



## RATHBONE MULTI-ASSET ENHANCED GROWTH PORTFOLIO

MONTHLY UPDATE APRIL 2026

**All the joy was in stocks last month; the looming menace was in bond markets. Global stocks leapt higher in April after US President Donald Trump announced a ceasefire with Iran. While the fighting has largely stopped, the truce feels uneasy and the critical Strait of Hormuz is yet to open. But equity traders aren't waiting for certainty. They are buying the direction of travel, which appears to be towards a deal that would turn the taps back on for global oil and gas.**

Digging below the surface of the stock market gains, much of it was driven by bounce-backs in the mega-cap AI hyperscalers at the top of the US market. This is actually a big shift for 2026. Between October and February when the Iran war broke out, 68% of the companies in the S&P 500 index were outperforming the overall index itself. Since the missiles started flying, that number has crumpled to just 26%, according to JPMorgan research.

We benefited from our holdings of some of these AI stocks, along with an added boost from the last afternoon of March. (Our daily fund value is set at noon UK time, so a big jump in the US market on 31 March fell out of last month's numbers and into April.)

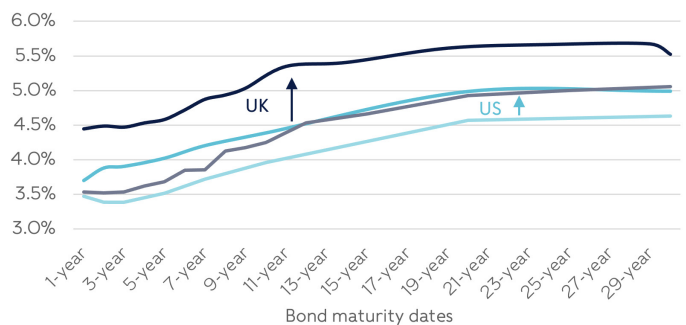
Meanwhile, true to form, bond markets are less enthused. Yields are still high – 5.0% in the UK and 4.4% in the US. Respectively, that's about 70 basis points (bps) and 40bps higher than before the war broke out. UK government bonds remain the highest in the advanced world, with a stubborn half-percentage-point of extra yield above their US counterparts widening over April to 0.6% by month-end.

### **Equities' glass is half full, bonds' is half empty**

Bond investors tend to be more pessimistic because they have a ceiling on their gains: the best result is getting their money back, along with the agreed-upon coupons. Stocks, on the other hand, can go to the stars. Even a complete loss of your investment is very low when compared with theoretically infinite returns. That tends to make stock investors culturally optimistic, while fixed-income investors are more akin to Ebenezer Scrooge.

Although today there's a little more going on under the surface than just the differing dispositions between stock and bond investors. Inflation is on the rise again, driven by soaring energy prices thanks to the Iran war. The chance that it beds in for years to come is keeping bondholders cagey. But not only that, energy price spikes often encourage politicians to make costly bailouts and support programmes for hard-up households and businesses. With many governments already sporting massive debts, such extra spending would mean yet more bonds being issued, pushing bond prices lower (and therefore yields higher).

### **GOVT BOND YIELDS KEEP RISING BECAUSE OF IRAN CONFLICT**



Source: FactSet; UK Treasury mid yields at 28 February and 30 April 2026

We think the effect on inflation will be more modest than many fear. While the recent spike in energy prices and a sharp, unexpected drop in the UK jobless rate have complicated the picture, we still think stubborn inflation above 4% is unlikely to bed in. In the UK, unemployment tumbled because more people stopped looking for work, rather than because many new jobs were created. Not only that, but the number of vacant jobs has fallen to its lowest level since April 2021. To us, this looks like the British labour market is cooling, which should support eventual interest rate cuts. It's not yet a big enough slowdown for central banks to move quickly, however.

Meanwhile, Labour (and the Conservatives) have had about as bad a time in the local council elections as everyone expected. At ink time, a growing rebellion among Labour MPs threatened to oust Prime Minister Keir Starmer. That had pushed UK government bond yields up noticeably.

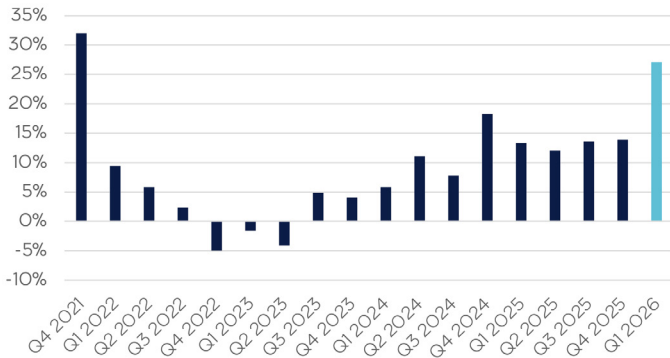
### **Mega-tech driving 30% profit growth for S&P 500**

With just more than half of the S&P 500 having announced first-quarter earnings, the index is on track to post a hefty 27% increase in profits. If that comes to pass, it would be the highest year-on-year jump in US stock earnings since Q4 2021.

The driver of this profit bonanza is the AI businesses and hyperscalers, particularly internet search giant Alphabet and e-commerce king Amazon (both of which we own), and social media giant Meta (which we don't). They together made up a staggering 70% of the S&P 500's earnings increase, according to FactSet. The AI theme continues to dominate, with computer chip demand accelerating and hyperscalers reporting faster cloud revenue growth alongside improving profit margins, easing concerns around returns on extremely large investments. That said, the cost of building this infrastructure continues to rise, with 2026 forecast to be the third consecutive year that hyperscalers' capex grows by more than 60% from the previous year.

While hyperscalers are the runaway winners, the rest of the S&P 500 have boosted profits substantially as well. Earnings growth for the 493 companies excluding the Magnificent Seven has jumped to 16% from 10% at the end of March.

**S&P 500 YoY PROFIT GROWTH**



Source: FactSet Earnings Insight as of 1 May 2026, Q1 2026 provisional

Despite this phenomenal rise in index-level profits, companies have started warning about cost pressures. Higher energy prices have weighed on profit margins across several sectors, prompting many companies to talk about raising prices to offset the impact. Semiconductor bottlenecks are also adding to the strain and are no longer confined to memory chips, having spread into other areas of the supply chain.

Banks have generally been strong, supported by solid trading and investment banking revenues, and there are no clear signs of any meaningful deterioration in credit quality. Industrials remain more mixed: general industrial activity is still weak, but there are pockets of resilience, particularly in non residential construction, defence and mining.

Consumer-facing businesses – consumer staples in particular – have been better than expected, helped in part by low expectations and depressed valuations. So far, there is little evidence of material impact from the Middle East conflict, and even Chinese households appear to be showing signs of improvement. In contrast, healthcare remains a clear laggard, with hopes for a recovery in life sciences and medtech already fading.

**Taking advantage of AI-impacted business bounce-back, and making a switch-up in luxury**

One industry that has been rattled by the upheaval and the chance of a pullback in spending is luxury goods. We took the opportunity to switch our positioning here, selling **LVMH** and buying **Hermes** instead. Hermes is the higher-quality business, yet its share price was hit harder by the recent sell-off than LVMH and its peers. This drove its price-to-earnings ratio to 33x, its lowest level since 2019 (except for a brief period during the pandemic). We thought this was a fantastic opportunity to buy into a very strong business.

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 April. We took advantage, taking some profit from our holding to reduce risk. 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.

Similarly, we sold some of our shares in academic journals and data business **RELX**, again after a bounce-back in its price after a tough, AI-induced period of underperformance. We took profits from stormwater pipes supplier **Ferguson** after a very strong run for the stock over the past six months. We used that cash to add to diversified engineering business **Parker Hannifin**, global lender **HSBC** and **Singapore Telecommunications**.



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For more info on our fund, including factsheets, performance and fund manager views, please click [here](#).

If you require further clarification on this commentary, then please contact your adviser or Rathbones at the contact details below.

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