancy Accenture. The business has also been under great strain from AI threats. While it has actually managed to deliver growth in sales and earnings, the risks surrounding its future have grown markedly. The reduced certainty of this continued growth has led to big falls in the company's valuation. We felt there were better, less risky businesses we could buy instead. In mid-June, after we'd had sold the stock, Accenture announced a 3% drop in the quarter's new bookings compared with the same period last year and slightly reined in its full-year sales guidance. The shares dropped almost 20% on the day.

One stock we brought on from our bench was Arista Networks. This business is a specialist in building ultra-fast and low-latency networks for big data centres and cloud computing. It designs the high-speed networking switches that sit at the heart of modern data centres, with hyperscalers and large enterprises among its main customers. As the industry eschews fibre optics for cheaper, copper-wired Ethernet cables when wiring the ever-larger data centre clusters for the latest and fastest AI models, Arista looks well placed to take share in a growing market, supported by sustained capex from the very companies underwriting our chip holdings. Crucially for us, this is also a quality business: a strong balance sheet, high operating margins and consistent cash generation. Just the kind of long-term compounder we like to own.

Then there's infrastructure investment manager Keppel. The Singaporean business has restructured itself considerably over the past decade or more to tighten its focus on property investment, the development of power and telco infrastructure, and the management of outside investors' funds to invest in such projects. Keppel is focused on providing the assets required for the move to clean energy, greater urbanisation and the digitalisation wave. It is increasing the recurring share of its income, which improves the quality of its profits, and is successful in attracting outside investors into its funds.

To make way for Keppel, we swapped out European private equity specialist Partners Group. The company has been hit hard by concerns that the industry is holding too many heavily indebted software businesses (or has lent them money) that could be getting superseded by AI. Partners was specifically targeted by critics who accused them of overvaluing illiquid investments. The company has disputed these claims, but they are hard to completely disprove. We think this tough environment will hobble Partners' ability to raise more money to make new investments, so we decided to sell.

We reduced our UK government bond (gilt) holdings over the quarter as Keir Starmer looked increasingly likely to depart from No. 10. We felt it prudent to lighten our exposure because we felt the bond market won't appreciate a tack to the left, which seems the most likely outcome now that Andy Burnham has taken the reins. We still have a decent amount of gilts in our portfolio, but lately we've been more inclined to spread more of our 'Liquidity' government bond assets across different countries to diversify ourselves. We continued this strategy, using the cash raised from selling gilts to buy the Australian Government 2.75% 2028 and 2.75% 2035, the European Investment Bank 4.125% 2034, and the New Zealand Government 4.5% 2035.

To reinvest in gold while keeping protection in place in case of a big fall from its high level, we had bought the Goldman Sachs Responsibly Sourced 15% Callable Gold 2030 structured product last year. This gave us the return of gold but with complete capital protection if the gold price falls over the product's life. The trade-off is that the issuer can redeem the product at any point and pay us a 15% coupon for each year that has elapsed. Effectively, this caps our potential annual return at 15%. We rolled this into a new one that matures in 2031 and offers a 16% capped return on the gold price. It also means that the gold price at which our capital is protected is higher than the old one.

Spotlight

In this quarter, the spotlight is on our E.ON and SAP holdings.



E.ON

- E.ON is Europe's largest electricity distribution grid operator across 17 countries, with the majority of its revenues from regulated network assets delivering stable, predictable earnings
- Serving 47 million+ customers, E.ON pairs its core electricity network business with fast-growing infrastructure solutions and retail business including district heating, battery storage, and smart grids
- Electricity grids across Europe are increasingly being put under strain by the switch from centralised fossil fuel generation to wind and solar, which have more complex demand dynamics and are more fragmented. This means the wires, substations and cables across Europe need a massive upgrade to cope and E.ON is first in line to benefit from doing that work
- Alongside the need for grid upgrades, there is insatiable demand for new grid connections (for EV chargers, heat pumps and data centres to name a few) which means E.ON is looking at a decade or more of steady, predictable investment in its network assets to meet this demand
- E.ON's networks are the critical infrastructure connecting renewable generation to homes and businesses, enabling mass electrification via heat pumps, EVs, and solar to help millions of customers across Europe decarbonise
- It has science-based goals to halve carbon emissions by 2030 and reach full net zero emissions by 2050



SAP

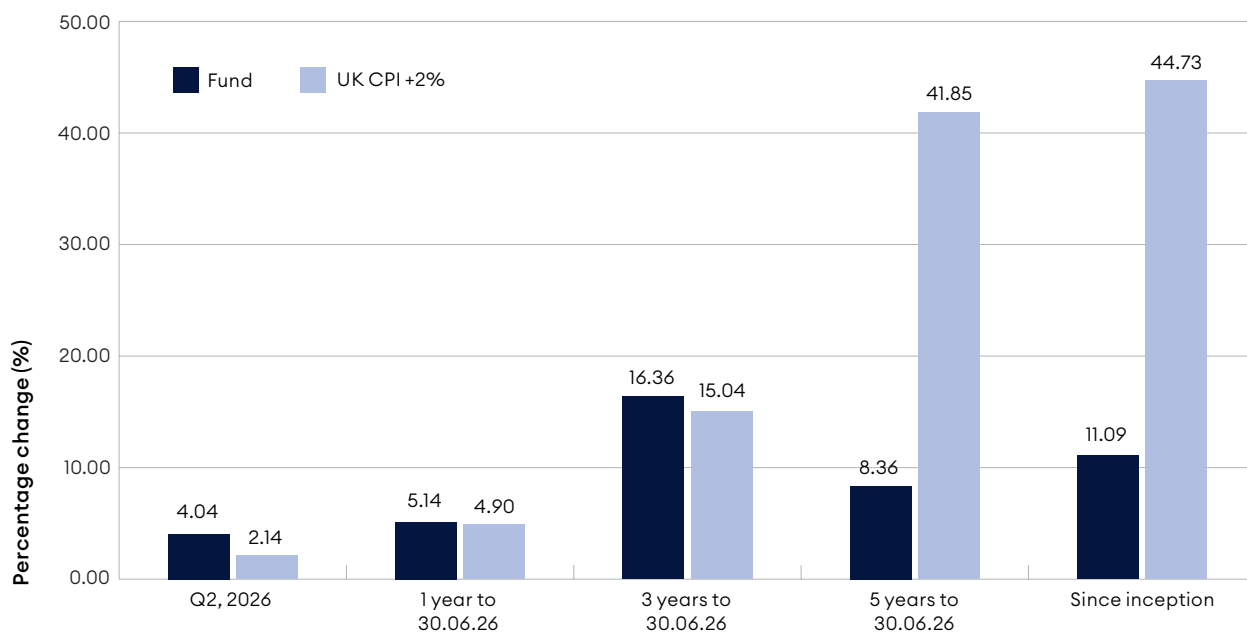
- SAP is a German software giant that makes the “operating system” for big businesses – the software that runs the essentials like finance, HR, supply chains and customer orders, all joined up in one system to help businesses run more efficiently. A lot of the world’s largest companies rely on it
- It used to sell its software as a one-off licence that customers installed on their own computers. Now it’s moving them to the cloud – where the software runs on servers and customers pay a regular subscription to access it online. This shift means steadier, more predictable recurring revenue for SAP and always-up-to-date software for customers. Because of this on-going migration to the cloud, SAP combines the stability of a market leader with the growth of a cloud transformation that still has years to run
- Once SAP is embedded in a company, it’s very hard to replace – creating loyal, long-term customers and plenty of scope to sell them extra tools (like AI and analytics) over time
- SAP helps companies measure, manage and reduce their environmental impact through software that tracks emissions, energy use and sustainability data across complex global operations
- The company has set science-based climate targets and is investing in energy-efficient cloud infrastructure, helping lower the carbon footprint of both its own operations and the businesses that use its cloud solutions

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the portfolio, and no assumptions should be made that the securities identified and discussed were or will be profitable.

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Fund performance

Rathbone Greenbank Defensive Growth Portfolio – Quarter 2 2026



Performance (based on 'S-class' shares). Net of expenses and tax. Net reinvested. Data source: FE fundinfo.

12-month rolling performance					
Year to:	End Jun 2026	End Jun 2025	End Jun 2024	End Jun 2023	End Jun 2022
Defensive Growth	+5.14%	+4.20%	+6.21%	+0.20%	-7.06%
UK CPI +2%	+4.90%	+5.42%	+4.03%	+10.84%	+11.25%
Annual calendar performance					
Calendar year	2025	2024	2023	2022	2021
Defensive Growth	+5.78%	+3.78%	+5.85%	-12.23%	–
UK CPI +2%	+5.31%	+4.67%	+6.01%	+12.87%	–

Price performance based upon single price (mid). Fund launched in March 2021, therefore there is no performance data before March 2022.

Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment.

Fund performance

Top performers		
Holding	Performance	Contribution
ASML	+51.97%	+0.51%
Owens Corning	+45.94%	+0.30%
TSMC	+40.72%	+0.46%
Amphenol	+38.86%	+0.15%
Cadence Design System	+34.20%	+0.29%

Bottom performers		
Holding	Performance	Contribution
Zoetis	-35.42%	-0.20%
Boston Scientific	-32.42%	-0.25%
Trimble	-22.04%	-0.10%
Accenture	-18.44%	-0.12%
Verizon	-14.94%	-0.08%

Note: Top and bottom performers are taken from the list of all holdings of 0.25% and above of the portfolio. Performance and contribution data shown above is based on unhedged GBP capital returns.

Source: Rathbones

A much stronger second quarter saw a solid recovery in our return after a difficult start to the year. The most striking feature of the quarter was a sharp reversal in market leadership: several of the areas that had held up well for us in Q1 lost ground in Q2, while some of the areas that hurt us early in the year became our biggest contributors.

Our equities delivered good gains overall. Notably, our utilities holdings – which had been strong performers in Q1 on the AI-electricity theme – gave back ground in Q2. Power generators SSE and E.ON both dropped as investors rotated back into more growth-oriented parts of the market, and ‘cyclical’ stocks that are more sensitive to the ebbs and flows of the economy. Elsewhere, Hannon Armstrong Sustainable Infrastructure Capital did well after announcing further additions to its clean-energy financing pipeline.

Our technology holdings were the standout contributor, more than reversing their Q1 losses. Companies supplying the hardware and infrastructure behind AI continued to benefit from powerful demand. Semiconductor equipment maker ASML, chip manufacturer Taiwan Semiconductor Manufacturing

Company, chip design software developer Cadence Design Systems and data centre operator Equinix all posted very strong gains. Amphenol, which supplies the connectors and cables used to build out AI datacentres, and switches and fuses supplier Littelfuse both added meaningfully to our performance.

Financials added notably. UK insurer Legal & General, Singapore-based lender DBS Group Holdings and Dutch bank ING Groep were among the strongest contributors, benefiting from a healthy backdrop for the sector.

Healthcare was our biggest detractor. US medical device maker Boston Scientific, US animal-health firm Zoetis and US pharmaceutical firm Abbott Laboratories all fell back. We still believe that the continued ageing of the world’s population makes this a long-term growth story. The fundamentals back us up on this front: Abbott and Boston Scientific delivered solid quarterly earnings. Zoetis was an exception on the fundamentals front, though – it reported poor earnings driven by weakness in its pets division. It was forced to reduce its forecast of full-year profit. The sector hasn’t been helped from being a source of funding for the booming tech rally.

Fund performance

It was a wild ride, but our bonds contributed positively over the quarter. UK government bonds (gilts) and a range of overseas government bonds all made money as global yields eased. This was helped by the decent yields on offer as well – you're paid much more to hold these safer assets than in the past. Similarly, our sterling investment-grade corporate bonds added modestly, helped by good yields and relentless falls in 'credit spreads' – the extra return above gilts for taking the risk that companies default.

Diversifying assets were broadly neutral in aggregate. Our Citi Commodity Curve structured product profited from changes in the prices of commodity futures. Our Société Générale US Rates Volatility Index product also did well, as it benefits from US interest rates jumping around. This was offset by our two Goldman Sachs Sustainable Finance Responsibly Sourced Gold Callable structured products, which dropped after gold pulled back from earlier highs. Taken together, these positions played their intended role of helping to smooth returns during a volatile period for risk assets.

Asset allocation changes

Asset allocation split	31.03.26	30.06.26	% Change		12 month change	
Liquid assets(5%-45%)	30.4%	32.1%	⬆️	1.6%	⬇️	-2.4%
Equity-type risk (30%-70%)	54.9%	53.7%	⬇️	-1.2%	⬇️	-2.0%
Diversifiers (0%-45%)	14.7%	14.3%	⬇️	-0.4%	⬆️	4.4%

For more information on our liquidity, equity-type risk and diversifiers (LED) risk framework, please consult our investor brochure.

Asset class split	31.03.26	30.06.26	% Change		12 month change	
Equities	44.7%	45.1%	⬆️	0.4%	⬇️	-1.1%
UK	7.4%	6.3%		-1.1%		-4.1%
US	23.2%	23.9%		0.7%		-0.1%
Europe	10.5%	10.4%		-0.2%		1.3%
Japan	0.0%	0.2%		0.2%		0.2%
Asia ex-Japan	3.6%	4.4%		0.7%		1.5%
Emerging Markets	0.0%	0.0%		0.0%		0.0%
Global	0.0%	0.0%		0.0%		0.0%
Index-linked bonds	0.0%	0.0%	⚡️	0.0%	⬇️	-2.3%
Government bonds	20.0%	18.1%	⬇️	-1.9%	⬇️	-0.2%
Corporate bonds	13.3%	13.5%	⬆️	0.2%	⬇️	-2.0%
Emerging market debt	0.0%	0.0%	⚡️	0.0%	⚡️	0.0%
Private equity	0.0%	0.0%	⚡️	0.0%	⚡️	0.0%
Alternative investment strategies	11.5%	11.3%	⬇️	-0.3%	⬆️	1.4%
Property	0.0%	0.0%	⚡️	0.0%	⚡️	0.0%
Infrastructure	2.4%	2.5%	⬆️	0.1%	⬆️	1.9%
Commodities	3.2%	3.0%	⬇️	-0.2%	⬆️	3.0%
Cash	4.9%	6.6%	⬆️	1.7%	⬇️	-0.7%

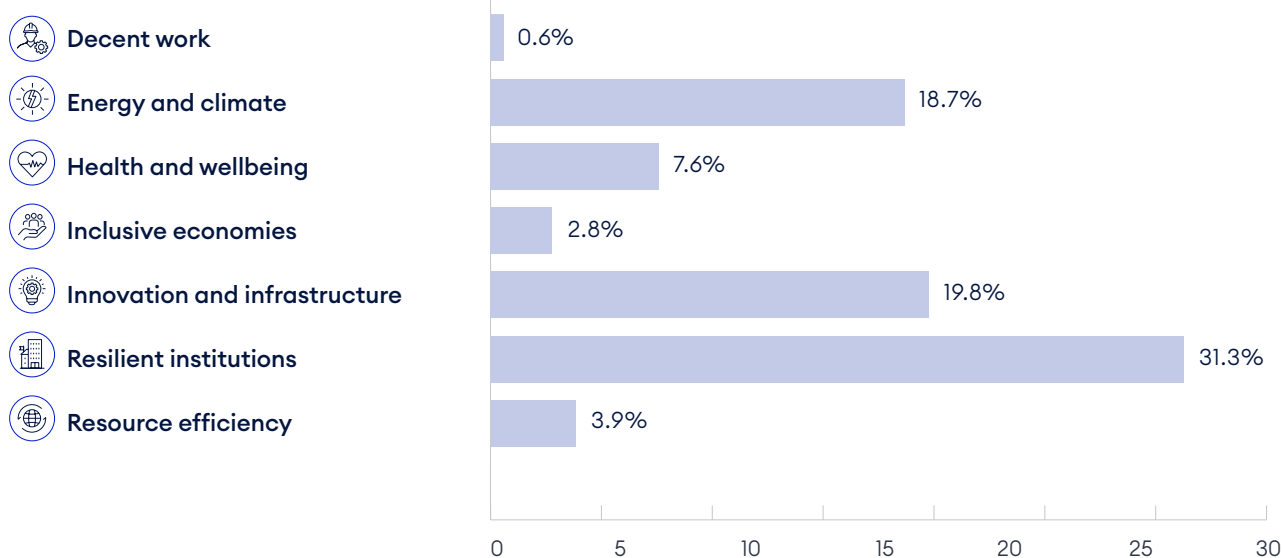
Sustainable category breakdown

Greenbank has mapped the United Nations Sustainable Development Goals (SDGs) to a set of eight sustainable development categories.

These categories ultimately align with the same ambitions as the SDGs but focus on the areas most relevant to companies and investors. Assets in the fund must align to at least one of these categories and the current breakdown of these alignment is shown below.

Sustainable category breakdown

30.06.26



The 'resilient institutions' category includes government bonds.

For more information on our sustainability criteria, please consult our [sustainability process brochure](#).

Investment outlook

It's been a remarkable year. And we're only halfway through.

Markets and the global economy have adapted remarkably well to the energy shock sparked by the Iran war. The resilience and flexibility of the global economy helped contain what could have been a nightmare scenario. Thankfully the fighting appears to have now cooled, and the parties are working on a long-term solution to bury the hatchet.

We're confident that final terms will be agreed under the Islamabad Memorandum and a new normal will be reached that unequivocally reopens the Strait of Hormuz. If that comes to pass, we think it would make inflation recede once again, opening the door to US rate cuts in 2027.

The US economy is slowing slightly, but it still looks very strong indeed. Contrast that with the other side of the Atlantic, where the story is almost inverted. The European Central Bank raised its interest rate by 0.25 of a percentage point to 2.25% in mid-June – its first hike since 2023. The ECB lifted its 2026 inflation forecast to 3.0%, while cutting its expectation of eurozone growth from 0.9% to just 0.8%.

Germany, which was supposed to be the engine of the recovery, has instead stalled: the BDI, a German industrial trade body, cut its 2026 growth forecast to 0.4%, from 1% in January, and the government has halved its own projection to 0.5%. Chancellor Friedrich Merz's €500 billion "investment booster" was meant to be the tailwind Europe needed, but by the end of last year only €24 billion had actually been invested – bureaucracy, it turns out, is harder to reform than a spreadsheet.

While the US continues to forge ahead, we think the global economy is on a strong footing. We are optimistic about the rest of the year. There are risks, sure, but there are always risks. There are also opportunities. A massively powerful technology is being rolled out around the world, offering countless ways for people and businesses to experiment and find better ways of doing what they need to do. The modern world can be overwhelming and it's often framed as a place where all roads lead to doom. But there's a lot going for it too.

Are we investors because we're optimists? Or optimists because we're investors? It's hard to know how the causality runs, but it's a requirement of the job: You can't invest in the future unless you think it can get better.

If there are any of the commentaries you require further clarification on, then please contact your advisers or via the Rathbones Asset Management [website](#).

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