General Update

FEBRUARY 2026

We build and maintain portfolios for clients which address their specific needs

Baggot is a Central bank regulated investment manager. We specialize in designing and monitoring investment strategies that are built using global investment products and assets. Where almost all financial advisors and brokers would simply refer your business to a large external manager, in return for a commission, we use in-house expertise to actively manage your assets.

We offer Investment strategies across various risk profiles. In many cases, we build portfolios in-line with our client's specific needs (CGT focus, Income focus, etc.).

As a principle at Baggot, we do not charge upfront fees or expose our clients to lock-up periods. You can add or withdraw funds at any time and switch between strategies at no extra cost.

If you would like a review of your current investment strategy or to discuss future investment opportunities please contact us.

Call 01-699 1590

Peter Brown
Managing Director

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01.

Portfolio Performance

On product returns, it should be noted that return numbers include all charges, which is not the case for our benchmarks. Benchmarks show you returns before taking account of all charges. If we reported our returns before accounting for all charges, our returns would look significantly higher than our reported numbers. Product returns are for the full year 2025 and because we are into February, I have added returns in 2026 up to close on (03/02/2026)

Baggot Multi-Asset 4 (BMA 4)

- BMA 4 (Medium Risk) 2025 Return: 9.0%
- Benchmark Irish Life MAPS 4, 2025 Return: 6.5%
- BMA 4 2025 Outperformance: 2.5%

- BMA 4 (Medium Risk) 2026 Return: 6.8%
- Benchmark Irish Life MAPS 4, 2026 Return: 1.7%
- BMA 4 2026 Outperformance: 5.1%

Baggot Multi-Asset 5 (BMA 5)

- BMA 5 (Medium-High Risk) 2025 Return: 12.5%
- Benchmark Irish Life MAPS 5, 2025 Return: 7.7%
- BMA 5 2025 Outperformance: 4.8%

- BMA 5 (Medium-High Risk) 2026 Return: 7.9%
- Benchmark Irish Life MAPS 5, 2026 Return: 1.95%
- BMA 5 2026 Outperformance: 5.95%

Baggot Multi-Asset 6 (BMA 6)

- BMA 6 (High Risk) 2025 Return: 13.2%
- Benchmark Irish Life MAPS 6, 2025 Return: 8.3%
- BMA 6 2025 Outperformance: 4.9%

- BMA 6 (High Risk) 2026 Return: 8.9%
- Benchmark Irish Life MAPS 6, 2026 Return: 2.2%
- BMA 6 2026 Outperformance: 6.7%

Baggot Equity Income (BEI)

- BEI 2025 Return: 21.7%
- Benchmark Setanta Dividend Fund 2025 Return: 5.3%
- BEI 2025 Outperformance: 16.4%

- BEI 2026 Return: 8.9%
- Benchmark Setanta Dividend Fund 2026 Return: 2.5%
- BEI 2026 Outperformance: 6.4%

Baggot Multi-Equity (BME)

- BME 2025 Return: 16.4%
- Benchmark MSCI World 2025 Return: 7.2%
- BME 2025 Outperformance: 9.2%

- BME 2026 Return: 1.5%
- Benchmark (MSCI World Euro terms) 2026 Return: 2.1%
- BME 2026 Underperformance: -0.6%

Observations

We outperformed benchmarks and peers in all of our investment products in 2025. The main reasons;

In our Equity products, we had significantly less exposure to US Equities than our peers in 2025, favouring European, Japanese, Emerging Market and Global Value Equities.

Where it relates to multi-asset products, we were significantly overweight precious metals vs peers and continued to keep our Bond exposure in the Ultrashort Dated Investment Grade space, while our peers have favoured longer duration Bonds.

We are guided by the actions of governments and central banks. Until something changes we continue to believe that we live in a world where governments and central banks cannot allow Bonds to generate returns in excess of inflation. In that world, longer duration Bonds are much more risky, so for the risk, we much prefer assets that can track or even beat these longer term inflationary policies, such as Equities and Commodities.

02.

Market Returns Summary

Q4 Asset Class Returns

Asset class return numbers noted below are all based in Euro denominated terms. Data taken from investable European Equity, Bond, Commodity and Crypto ETFs, which include costs as well as dividend payments.
For perspective when comparing returns, the Euro gained 13.6% vs the US Dollar in 2025. So when you hear in the news media that the S&P 500 gained 17.4% last year, you must understand that those are Dollar denominated returns.

To get a Euro-denominated return for the S&P 500, you have to account for how much the Euro gained or lost vs the US Dollar during the period in question. European investors in US equities did not get a 17% return last year, they got a 3.9% return. This should be deeply unsettling to many people in Ireland and Europe who are invested in consensus cash investment and pension products, because they have 72% of their equity exposure in US Equities!

Equity ETF 2025 Returns Leaders & Laggards (Euro denominated returns)

2025 Leaders: MSCI Latin America, German DAX, Euro Stoxx 50.

2025 Laggards: MSCI India, S&P 500, NASDAQ 100.

Q4/2025 Equities ETF Performance (Euro denominated returns)

S&P 500
2.5% / 3.9%

NASDAQ 100
2.3% / 6.6%

Euro Stoxx 50
5.1% / 21.8%

German DAX
2.7% / 22.7%

Stoxx Europe 600
6.5% / 20.2%

FTSE 100
6.9% / 19.4%

MSCI EM Asia
4.4% / 17.1%

MSCI China
-7.4% / 15.9%

MSCI Latin America
8.4% / 37.3%

MSCI Japan
4.0% / 11.0%

MSCI Word
3.1% / 7.2%

MSCI Emerging Markets
4.6% / 18.3%

MSCI India
4.5% / -8.8%

MSCI Asia Pacific ex-Japan
3.5% / 13.8%

Bond ETF 2025 Leaders & Laggards (Euro denominated returns)

2025 Leaders: European Investment Grade Ultrashort dated Bonds, European Aggregate Bonds and European Inflation Linked Bonds.

2025 Laggards: German 10+ Year Bonds (Bund), US 10+ Year Treasury Bonds and US Inflation Protected Bonds.

Q4/2025 Bond ETF Performance (Euro denominated returns)

US 10+ Year Treasury Bond ETF
0.2 / -6.6%

German 10+ Year Bund ETF
-2.2% / -8.7%

EM Bond ETF
3.0% / 0.4%

Europe Aggregate Bond ETF
0.2% / 1.2%

US Inflation Protected Bonds
0.1% / -5.5%

Global Aggregate Bond ETF
0.3% / -4.4%

Europe Inflation Linked Bonds
0.2% / 0.9%

Europe Investment Grade Ultrashort dated Bond ETF
0.7% / 2.8%

Q4/2025 Precious Metals ETF Performance (Euro denominated returns)

Gold
12.1% / 45.7%

Silver
55.4% / 119.8%

Platinum
29.0% / 95.1%

Palladium
24.6% / 51.7%

Q4/2025 Industrial Metals ETF Performance (Euro denominated returns)

Copper	Nickel	Aluminium
16.5% / 21.3%	8.6% / -6.1%	11.4% / 4.4%

Q4/2025 Energy ETF Performance (Euro denominated returns)

Brent Crude	WTI Crude	US Natural Gas
-6.1% / -18.5%	-6.6% / -21.0%	-9.0% / -33.3%

European Natural Gas

-11.9% / -46.8%

Q4/2025 Crypto ETF (Euro denominated returns)

Bitcoin	Ethereum	Solana
-22.4% / -18.7%	-27.6% / -22.3%	-38.4% / -41.7%

NASDAQ Crypto Index

-25.3% / -21.4%

03.

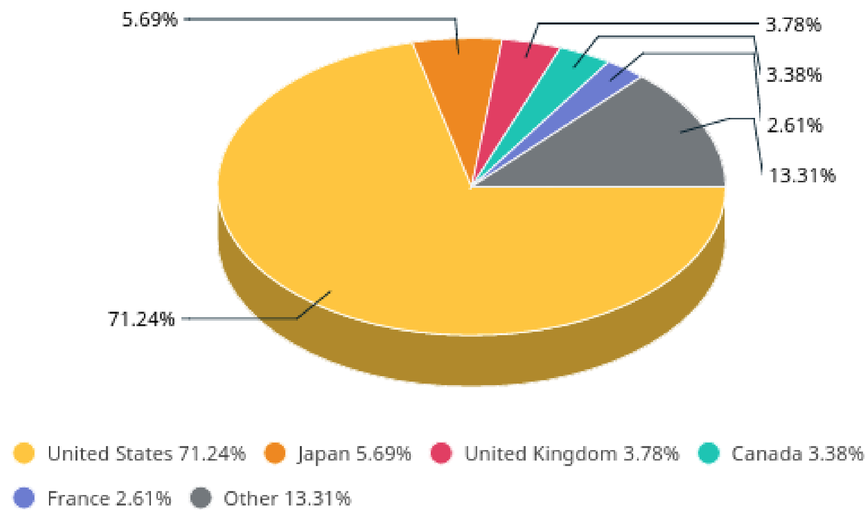
Equities

Before I talk about US Equities, I just want to make one thing clear to you. The US is a large market and we are happy to invest there where we can find Value and enough return to sufficiently compensate our clients from what we continue to see as a major headwind (US Dollar weakness) for European investors in the US space. We just don't like the risk/reward proposition in the major US Equity indices.

The song remains the same. We continue to favour pretty much all equity regions around the world over the US. We think US equities are in for a long period of underperformance vs the rest of the world, mainly as a result of the fact that the Dollar no longer provides the tailwind to US equities that it once did for foreign investors. To understand why, you really have to go back to 2022 when the Biden regime decided to confiscate Russian assets in the SWIFT banking system. We aren't trying to make a political statement here, we're simply alluding to cause and effect and how that relates to your investments. Everyone can understand why the US, with plenty of support from its allies, made the decision to confiscate Russian assets, but ultimately this decision woke everyone up to the fact that holding assets mainly in US Treasury Bonds via the SWIFT banking system is risky, particularly if the US decides for whatever reason that they don't like your policies or actions. We believe that was a seminal turning point for the Dollar.

For years China, Russia, Saudi Arabia and many others sold their goods and commodities to the US in return for Dollars. They then recycled those Dollars back into US Treasury Bonds and other US assets. This created constant global demand for US Treasuries and allowed the US to borrow money at much cheaper interest rates than they otherwise would've enjoyed. This allowed the US to run huge deficits. It also created artificial demand for the Dollar. This allowed the Dollar to be stronger than it otherwise would've been and the whole world got in on the act. It drove capital out of the rest of the world and into the US.

Current MSCI World Index Country Weightings;



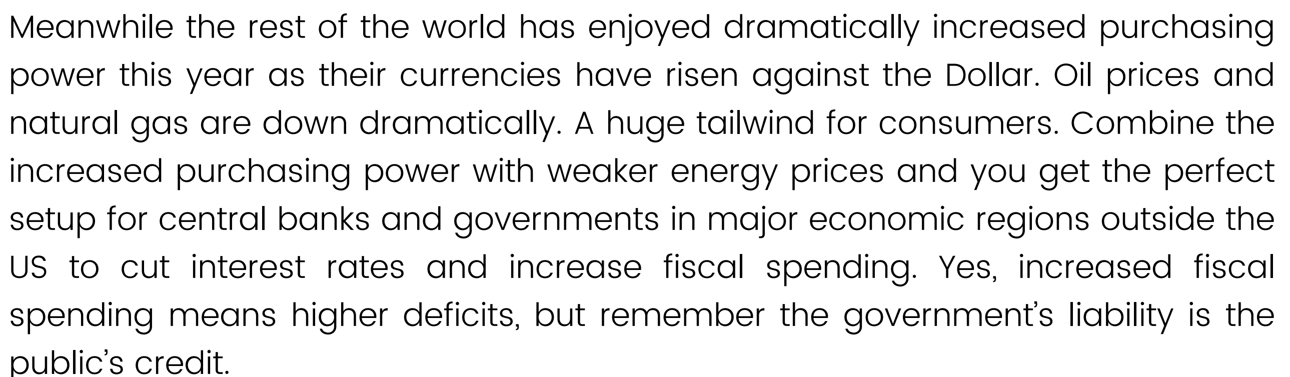
The MSCI World Index is the global benchmark for standard investment products. The US currently represents just over a quarter of global GDP, yet it makes up 71% of the MSCI World Index.

Remember that in many parts of the world if you need to borrow money, you borrow in Dollars. Let's say you are in Indonesia and you need to borrow money. You can't borrow in your own currency because investors want Dollars, so you issue debt in Dollars. Now let's say you issue a 5 year bond at 7% interest. If the Dollar rises 30% against Indonesian Rupee, you now have a huge shortfall because you owe that money back in Dollars at the end of the term. You've now paid 35% in total interest on the loan but you've also lost 30% in currency adjusted terms. The loan cost you 65%. It dampened borrower's ability to grow. This is why returns have been so good in the US over the last decade and so relatively poor in other countries, since then.

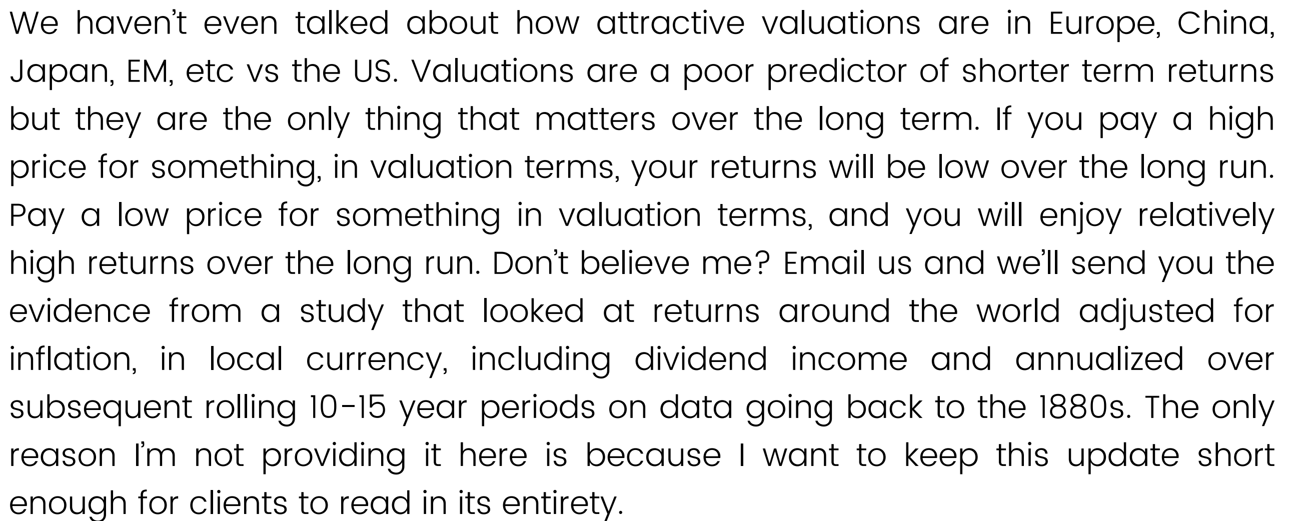
This tailwind caused the US to print and spend recklessly for a very long time. Conversely, it caused other countries to be more cautious with their policies. As a result the US balance sheet is in bad shape and the rest of the world is in much better shape. Now with the Dollar falling, it acts as a tailwind for the rest of the world and a headwind for the US. Now, if you owe money in Dollars and your native currency is strengthening vs the Dollar, your liability is falling. The weaker Dollar is acting as a stimulus to the rest of the world.

The US now runs a deficit of 7% of GDP. It is spending money it doesn't have like it traditionally would in a recession. Imagine what the US deficit will look like if it does have a recession. To make matters worse the US is now cutting interest rates, in spite of the fact that it has failed to reach the Federal Reserve Inflation target of 2% and the Trump administration is applying all kinds of pressure on the Fed to cut interest rates dramatically. Until the FED cut interest rates by 0.25% in September, US rates were unchanged at 4.5% while the ECB cut interest rates from 3% to 2%. US interest rates (3.75%) are still not far off double European rates yet the Dollar lost nearly 14% of its value vs the Euro in 2025. Imagine what happens to the Dollar if Trump gets his way and the US FED cuts interest rates to 2%!

Biden ran print and spend policies like a drunken sailor during his term and under Trump we get more of the same, but remember that a government's ability to print and spend is only as strong as its ability to find buyers for its debt. Of course if the US can't find a buyer for its debt, interest rates will have to rise to a level that will incentivize lenders to take the risk. We don't believe the US administration will allow interest rates to rise, because of how much that would cost US taxpayers. We think the US administration will try to put the FED in a position where they either cap interest rates at the longer end of the curve or do Quantitative Easing (QE) or something like that. They won't allow the Bond market to blow up, they'll just print more Dollars and use those Dollars to purchase their own Bonds, which will keep interest rates on longer duration bonds from rising to a point of crisis. This means the only way out is to continue down the road they are on and trash the purchasing power of money. 50% of all Dollars in existence have been created in the last 6 years. It's an absolute powder keg of dynamite to unwitting investors who have almost three quarters of their equity exposure sitting in the US.



Meanwhile the rest of the world has enjoyed dramatically increased purchasing power this year as their currencies have risen against the Dollar. Oil prices and natural gas are down dramatically. A huge tailwind for consumers. Combine the increased purchasing power with weaker energy prices and you get the perfect setup for central banks and governments in major economic regions outside the US to cut interest rates and increase fiscal spending. Yes, increased fiscal spending means higher deficits, but remember the government's liability is the public's credit.



We haven't even talked about how attractive valuations are in Europe, China, Japan, EM, etc vs the US. Valuations are a poor predictor of shorter term returns but they are the only thing that matters over the long term. If you pay a high price for something, in valuation terms, your returns will be low over the long run. Pay a low price for something in valuation terms, and you will enjoy relatively high returns over the long run. Don't believe me? Email us and we'll send you the evidence from a study that looked at returns around the world adjusted for inflation, in local currency, including dividend income and annualized over subsequent rolling 10-15 year periods on data going back to the 1880s. The only reason I'm not providing it here is because I want to keep this update short enough for clients to read in its entirety.

In valuation terms, Europe, China, Japan, and EM are still ridiculously cheap vs the US and provide significantly more dividend income.

To sum it all up, governments and central banks across the world are running very equity friendly policies and outside of the US, valuations are not demanding. We see the potential for a tidal wave of foreign capital to leave the US and move into Europe and Asia, including China and Japan, over the coming years. We think you could see pretty dramatic differences in returns, much like the period known as the Tech Wreck.

I've determined the 'Teck Wreck' as the period from what, at the time was the all-time high for the Nasdaq 100, on March 23, 2000, to the bear market low for the Nasdaq 100 in October 9, 2002. A period of roughly 18 months. Using returns data for Berkshire Hathaway B (Stock Symbol BRKB) shares (my Value proxy) and the NASDAQ 100 (Stock symbol QQQ) you will see some staggering differences between what was known as cheap at the time vs what was staggeringly expensive at the time. Berkshire Hathaway (Value at that time) gained 27.62% during the period, while the Nasdaq 100 (Growth) lost 82.76%. 'Value' outperformed so-called 'Growth' by 110.38% during the period.

I'm not window dressing either. Berkshire Hathaway (BRKB) outperformed the Nasdaq 100 (QQQ) by more than 290%, by the time the top went in, in late 2007.
Most of you will be surprised by this for one of two reasons….Either you're too young to remember it, which means you most likely don't believe in Value investing…..Or, you do remember it but you don't remember enjoying decent returns during that 18 month period, because most of your investment exposure (pensions, etc) was invested in the areas that got hurt the worst.

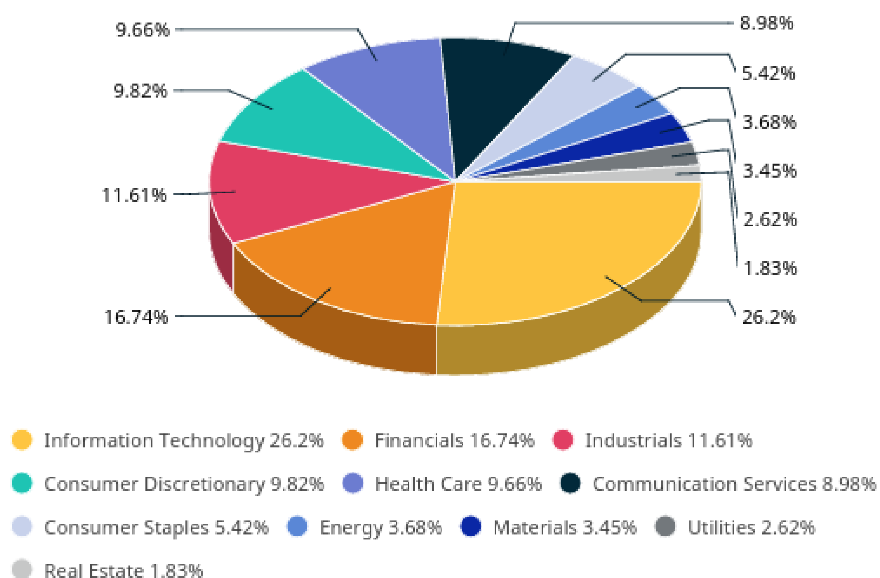
It is not going to be different this time. It never is!

By the way, Berkshire Hathaway today is much more of a Quality proxy than it is a Value proxy. Apple, its largest holding, representing about 20% of its portfolio, trades 34X earnings and is expected to grow earnings at 12% in the next year. Not exactly value. Today Value = Europe, Asia, and EM.

I'll finish up the equities portion of our update with a couple interesting links about US Equities which I posted last Quarter, but they are still very valid.
From Tech Guru Professor Scott Galloway (Hat Tip to my buddy Pablo for the forward);

https://www.instagram.com/reel/DJueeZzPkZT/?igsh=NGFvb2R3YWd0Yzc1
Here is famed value investor Harris Kupperman's (also known as Kuppy) piece entitled Global Crossing is Reborn, where he talks about overvaluation in the AI Hyperscalers;

https://pracap.com/global-crossing-reborn/
This should be very unsettling for cash and pension holders in standard investment products. I've already shown you their US weightings but to make matters worse, the image below shows how much Technology exposure there is in the MSCI World Index, almost all of which is in Mega Cap US Technology Companies.



04.

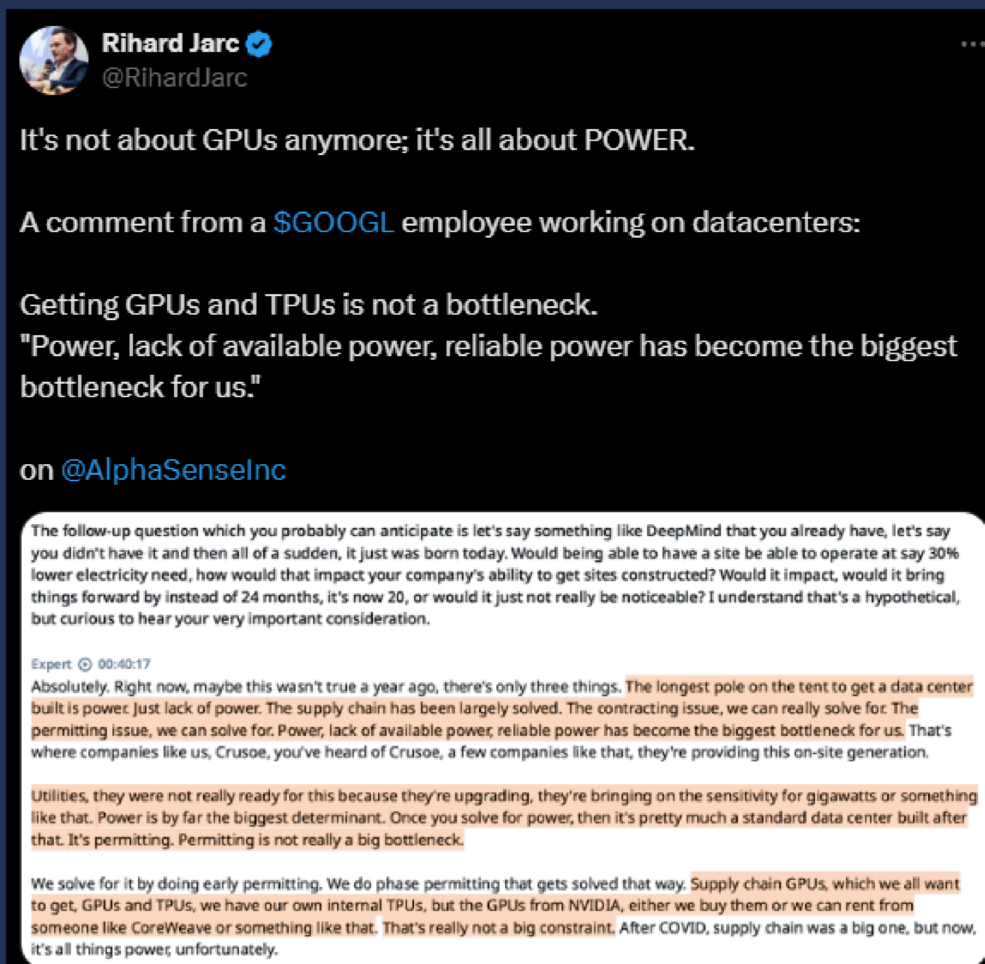
Commodities

We love the commodity space in the current macro environment, mainly because a lot of the space is pretty reasonably priced relative to US Equities, where so much of the world's investing risk is sitting. Also they've always provided a great hedge against inflation for portfolios and there can be no question that government policies around the world are very inflationary. There's no doubt that equities can be a great hedge against inflation as well, provided there's enough earnings growth, but where commodities really help the portfolio is when you have a Stagflationary environment (low growth and high inflation). In a Stagflationary environment, non-commodity Equities can, and have (in the past), suffered dramatic downside.

Commodities are finite resources that are valued in infinitely printable money, money that has been printed quite aggressively in the last 6 years. Also, since the Commodity bubble burst in the global financial crisis (2008), there really hasn't been much capex out there being spent finding new supply of these finite resources. We're seeing some really interesting longer term opportunities in the space.

The average P/E ratio of the group of stocks known as the Magnificent 7 (MAG 7) is 84 times earnings! So you are paying 84 years' worth of current earnings today, to own this group of stocks. Even if we take Tesla (386 P/E) out of the mix and get an average P/E for the other 6 stocks in the group known as the MAG 7, we get an average P/E ratio of 34X earnings! That is pure insanity! Keep in mind that this group of stocks makes up 35% of the S&P 500 index (US benchmark equity index) and 63% of the Nasdaq 100. Keep in mind that weighting does not include all the other smaller technology companies in the indexes, whose earnings depend on MAG 7 companies. To put into context how large that is, in 2015 this group of stocks made up 12.4% of the index. This is a very unstable situation. And as you saw earlier, in this update, US Equities makes up nearly three quarters of the global benchmark, MSCI World Index (standard pension weightings).

There is no doubt that the AI revolution is real and that it will change the world, just as the Tech boom pre- 2000 foreshadowed what came, 20 years following the Tech Wreck, but that doesn't mean you will make money owning these stocks at current valuations. Cisco Systems (Stock symbol CSCO) which was one of the Tech darlings of the first Tech bubble, is just now barely above year 2000 highs, for the first time since then, 26 years later, and it is a great company, that earns real money. At year 2000 highs it traded at a valuation of 234X earnings. It now trades at 32X earnings, which is no bargain for a company that is expected to grow earnings at 8% over the longer term. It took 17 years for Nasdaq 100 index to breakeven from the March highs in year 2000, and that was after losing 82% of your money, peak to trough.
But there's a cheap way to play the very real AI revolution. Listen up; there is no AI future without non-intermittent supplies of Energy. I posted the two images/links in our last quarterly report but they are still very valid.


Rihard Jarc
@RihardJarc

It's not about GPUs anymore; it's all about POWER.

A comment from a $GOOGL employee working on datacenters:

Getting GPUs and TPUs is not a bottleneck.
"Power, lack of available power, reliable power has become the biggest bottleneck for us."

on @AlphaSenseInc

The follow-up question which you probably can anticipate is let's say something like DeepMind that you already have, let's say you didn't have it and then all of a sudden, it just was born today. Would being able to have a site be able to operate at say 30% lower electricity need, how would that impact your company's ability to get sites constructed? Would it impact, would it bring things forward by instead of 24 months, it's now 20, or would it just not really be noticeable? I understand that's a hypothetical, but curious to hear your very important consideration.

Expert 00:40:17
Absolutely. Right now, maybe this wasn't true a year ago, there's only three things. The longest pole on the tent to get a data center built is power. Just lack of power. The supply chain has been largely solved. The contracting issue, we can really solve for. The permitting issue, we can solve for. Power, lack of available power, reliable power has become the biggest bottleneck for us. That's where companies like us, Crusoe, you've heard of Crusoe, a few companies like that, they're providing this on-site generation.

Utilities, they were not really ready for this because they're upgrading, they're bringing on the sensitivity for gigawatts or something like that. Power is by far the biggest determinant. Once you solve for power, then it's pretty much a standard data center built after that. It's permitting. Permitting is not really a big bottleneck.

We solve for it by doing early permitting. We do phase permitting that gets solved that way. Supply chain GPUs, which we all want to get, GPUs and TPUs, we have our own internal TPUs, but the GPUs from NVIDIA, either we buy them or we can rent from someone like CoreWeave or something like that. That's really not a big constraint. After COVID, supply chain was a big one, but now, it's all things power, unfortunately.

Source: https://x.com/RihardJarc/status/1973737827872784653?t=vo5IKuLSfMVsRIj8tuTFTw&s=03

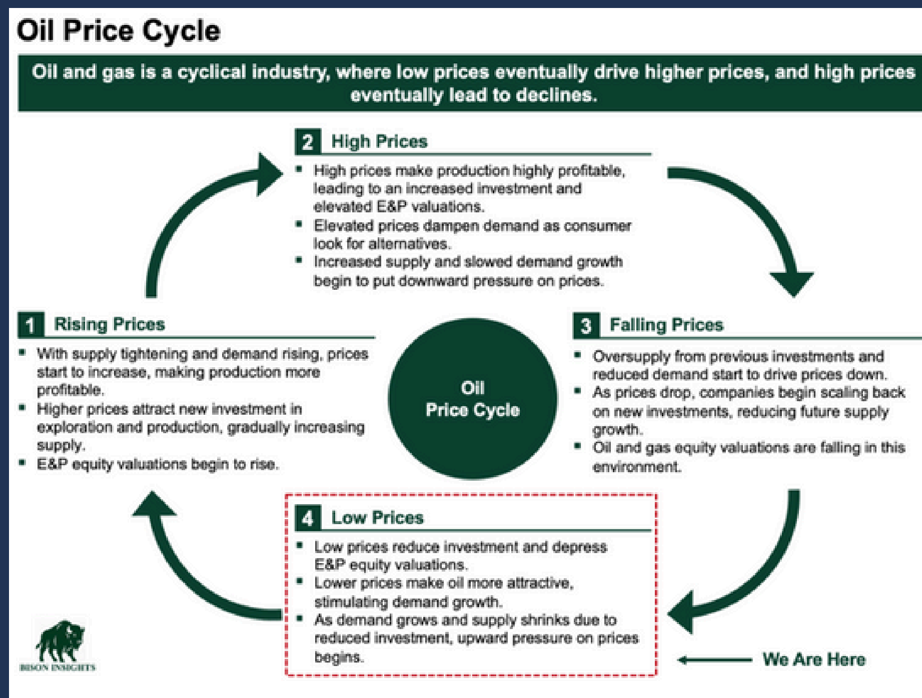
Source:https://x.com/thexcapitalist/status/1971884352863969619?t=Gl0p0bWMJ9DkJ8meH_mtDg&s=03

IIt is mind boggling how much energy will be needed to power AI in the coming years and you have 50 year old power grids in the US and Europe. The current infrastructure just can't handle the demand for power that is coming down the tracks.

The AI revolution will require a lot of Energy, Rare Earth Materials & Industrial Metals and certainly the US and Europe are woefully behind. At some point in the not so distant future there is going to be an unfathomable demand for Energy and Industrial Metals. The Energy sector makes up 3% of the weighting in the S&P 500 index. We are going to see a huge catchup trade in these sectors. Otherwise there will be no AI revolution.

Things like Uranium, Natural Gas, Crude Oil, Copper, Aluminium, Nickel and other Industrial metals, are going to be in very high demand in the coming years if these AI companies are going to increase capacity anywhere even remotely close to their projections.

Most of our Commodities exposure has been in precious metals and Uranium over the past couple years, but we are watching closely for the opportunities to add exposure in the space. We see Energy, specifically Oil & Gas, as a particularly attractive area to be invested in right now and have been actively increasing exposure in the sector. We think Josh Young's (Bison Interests) image below explains the opportunity well.



Precious metals has been the star of the show in the commodity space recently. We still see them as important investment components in the age of monetary debasement, but we cut all of our Silver exposure for all clients in our multi-asset portfolios, on January 28th. Silver was trading at $114 an ounce at the time. It dropped nearly 43% from the point of our sale to its low of $71.20, three business days later. It was one of those rare occasions where my timing was perfect. It only ever works like that when it becomes very obvious that there is nobody left to buy and therefore a lot of potential sellers. I won't mention the reasons why we sold at that time because I do not want to give away my edge to competitors who may be reading this. What I will say is that Silver is about 3-4X more volatile than Gold and it lacks the support that Gold gets via constant Global Central Bank buying as a reserve asset. This is why I chose to exit Silver last week and not Gold. To be clear Gold did selloff as well, but it has outperformed Silver dramatically since we sold all of our Silver exposure.

I think barring a major geopolitical event, precious metals will likely go sideways to down for a few months to work off the recent excessive speculation from gamblers and then head higher in the long run, because we are running huge deficits in the west, and there is still a lot of monetary debasement (loss of purchasing power due to money printing).

I am much more interested in Uranium at this time. After a brutal selloff where volume behaviour suggested weak hands were flushed out at lows at the end of Q1, last year, it has risen nearly 40%. Of course there will be pullbacks along the way in this volatile asset, but we do not see another pullback of great magnitude like we saw in the 15 months from early 2024 to 2025 lows, until Uranium is well above those 2024 highs. We see 15-20% downside risk and 100% upside potential over the coming year. We like that kind of risk/reward potential.

The fundamentals for Uranium have never been better. If we look out at official government projections between now and 2040, Utilities globally will need to buy over 200 Billion pounds of the stuff. That is 12 years of deficits! Uranium is ubiquitous but economic Uranium is not! Looking out over the next 5 years there is more than 200 million pounds of deficits. The price will have to move significantly higher in order to make it economic for the Uranium miners to provide the pounds to fill the deficit. There are only two major suppliers on the planet. Kazatomprom and Cameco. These two companies consistently struggle to keep up with demand and demand is accelerating!

5.

Conclusion

To conclude, we remain confident in the way our portfolios are constructed. Our multi-asset portfolios provide true diversification when you really need it, in an uncertain world.

Please do keep an eye out for our blog where I will be writing shorter, more specific updates relating to the assets in our portfolios.
Please do let us know if you wish to discuss your portfolio at any time.
We appreciate your faith and trust in us.

Kind Regards,

David Flynn
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dflynn@baggot.ie

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