BAGGOT
Investment
Partners

General Update

AUGUST 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

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. Q2 is the return in the second Qtr of 2026. H1 is the return for the first 6 months of the year. YTD is the return for the year through July 15, 2026.

Baggot Equity Income (BEI)

- BEI Q2 Return: 1.3%
- Benchmark Setanta Dividend Fund Q2 Return: 5.9%
- BEI H1 Return: 12.5%
- Benchmark Setanta Dividend Fund H1 Return: 8.5%
- BEI YTD Return: 15.3%

Baggot Multi-Equity (BME)

- BME Q2 Return: -5.7%
- Benchmark MSCI World Q2 Return: 14.8%
- BME H1 Return: 0.65%
- Benchmark MSCI World H1 Return: 13.3%
- BME YTD Return: 3.0%

Baggot Multi-Asset 6 (BMA 6)

- BMA 6 (High Risk) Q2 Return: 1.1%
- Benchmark Irish Life MAPS 6, Q2 Return: 15.7%
- BMA 6 H1 Return: 7.3%
- Benchmark Irish Life MAPS 6, YTD Return: 13.1%
- BMA 6 YTD Return: 9.2%

Baggot Multi-Asset 5 (BMA 5)

- BMA 5 (Medium-High Risk) Q2 Return: 0.0%
- Benchmark Irish Life MAPS 5, Q2 Return: 12.8%
- BMA 5 H1 Return: 4.6%
- Benchmark Irish Life MAPS 5, H1 Return: 11.2%
- BMA 5 YTD Return: 8.0%

Baggot Multi-Asset 4 (BMA 4)

- BMA 4 (Medium Risk) Q2 Return: 0.3%
- Benchmark Irish Life MAPS 4, Q2 Return: 9.1%
- BMA 4 H1 Return: 4.2%
- Benchmark Irish Life MAPS 4, H1 Return: 8.3%
- BMA 4 YTD Return: 5.8%

Observations

Generally speaking the Dollar strength hurt us to some degree in Q2 relative to most benchmarks. Also, the narrow concentration of gains in the Tech space has hurt us to some degree in relative terms. A small group of leading stocks is driving global equity returns right now and our benchmarks have been chasing those returns at the wrong time (In my opinion). Commodities falling as the Dollar rose hurt us also. Energy stocks have lagged on the back of weaker Crude prices in Q2.

Ultimately if you believe the Federal Reserve (FED) will be hawkish and pop the equity bubble, we will suffer along with most other assets. A dovish FED or stimulative fiscal policies would likely drive broader equities relative to big Tech and cause Dollar to weaken which would likely cause us to outperform going forward.

This is the first Quarter since Trump took office six Quarters ago, where we have under-performed our benchmarks. We continue to be long term bearish on the Dollar, which is the key to the way we are positioned. We would be surprised to see a stronger Dollar heading into the mid-term elections this autumn. Further, we are risk averse in our positioning compared to our peers and strongly feel that is the correct policy during what is typically a seasonally bearish period with thin volumes and illiquid markets. We do not think this is the time to chase returns in the way that our peers are doing. In ice hockey they say that you don’t skate to where the puck is, you skate to where it is going. We believe those who are chasing returns right now with aggressive positioning are skating to where the puck is, rather than to where it is going. We don’t want to pick up a nickel in front of a steamroller.

02.

Market Returns Summary

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 lost – 2.7% vs the US Dollar in Q2 2026.

Equity ETF Q2/YTD Returns Leaders & Laggards (Euro denominated returns)

Q2 Leaders: Nasdaq 100, MSCI Emerging Markets, MSCI Asia Pacific ex-Japan
Q2 Laggards: MSCI China, MSCI Latin America, FTSE 100
YTD Leaders: MSCI EM Asia, MSCI Emerging Markets, MSCI Asia Pacific ex-Japan

Q2/YTD Equities ETF Performance (Euro denominated returns)

S&P 500
19.4%/12.2%

NASDAQ 100
33.0%/22.8%

Euro Stoxx 50
16.2%/11.4%

German DAX
10.4%/1.6%

Stoxx Europe 600
12.2%/10.5%

FTSE 100
5.3%/8.6%

MSCI EM Asia
28.8%/32.5%

MSCI China
-6.1/-12.9%

MSCI Latin America
0.2%/13.8%

MSCI Japan
13.9%/19.1%

MSCI Word
17.3%/12.5%

MSCI Emerging Markets
23.7%/27.8%

MSCI India
10.9%/-6.6%

MSCI Asia Pacific ex-Japan
23.1%/27.2%

Bond ETF Q2/YTD Leaders & Laggards (Euro denominated returns)

Q2 Leaders: EM Bond ETF, German 10+ Year Bund ETF, Europe Aggregate Bond ETF

Q2 Laggards: Europe Investment Grade Ultrashort dated Bond ETF, US 10+ Year Treasury Bond ETF, US Inflation Protected Bonds

YTD Leaders: EM Bond ETF, US Inflation Protected Bonds, Europe Inflation Linked Bonds

Q2/YTD Bond ETF Performance (Euro denominated returns)

US 10+ Year Treasury Bond ETF
1.7%/3.4%

German 10+ Year Bund ETF
2.4%/2.2%

EM Bond ETF
5.8%/5.8%

Europe Aggregate Bond ETF
2.1%/1.2%

US Inflation Protected Bonds
1.7%/4.3%

Global Aggregate Bond ETF
2.0%/3.0%

Europe Inflation Linked Bonds
2.0%/3.3%

Europe Investment Grade Ultrashort dated Bond ETF
0.7%/1.1%

Q2/YTD Precious Metals ETF Performance (Euro denominated returns)

Gold	Silver	Platinum	Palladium
-10.5%/-5.1%	-16.3%/-19.00%	-17.8%/-27.5%	-14.1%/-24.4%

Q2/YTD Industrial Metals ETF Performance (Euro denominated returns)

Copper	Nickel	Aluminium
13.1%/9.8%	-5.5%/-1.5%	-7.7%/9.4%

Q2/YTD Energy ETF Performance (Euro denominated returns)

Brent Crude	WTI Crude	US Natural Gas
-20.6%/47.6%	-14.9%/44.9%	-4.7%/-12.6%

European Natural Gas

-5.7%/-21.2%

Q2/YTD Crypto ETF (Euro denominated returns)

Bitcoin	Ethereum	Solana
-12.1%/-31.6%	-23.1%/-45.5%	-13.4%/-39.3%

NASDAQ Crypto Index

-14.1%/-35.1%

Thoughts:

We've been surprised that Oil prices have come down so much in the last Quarter given how dependent the world is on Energy that transits the Strait of Hormuz. We under-estimated the world's ability to fill the supply gap with Oil sitting in Strategic Petroleum Reserves (SPRs). It is amazing how resilient the world has been at such a vulnerable time.

That said, SPRs are now very low and once inventories approach operational minimums, the only way the market can rebalance is through demand destruction, meaning much higher prices until consumers are forced to use less Oil. The inventory buffer is disappearing much faster than people realize. We see a large disconnect between Oil prices and Inventories which suggests to us that Oil prices should probably be trading at significantly higher prices. The disconnect I speak of would make more sense if there was an imminent Oil supply glut upon us, but that is far from reality. We believe risk/reward for Oil and many other commodities is heavily skewed to the upside.

I said this in our last update, but it is still valid. Everywhere you look, you see inflationary forces and since Covid, every time markets signal the potential for deflationary forces to set in, governments around the world, print money to stave off trouble, which artificially props up the global economy, at the expense of your purchasing power. In that world everything finite, everything limited in supply, Commodities, Land, Property, Equities, it is all valued in infinitely printable money. Until governments and policy makers change their playbook, the game is the same. Companies can raise their prices when inflation sets in. Equities and Commodities are much more limited in supply, than the supply of money. Equities and Commodities tend to hold up better during periods of inflation.

Who loses? If you are sitting in cash at the bank on deposit, sure, your money is probably safe, but I recently paid €15.50 at the chipper for a burger, chips and a coke for my son. How much did that cost you pre-Covid? I'm guessing half that. Roughly half of all Dollars (global reserve currency) created, have been printed since 2020. That's a dramatic loss of purchasing power for money on deposit! But if you have owned assets like Equities, Commodities, Land or Property, you've most likely kept your purchasing power.

Who loses? Long duration bondholders. 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 selective Equities and Commodities.

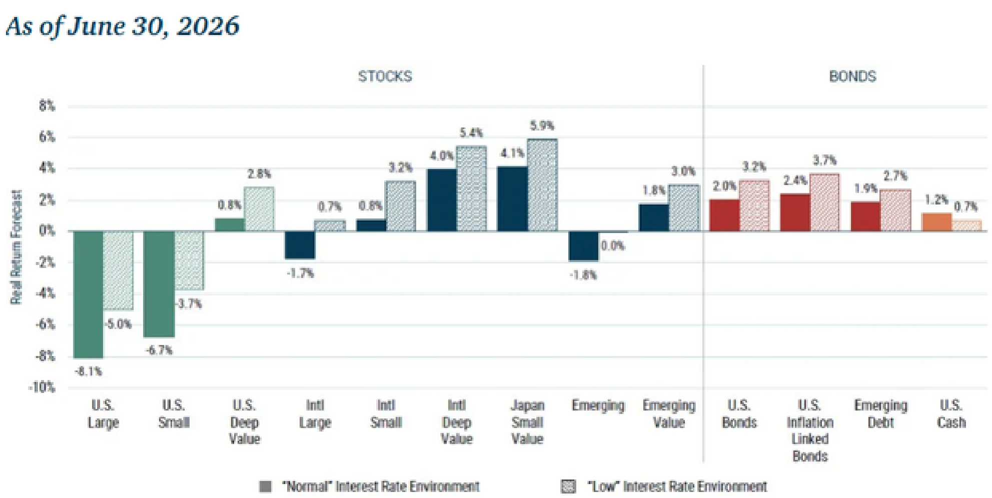
03.

Equities

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 for the risk. Certainly there is Value on offer in certain sectors of the US economy, particularly some of the more commodity centric areas, but you won't get any Value or decent margin of safety built into the price, by owning major US Equity Indices, because it has very heavy weightings in ridiculously expensive sectors.

Valuations are a poor predictor of returns over the short term, but in the long-run the price you pay today in valuation terms will determine whether you get good or bad returns in the longer term. Don't believe me? Email us, and we'll send you a pdf which proves my point on data going back to the 1800s.

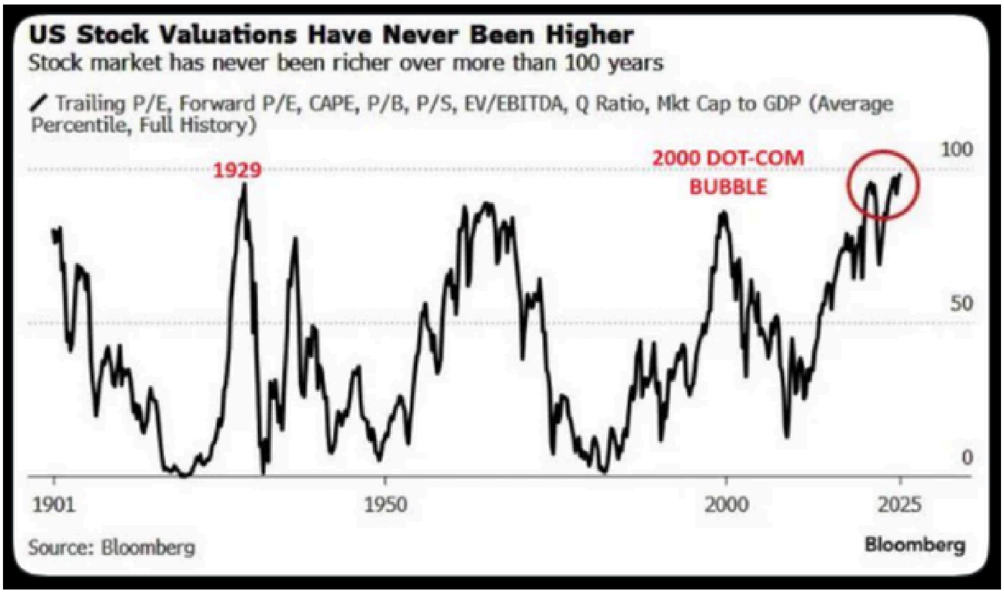
GMO is a famous long term Value oriented asset manager who successfully dodged the Japanese Equity bubble in the late 1980's, the Teck Wreck in the early 2000's and famously warned that US Large Caps were in a bubble not long before the bubble burst in 2008. They use a valuation based tool to guide them called their 7-Year Asset Class Return Forecast. The model shows an annualised Real Return Forecast on a rolling 7 year basis, updated quarterly.
The real rate of return is the annual percentage profit earned on an investment after adjusting for inflation, reflecting the true increase in purchasing power. It is calculated as the nominal return minus the inflation rate, providing a more accurate measure of performance than returns before accounting for inflation.
GMO 7-Year Asset Class Return Forecast



Source: GMO

Lighter shaded area shows the return forecast for a Normal Interest Rate Environment. Darker Shaded area shows the return forecast for a Low Interest Rate Environment. "Normal" interest rate environment is consistent with 1.3% equilibrium real cash rate. "Low" interest rate environment is consistent with 0.0% equilibrium real cash rate.

US Stock valuations are at their highest in history;



https://www.gmo.com/europe/research-library/gmo-7-year-asset-class-forecast-2q-2026_gmo7yearassetclassforecast/

There is currently an incredible disparity in forecasts between US Equities and the rest of the world, which we find alarming given how much risk the world has in US Equities;

Current MSCI World Index Country Weightings;

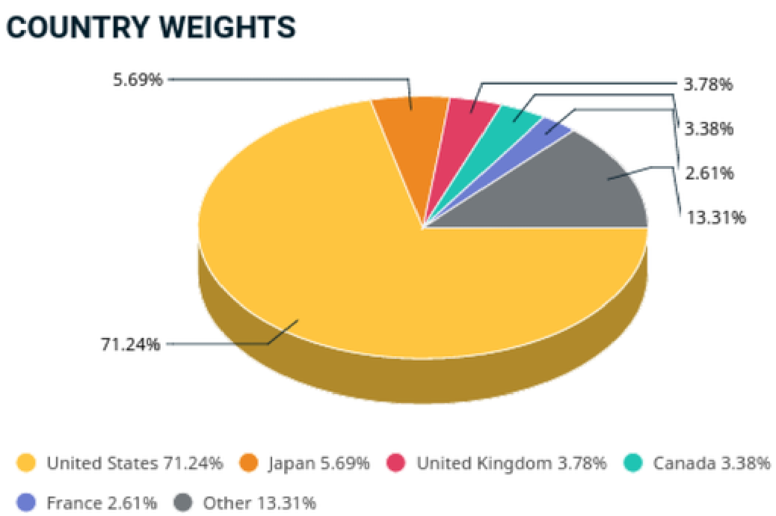
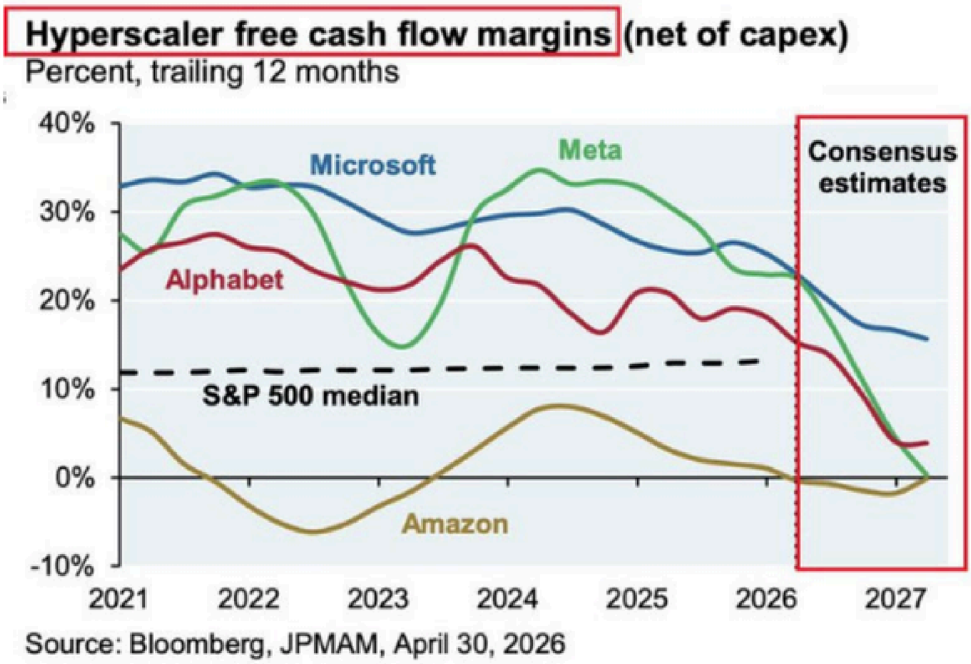


Image from: msci.com

The MSCI World Index is the global benchmark for standard investment products. The US represents 4% of the global population and currently represents just over 25% of global GDP, yet it makes up 71% of the MSCI World Index. If you are sitting in a standard investment product, you have huge exposure to the most expensive market on the planet. You are a sitting duck!

I haven't even gotten into how these AI companies in the US are spending all of their free-cash-flow on capital expenditures because they see an existential threat to their business moats.



Megacap US Technology companies did over $1 Trillion in stock buybacks last year! How can these buybacks continue, with free-cash-flows dropping so much? It can't.

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

04.
Bonds

We're obviously focused on European Bonds because that is our native currency. We continue to favour Bonds of ultra-short duration over longer duration Bonds. We much prefer assets that can track or even beat these longer term inflationary policies, such as selective Equities and Commodities. As the great George Noble recently stated in an interview; "Bonds don't protect you when the whole problem is money getting debased – they get shot first."
Quote from here;
In the Big Picture section I think I covered the reasons Commodities are going to be in short supply going forward so I will try to keep this short. We are getting a lot of commodity exposure into portfolios via commodity-centric Equity regions like Latin America (among others).

Yields in Europe are very low regardless of whether we are talking about short dated or longer dated Bonds, but clearly when you look at how poorly longer duration Bonds have performed these last few years, in spite of the fact that the ECB has cut interest rates eight times since June of 2024, there is no other choice, at least for now.

Where we have to own Bonds, we will either stay in the shorter end of the interest rate curve until such time as longer duration Bonds begin to act healthier.

05.
Gold

While we see Gold as an important component in multi-asset portfolios because of how it can protect investors during inflationary and deflationary periods, we are still running relatively low weightings in comparison to the past. Gold tends to be a very seasonal market topping in January/February and bottoming in late summer. It seems to be following that analog well at this time. We are looking for reasons to increase weightings as we near the most seasonally bullish period of the year in late summer.

6.

Energy

Whether there is a resolution in Iran or not, Demand for fossil fuels was at record global highs before this war even started. We think that is because so little Cap-Ex has been spent by the Oil Majors to find new supplies in the last decade, while at the same time you have a gigantic emerging middle class in certain parts of Asia such as India and Southeast Asia. That's not going to change. Further, one big consequence of the war is that Energy is no longer just about price. It is also about ensuring access and that is really going to come into focus when governments are finally in a position to re-build SPRs. Countries around the world will most likely start to stockpile Energy (and other commodities) as a hedge against future supply disruptions. That should be very supportive of Energy prices in the long run.

Lastly, I'd just add that Refinery Capacity is now running at significantly lower levels than before the war started because Iran bombed many refineries in Middle Eastern countries who are US allies. It will take 3-5 years for that capacity to be rebuilt, so we would expect that refined product prices will stay elevated, relative to the price of Oil and Natural Gas for many years to come.

7.
Uranium

The fundamentals for Uranium have never been better. If we look out at official government projects 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 continues to accelerate.

8.

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 hope to have the time to be writing shorter, more specific updates relating to the assets in our portfolios. I had intended to do more of that in the early part of this year and then the war kicked off and I had my head on a swivel at the desk.

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,

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