

# **BAGGOT**

Investment  
Partners

General Update

OCTOBER 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. Q3 is the return in the third Qtr of 2026. We've had a great start to Q4. Where you see YTD Return as of today that is the YTD Return now on October 12 2026.

### Baggot Equity Income (BEI)

- BEI Q3 Return: 7.0%
- Benchmark Setanta Dividend Fund Q3 Return: - 0.5%
- BEI YTD Return: 28.1%
- Benchmark Setanta Dividend Fund YTD Return: 5.8%
- BEI YTD Return as of today: 31.5%

### Baggot Multi-Equity (BME)

- BME Q3 Return: 8.9%
- Benchmark MSCI World Q3 Return: 2.2%
- BME YTD Return: 9.5%
- Benchmark MSCI World YTD Return: 14.8%
- BME YTD Return as of today: 17.8%

### Baggot Multi-Asset 4 (BMA 4)

- BMA 4 (Medium Risk) Q3 Return: 3.0%
- Benchmark Irish Life MAPS 4, Q3 Return: 1.4%
- BMA 4 YTD Return: 7.4%
- Benchmark Irish Life MAPS 4, YTD Return: 9.0%
- BMA 4 YTD Return as of today: 9.4%

### Baggot Multi-Asset 5 (BMA 5)

- BMA 5 (Medium-High Risk) Q3 Return: 3.7%
- Benchmark Irish Life MAPS 5, Q3 Return: 1.9%
- BMA 5 YTD Return: 9.9%
- Benchmark Irish Life MAPS 5, YTD Return: 13.1%
- BMA 5 YTD Return as of today: 12.5%

### Baggot Multi-Asset 6 (BMA 6)

- BMA 6 (High Risk) Q3 Return: 2.2%
- Benchmark Irish Life MAPS 6, Q3 Return: 1.4%
- BMA 6 YTD Return: 9.7%
- Benchmark Irish Life MAPS 6, YTD Return: 14.5%
- BMA 6 YTD Return as of today: 11.7%

## Observations

We've had a really strong Q3 in our Equity products vs the benchmarks and beat benchmarks in Q3 across our entire suite of investment products. This is a little bit of a surprise because the USD Dollar has been strong recently and our portfolios have been generally set to benefit from Dollar weakness. Our strong Q3 has largely been down to higher Commodity & Commodity-centric Equity exposure, which has been a big driver of returns lately.

We've now beaten benchmarks in 6 of the 7 Quarters, across all Baggot investment products since Trump took office in 2025, with Q2 of this year being the only exception.

We continue to be long term bearish on the Dollar, which is the key to the way we are positioned, but it is a very uncertain time heading into the US mid-term elections in early November. I should clarify, when I say that I am talking about the Dollar, it is relative to a trade-weighted basket of global currencies. We are not married to our US Dollar view. If the facts change, then we will cautiously align our portfolios to those changes.

We are still somewhat risk averse in our positioning compared to our peers and strongly feel that is the correct policy at least until the US mid-term elections are in the rear-view mirror in early November. We are well aware that November - May is the most seasonally bullish period of the year for Equities and will be happy to increase risk within the confines of the given risk profiles of our investment products to benefit from that phenomena, should markets give the all-clear after the US mid-terms elections are over.

# 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 – 1.7% vs the US Dollar in Q3 2026.

### Equity ETF Q3/YTD Returns Leaders & Laggards (Euro denominated returns)

Q3 Leaders: MSCI Japan, MSCI Latin America, MSCI China

Q3 Laggards: MSCI India, MSCI EM Asia, STOXX Europe 600

YTD Leaders: MSCI EM Asia, MSCI Emerging Markets, MSCI Asia Pacific ex-Japan

YTD Laggards: MSCI India, MSCI China, German DAX

### Q3/YTD Equities ETF Performance (Euro denominated returns)

#### S&P 500

2.6%/15.1%

#### NASDAQ 100

0.8%/23.6%

#### Euro Stoxx 50

-0.6%/10.6%

#### German DAX

0.8%/2.3%

#### Stoxx Europe 600

-0.7%/9.5%

#### FTSE 100

2.6%/11.8%

#### MSCI EM Asia

-0.8%/31.0%

#### MSCI China

3.8%/-9.9%

#### MSCI Latin America

4.0%/17.9%

#### MSCI Japan

6.3%/25.9%

#### MSCI World

2.2%/14.9%

#### MSCI Emerging Markets

0.0%/27.8%

#### MSCI India

-5.5%/-11.8%

#### MSCI Asia Pacific ex-Japan

0.3%/27.4%

## Bond ETF Q3/YTD Leaders & Laggards (Euro denominated returns)

Q3 Leaders: Europe Investment Grade Ultrashort dated Bond ETF

Q3 Laggards: US 10+ Year Treasury Bond ETF, German 10+ Year Bund ETF, EM Bond ETF

YTD Leaders: Europe Investment Grade Ultrashort dated Bond ETF, Global Aggregate Bond ETF, and US Inflation Protected Bonds

YTD Laggards: German 10+ Year Bund ETF, US 10+ Year Treasury Bond ETF, Europe Aggregate Bond ETF

## Q3/YTD Bond ETF Performance (Euro denominated returns)

|                               |                                                   |                           |
|-------------------------------|---------------------------------------------------|---------------------------|
| US 10+ Year Treasury Bond ETF | German 10+ Year Bund ETF                          | EM Bond ETF               |
| -7.8%/-4.3%                   | -7.2%/-5.1%                                       | 5.2%/-3.6%                |
| Europe Aggregate Bond ETF     | US Inflation Protected Bonds                      | Global Aggregate Bond ETF |
| -3.8%/-2.6%                   | -3.0%/1.3%                                        | -2.2%/0.7%                |
| Europe Inflation Linked Bonds | Europe Investment Grade Ultrashort dated Bond ETF |                           |
| -3.7%/-0.6%                   | 0.5%/1.6%                                         |                           |

## Q3/YTD Precious Metals ETF Performance (Euro denominated returns)

|            |             |              |             |
|------------|-------------|--------------|-------------|
| Gold       | Silver      | Platinum     | Palladium   |
| 4.1%/-1.8% | 3.6%/-15.1% | 11.2%/-14.1% | 0.4%/-18.5% |

## Q3/YTD Industrial Metals ETF Performance (Euro denominated returns)

### Copper

5.4%/17.0%

### Nickel

-2.4%/-2.2%

### Aluminium

13.9%/4.1%

## Q3/YTD Energy ETF Performance (Euro denominated returns)

### Brent Crude

45.2%/113.0%

### WTI Crude

35.6%/95.4%

### US Natural Gas

-13.6%/-26.5%

### European Natural Gas

65.9%/190.1%

## Q3/YTD Crypto ETF (Euro denominated returns)

### Bitcoin

43.2%/-1.4%

### Ethereum

72.1%/-6.1%

### Solana

3.1%/69.5%

### NASDAQ Crypto Index

30.7%/-4.4%

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## Thoughts:

I noted in our last Quarterly Update that we were surprised that Oil prices had come down so much in Q2 given how dependent the world is on Energy that transits the Strait of Hormuz and that we under-estimated the world's ability to fill the supply gap with Oil sitting in Strategic Petroleum Reserves (SPRs).

Well that has most certainly changed in Q3, with Brent Crude rallying 45.2% and WTI Crude rallying 35.6% in Q3.

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 levels. 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 continue to 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 you are paying twice the price for a burger, chips and a coke than you did 6 years ago and funny enough, roughly half of all Dollars (global reserve currency) created, have been printed in that same 6 year period. 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.

That said, Bonds are now much more attractive than they were 5-6 years ago when yields were basically zero. At some point Bonds will reach a yield that looks attractive relative to Equities. In some parts of the world we are getting closer to that point in time. In the US, 30 Year Treasury Bonds are yielding 5.5%. If you valued that yield like you do Equities, those Bonds are valued at 18.2X what they earn. Compared to the S&P 500 (US Equity benchmark), that's starting to look attractive, with the S&P 500 trading at 21X earnings. Especially to an aging population who will soon require safety and stable income over growth. Bonds were nowhere near that attractive relative to Equities, 5-6 years ago.

I'm not saying that it is time to buy long duration Bonds but I am saying that we are getting much closer to that point in time. The value proposition is getting much better, particularly in the US and that should be something front and centre of investor's minds, given that investors in standard global investment products have heavy exposure to US Equities (72% of the MSCI World index – global benchmark). When the trapdoor shuts, we could see a sharp wave of selling in US Equities to buy US Treasury Bonds.

This should be especially concerning to investors that are overly exposed to US Equities given that they have been underperforming the rest of the world for since 2025.

## Returns from the start of 2025 to now (Euro denominated terms)

### MSCI Latin America

65.9%

### Japanese Nikkei 225

56.3%

### MSCI Emerging Markets

46.6%

### MSCI Asia Ex-Japan

41.2%

### FTSE 100:

33.4%

### Euro Stoxx 50

31.6%

### US S&P 500:

24.9%

If US Equities are failing to keep up with the rest of the world now, during a period where Trump has thrown massive fiscal stimulus at the US economy, what will happen when the tide goes out? I cannot stress how important that is given how much risk the majority of global investors have sitting in US Equities.

# 03.

## Equities

I've said this before, but I 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 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.

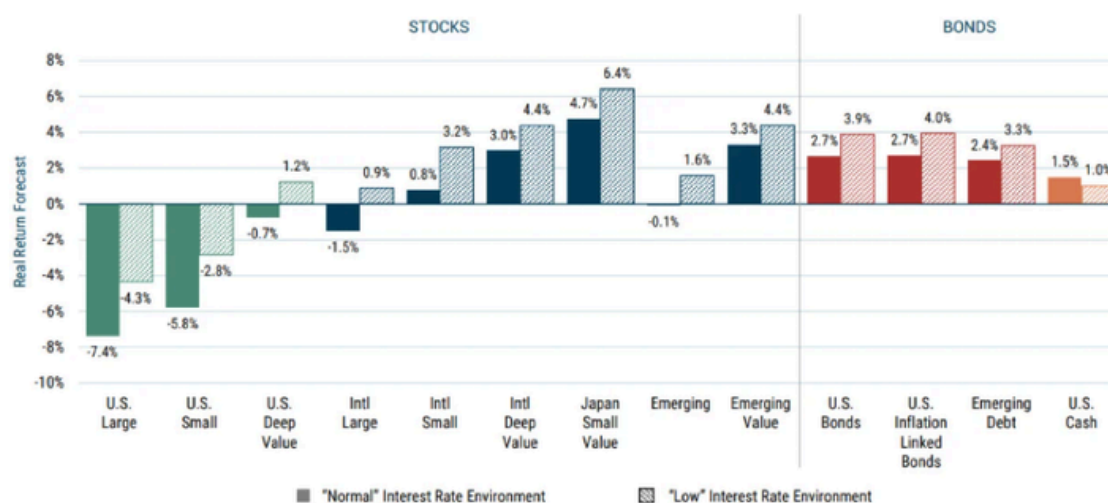
Valuations are a poor predictor of returns over the short term, but in the long-run the price you pay today in valuation terms will determine whether you get good or bad returns in the longer term. Don't believe me? Email us, and we'll send you a pdf which proves my point on data going back to the 1800s.

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 Real Return Forecast

*As of August 31, 2026*

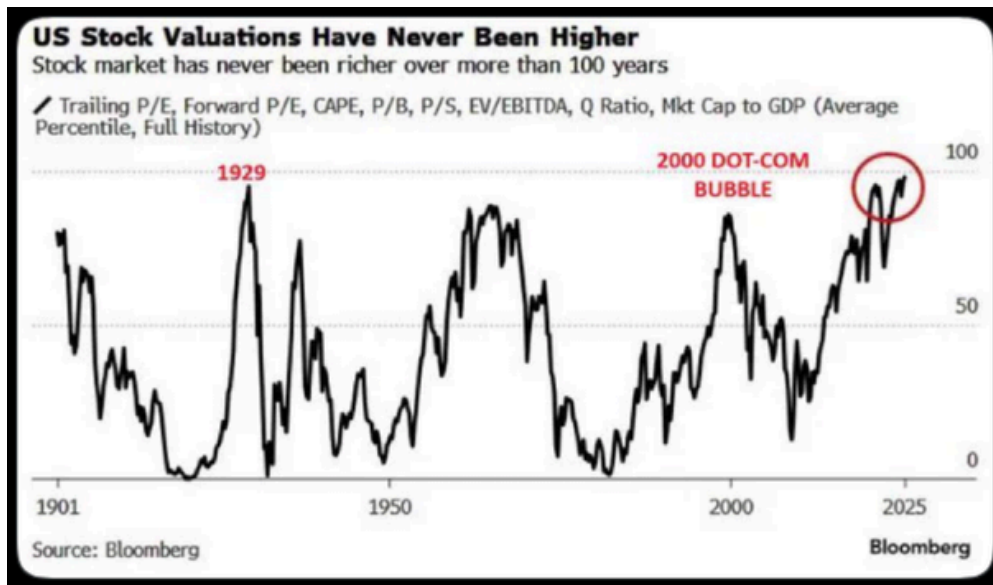


Source: GMO

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.

[https://www.gmo.com/europe/research-library/gmo-7-year-asset-class-forecast-august-2026\\_gmo7yearassetclassforecast/](https://www.gmo.com/europe/research-library/gmo-7-year-asset-class-forecast-august-2026_gmo7yearassetclassforecast/)

US Stock valuations are at their highest in history;



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;

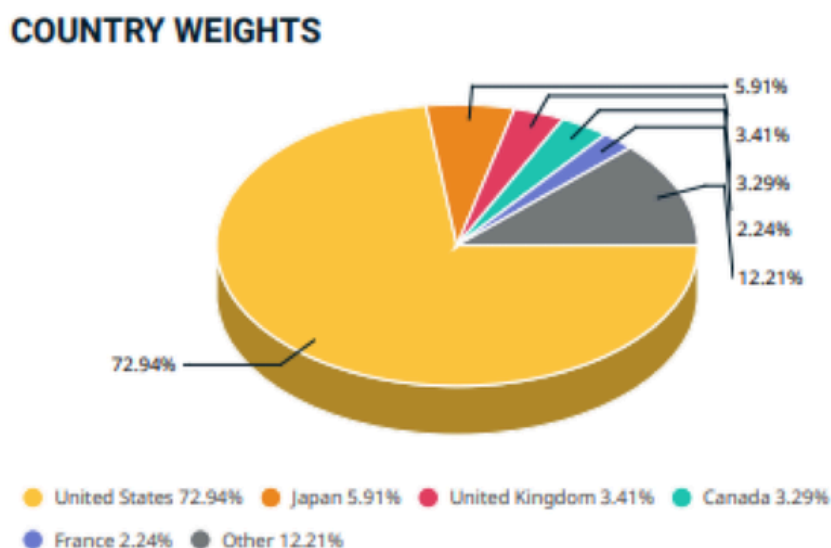
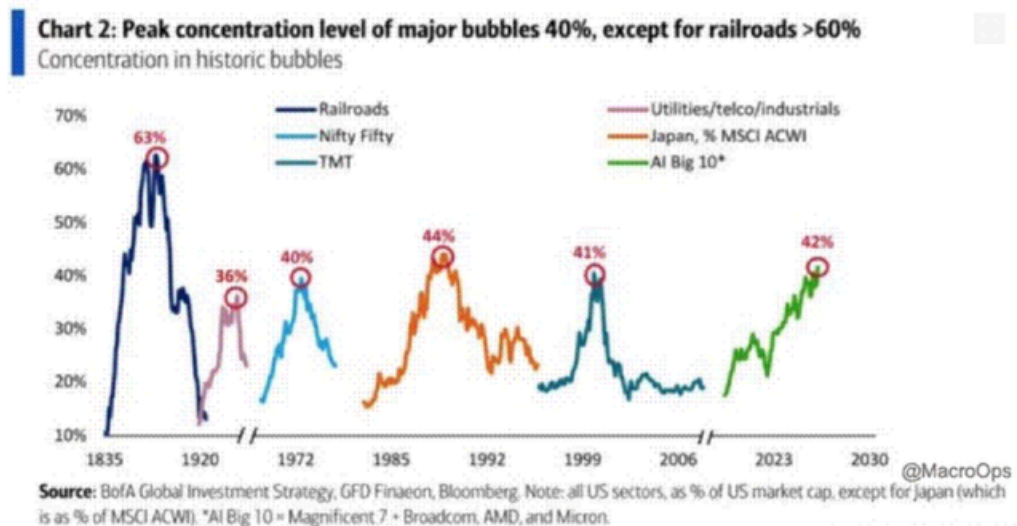


Image from: msci.com

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 72% 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!

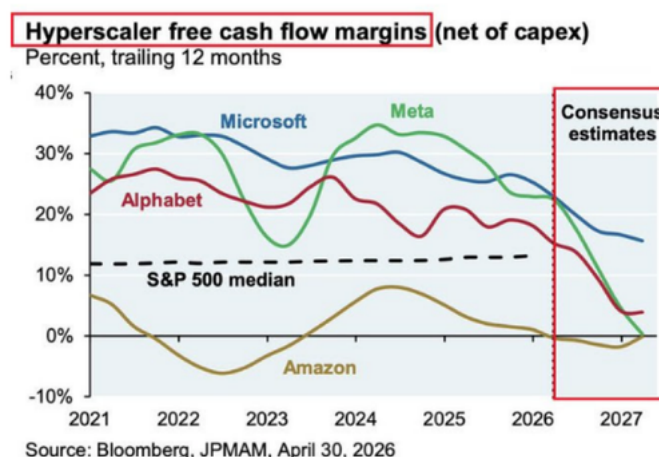
This should be very uncomfortable to investors in standard global investment products given how concentrated the risk is in US Equities. The top 10 largest companies in the US account for 40% of the S&P 500.

“The “Big 10” AI names have reached a level of market concentration that has marked every previous bubble of the last 200 years, outside of the railroad bubble, which climbed to 63%.” – MacroOps



Every one of the bubbles shown in the image above resulted in massive capital destruction. How is this one any different? Whenever you get too much competition, you get excess capacity and that drives profit margins to zero.

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.

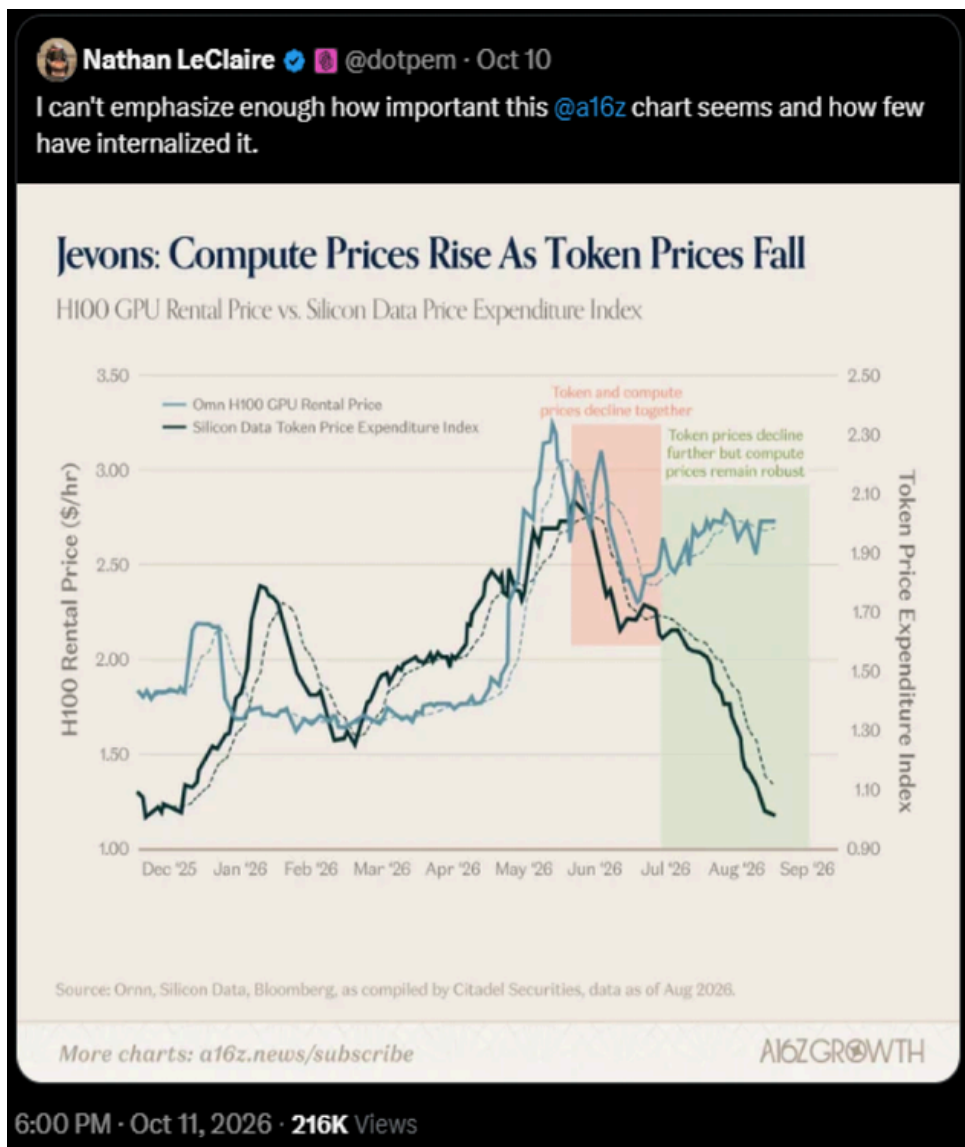


Megacap US Technology companies did over \$1 Trillion in stock buybacks in 2025! How can these buybacks continue, with free-cash-flows dropping so much? It can't.

**Kuppy** @hkuppy

In a normal functioning ecosystem, when the price of tokens drops below the cost of production, the quantity of tokens declines to normalize with pricing. In this case, nothing in AI has any unit economics and you don't see normalization because everyone is still going full-speed ahead with external funding. (Sort of like shale oil in 2016-2019). Meanwhile, compute prices are based on LT contracts that were signed at above market prices, and are now capital destructive. They'll eventually catch down to token prices in free-fall.

What we're seeing here is spot price negatively diverging from term pricing. Usually, when this happens in a cyclical industry, it's INCREDIBLY BEARISH. Especially when there are take-or-pay contracts that make it difficult to ration supply at prices below cost. What we're witnessing is a world where losses will accelerate, just as more supply comes online....



Source: <https://x.com/hkuppy/status/2109328394269638920>

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

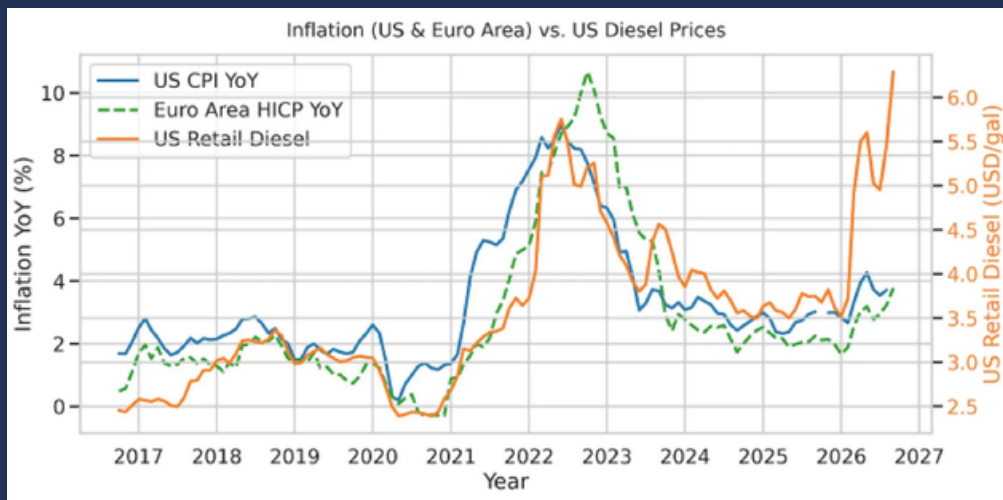
# 04.

## 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."

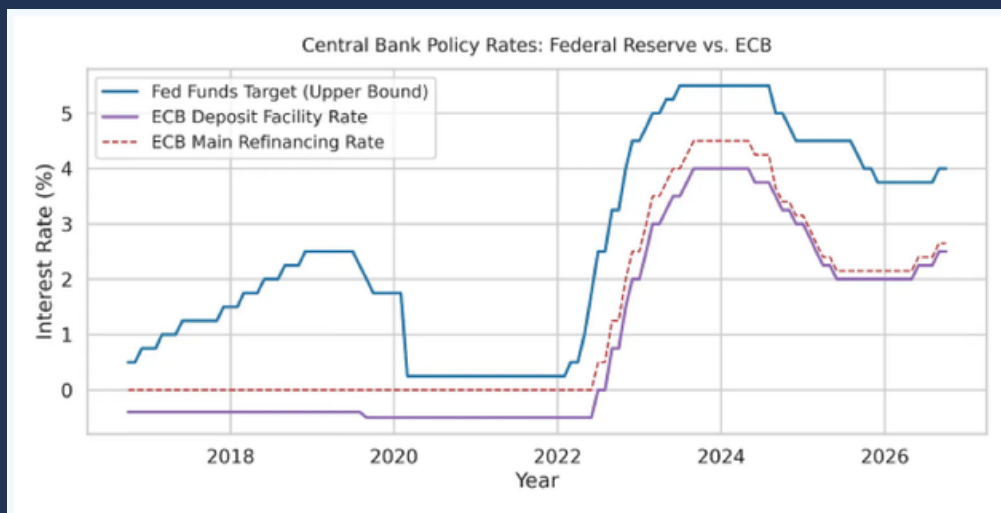
Quote from: <https://x.com/gnoble79/status/2080324795804106857>

Earlier in this piece I spoke of the fact that Bonds are generally more attractive now than they were 5-6 years ago. You actually get paid a yield to own them now, which is a step in the right direction, but it is hard to own them when Inflation looks to be headed higher. Diesel prices have a large impact on inflation. Currently Diesel prices suggest further upside in the inflation data.



Source: <https://www.ywr.world/p/ywr-hormuz-2030>

We would expect inflation data to catchup with the spike in Diesel prices in the months to come and that should put pressure on Central Banks to increase interest rates.



Source: <https://www.ywr.world/p/ywr-hormuz-2030>

At some point without a resolution in the Middle East, this could cause demand destruction and that would likely be deflationary or perhaps disinflationary. If and when we see evidence of this at scale, that could be the time to begin to buy longer duration Bonds. It's something we are watching closely, particularly in light of the recent cover of the Economist.



The Economist magazine cover is famous for being a contrary indicator at major turning points.

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 (including the bloodbath in the most recent quarter), 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.

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# 5.

## 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 has recovered nicely from late July to late August but it has sold off since then. We do not think the long term bull market is over, but we see reasons for caution at this time because we think interest rates are more likely to rise in the coming months on the back of higher inflation. Gold doesn't pay a yield so higher interest rates create more competition for safe haven investors to buy Bonds.

Also, the cost of Energy in most Emerging Market countries is a significantly larger piece of the consumer's income, than is the case in Developed Markets. Higher Oil prices is a big headwind. To put it simply, when Energy costs spike in some Emerging Markets, governments will sometimes sell Gold reserves in order to ease the burden. This is another headwind for Gold prices.

Ultimately I think the sustained breakout in 2024 above \$2000, from a 12 year consolidation period will eventually take Gold to somewhere in the \$8000 - \$10,000 range, but it would not at all surprise me to see it back under \$4000 in the coming months, and possibly something in the \$3000 - \$3500 range, particularly if Brent Crude gets going above \$120.

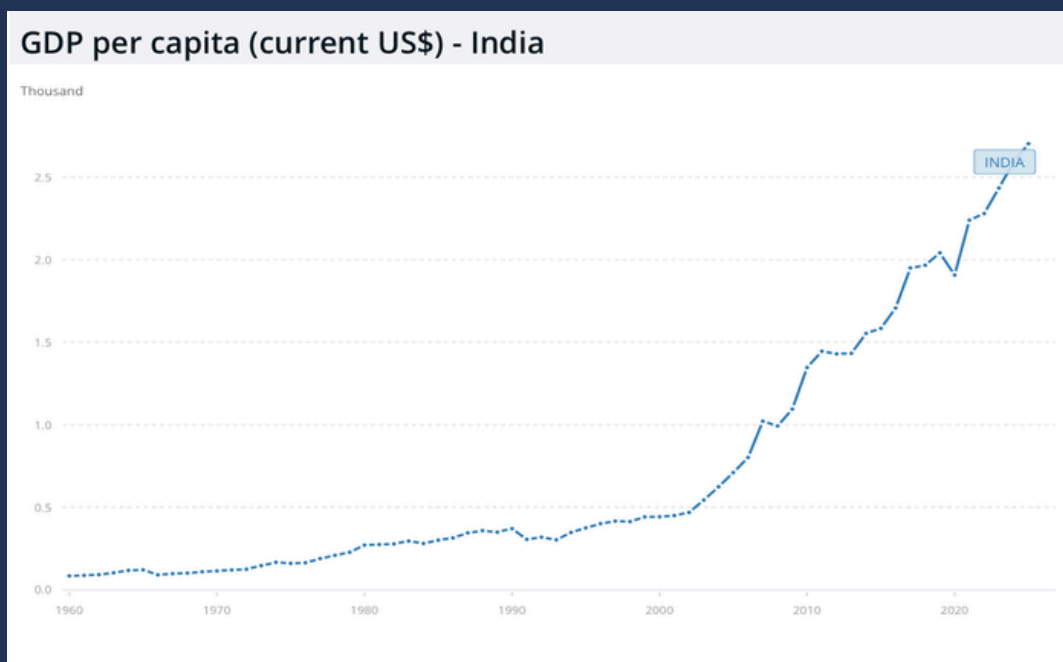
# 6.

## 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, not to mention Africa where growth is exploding. The last time a commodity boom started was in 2002, triggered by a billion new consumers in China. During the period from the 2002 low to the 2008 high, Brent Crude gained 770%.

“Do you remember the last commodity boom which started in 2002 and why it happened? It kicked off because 1 billion Chinese started consuming while the mining and energy industry didn’t see it coming and wasn’t ready for it. So prices squeezed higher for years before supply could react.

Well guess what? 1.3 billion Indians just did the same thing. GDP per capita in India has been going vertical and has crossed \$2,500. In today’s \$’s this is that same inflection point China hit in 2002. And like last time nobody is ready for it or talking about it.



We are all focused on EV's and the weak Chinese economy, but nobody is talking about 1.3 billion Indians. Or for that matter 1.4 billion Africans. For years the IEA did an amazing job of brainwashing the world that hydrocarbon demand was going to decline, not grow through 2050. And everyone bought into it. The energy industry, particularly the European oil majors, set modest targets for production growth. They reduced exploration, reduced drilling and reduced growth capex. BP, Shell and Total shifted a portion of their capex budget to renewables and away from hydrocarbons.”

– Erik@YWR

Source: <https://www.ywr.world/p/ywr-hormuz-2030>

A 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 Crude & Natural Gas prices for the longer term. Sure, Summer Driving season is over and we can see some easing in the near term as refineries find extra capacity, but it is going to take some time for new refinery capacity to build and in the interim we should expect to see elevated prices.

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# 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 all you can see is deficits. The price will have to move significantly higher in the longer term, 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.

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# 8.

## Conclusion

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

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

Chief Investment Strategist and Director  
dflynn@baggot.ie

The logo for Baggot Investment Partners, featuring the word "BAGGOT" in a large, bold, white sans-serif font, with "Investment Partners" in a smaller, white sans-serif font below it, all set against a dark blue square background.

**BAGGOT**  
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