NORTHSTAR

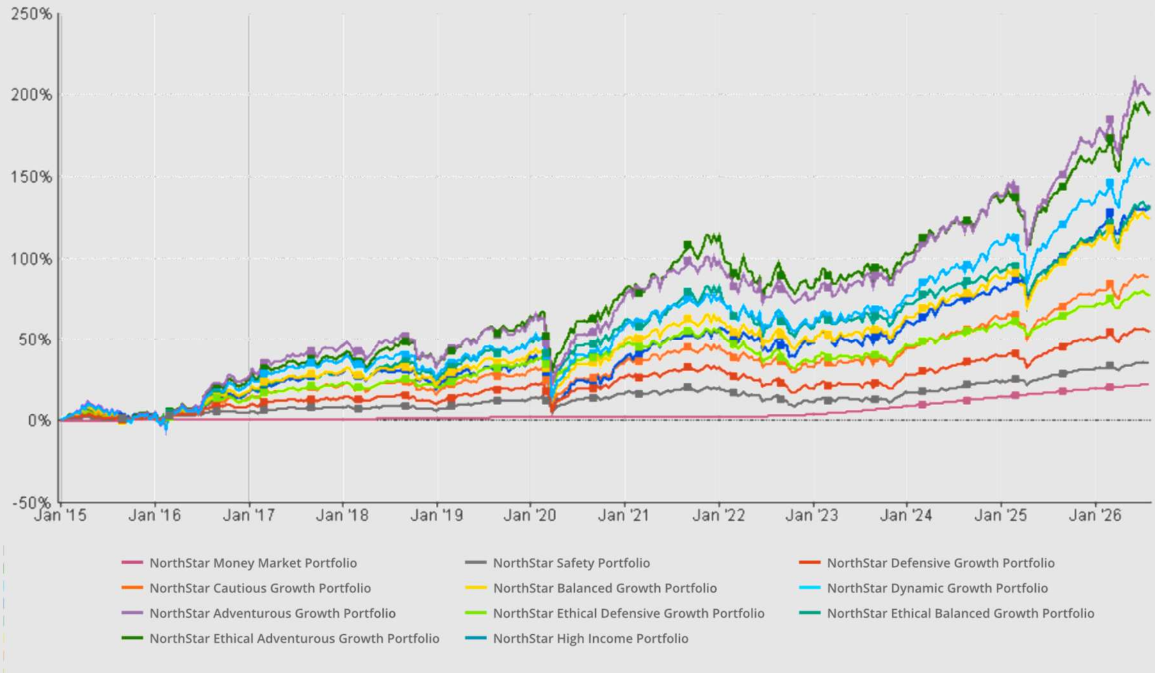
Smarter Financial Planning for the Digital Age

Investment Review & Market Outlook

August 2026

Portfolio Performance Comparison

Performance of the NorthStar portfolios since inception (January 2015) to August 2026:



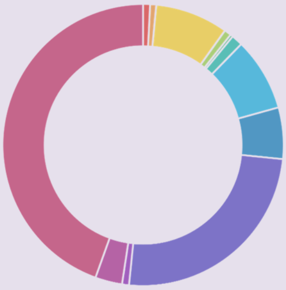
	3 Months	6 Months	1 Year	3 Years	5 Years	Since Inception
NorthStar Money Market Portfolio	1.0%	1.9%	4.0%	15.0%	19.4%	22.1%
NorthStar Safety Portfolio	1.8%	2.5%	5.7%	19.5%	14.0%	35.4%
NorthStar Defensive Growth Portfolio	2.2%	3.1%	7.5%	26.3%	19.3%	55.7%
NorthStar Cautious Growth Portfolio	3.1%	4.9%	10.9%	35.4%	32.6%	88.2%
NorthStar Balanced Growth Portfolio	4.0%	6.8%	14.5%	43.3%	42.6%	125.4%
NorthStar Dynamic Growth Portfolio	4.7%	8.4%	17.6%	51.4%	52.1%	158.1%
NorthStar Adventurous Growth Portfolio	5.4%	9.6%	20.6%	58.3%	58.4%	202.2%
NorthStar Ethical Defensive Growth Portfolio (from 01.01.21)	2.6%	3.9%	9.0%	26.5%	16.7%	21.6%
NorthStar Ethical Balanced Growth Portfolio	4.8%	8.1%	16.4%	39.9%	34.1%	131.8%
NorthStar Ethical Adventurous Growth Portfolio (from 01.01.24)	6.1%	10.1%	19.4%	N/A	N/A	42.3%
NorthStar High Income Portfolio	4.7%	6.2%	16.6%	53.0%	55.4%	132.8%

Portfolio Asset Allocation

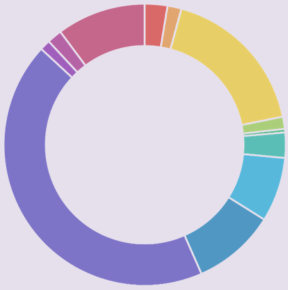
Asset allocation of the NorthStar portfolios:

NorthStar Money Market Portfolio

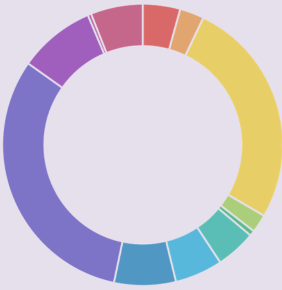
NorthStar Safety Portfolio



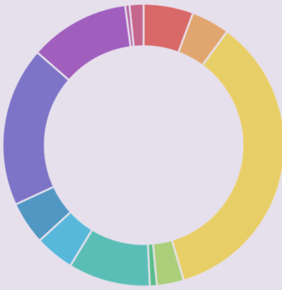
NorthStar Defensive Growth Portfolio



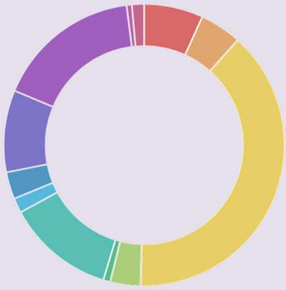
NorthStar Cautious Growth Portfolio



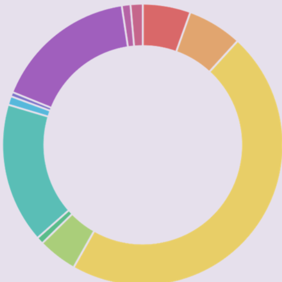
NorthStar Balanced Growth Portfolio



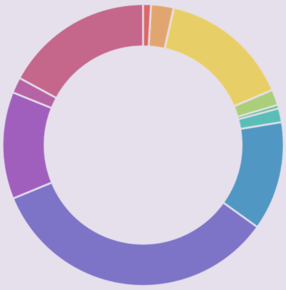
NorthStar Dynamic Growth Portfolio



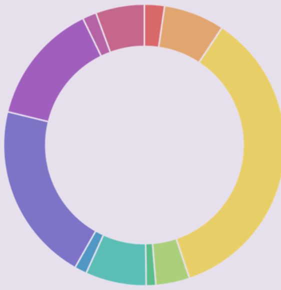
NorthStar Adventurous Growth Portfolio



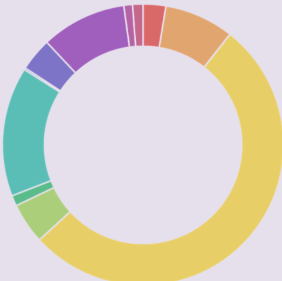
NorthStar Ethical Defensive Growth Portfolio



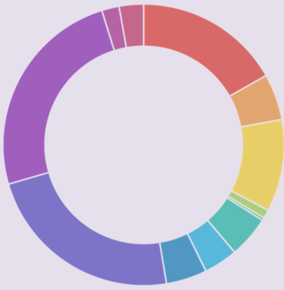
NorthStar Ethical Balanced Growth Portfolio



NorthStar Ethical Adventurous Growth Portfolio



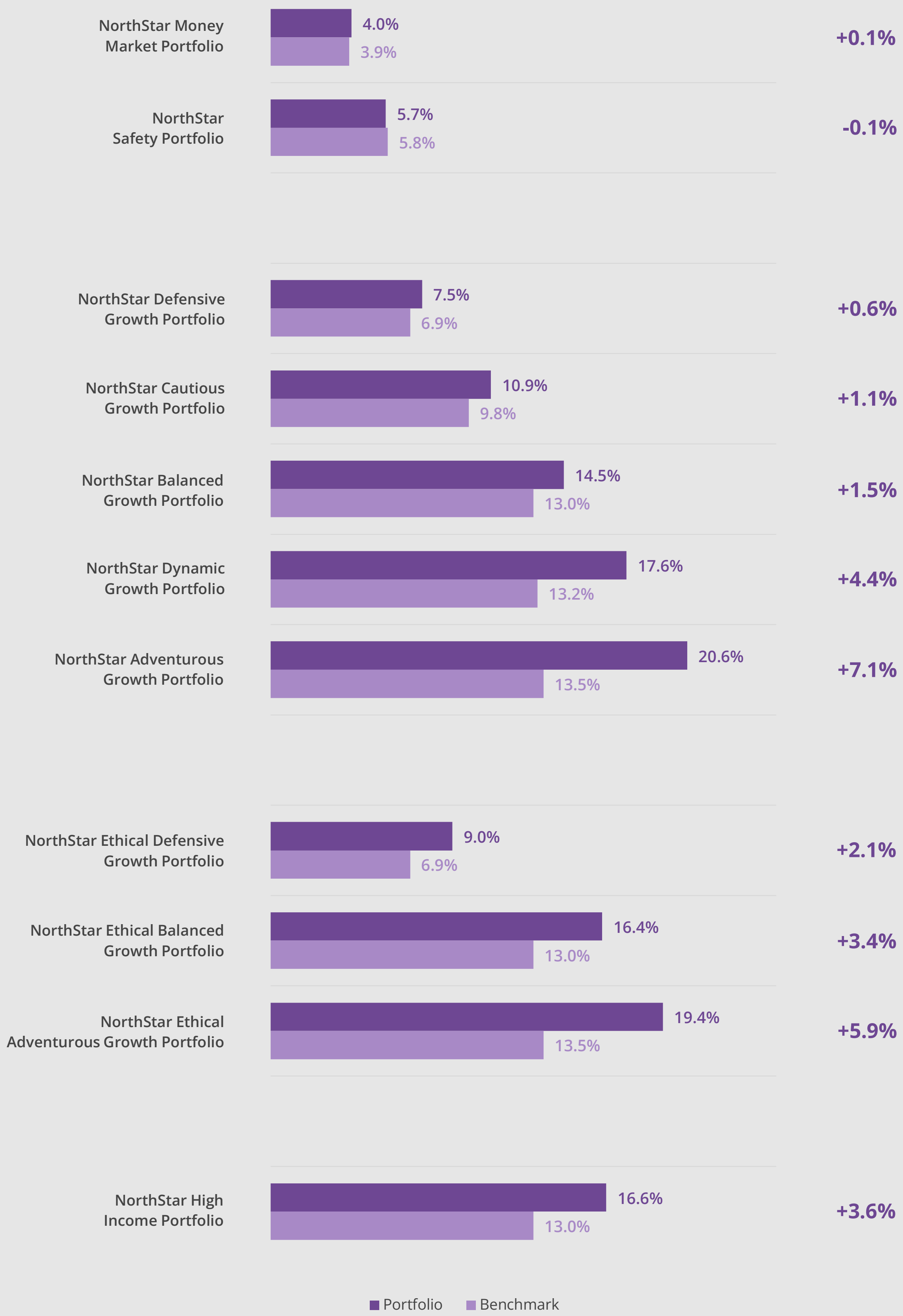
NorthStar High Income Portfolio



UK Equity, Europe Equity, North America Equity, Japan Equity, Asia (ex. Japan) Equity, Emerging Market Equity, Property & Infrastructure, UK Fixed Income, Global Fixed Income, Specialist & Global Equity, Alternative Strategies, Cash & Money Market

Portfolio Returns

Performance of NorthStar portfolios and associated benchmarks over twelve months to August 2026:



Economic & Market Update

UK Equity

- UK equity markets delivered positive but uneven returns. The FTSE 100 set an all-time high in late February, then fell around 8% through March as war between the US-Israel coalition and Iran sent energy prices soaring, before recovering to reach a new record high on the final day of July. The index benefited from a composition few developed markets share, with heavy weightings in oil companies, miners, pharmaceuticals and defence. Shell and BP enjoyed a significant earnings boost as oil prices rose sharply due to the ongoing Middle East conflict, while defence names were supported by rearmament commitments and record merger activity in the sector.
- The Bank of England held Bank Rate at 3.75% throughout, a marked change from February when markets confidently expected further cuts. UK inflation peaked at 3.3% in March before easing in June and July. Forecasters expect inflation to rise a little by the end of the year, so the question about interest rates for the year ahead is no longer how quickly rates fall, but whether they need to rise.
- The gap between large and smaller companies remained wide, with the FTSE 250 lagging under the weight of higher gilt yields, rising unemployment and fragile consumer confidence. More encouragingly, first-quarter GDP beat expectations, and the IMF nudged its UK growth forecast higher, although the OECD flagged the UK as among the G20 economies most exposed to the ongoing energy shock.
- Politics dominated the domestic picture. Reform UK made substantial gains in the May local elections, and Sir Keir Starmer resigned in June. Andy Burnham entered Downing Street on 20 July as the seventh Prime Minister in a decade, appointing John Healey as Chancellor. Markets reacted calmly, helped by a commitment to the existing fiscal rules, though Sterling and gilts moved on his remarks about using the flexibility within them. The Autumn Budget is now the most important domestic event for UK investors, and an early general election cannot be ruled out.

Europe Equity

- European equities were among the weaker developed markets during the past six months. The region imports most of its energy and captures relatively little of the artificial intelligence boom, leaving it exposed on both sides of the two forces now driving the global economy. Markets fell sharply in March after Iranian strikes on Gulf energy infrastructure sent gas and oil prices soaring, with the German market touching its lowest level since May 2025.
- The European Central Bank (ECB) raised rates by 0.25% in June – its first increase since 2023 and a clear reversal of the 2025 easing cycle after Eurozone inflation reached 3.2% in May. Markets still price a meaningful chance of a further interest rise this year, but some commentators see any further rises in an already weak economy as a policy mistake in the making.
- Defence remained the clearest structural theme, underpinned by the NATO commitment to lift core spending to 3.5% of GDP by 2035, the ReArm Europe programme and Germany's commitment to push ahead with increased defence spending. Even so, defence shares gave back some of their extraordinary 2025 gains as investors questioned whether valuations had outrun the industry's ability to deliver equipment.
- The International Monetary Fund now expects the Euro area to grow by just 0.4% in 2026. For the region to do better from here, three things need to happen: energy prices need to settle down, Germany's increased government spending needs to start feeding through from 2027, and investors need to recognise that European shares still look cheap compared with American ones.

North America Equity

- US equities produced strong headline returns despite a turbulent journey. The main S&P 500 stock index and the tech-focused Nasdaq 100 rose around 8% over the past six months. This masked a violent correction in March, when the Nasdaq fell more than 13% below its January high on surging oil prices, disappointing technology capital expenditure updates and uncertainty over the Federal Reserve transition. Corporate earnings were very strong, with 85% of S&P 500 companies beating their first-quarter expectations, the highest since 2021.
- The most striking feature of the period was what did not drive returns. The ‘Magnificent Seven’ (the largest tech stocks) collectively fell over the first half of 2026, while the wider index rose, reversing the recent outperformance trend.
- Monetary policy shifted materially. Kevin Warsh was sworn in as Federal Reserve Chair in May. There were no changes to US interest rates, but Mr Warsh has taken a firm line on inflation, signalling he is in no hurry to cut rates, while also arguing that artificial intelligence should eventually help bring prices down by making the economy more productive. Inflation reached 4.2% in May, before falling back a little over the summer months. Markets now attach a real probability to the next interest rate move being upward. After three years in which the only debate was the pace of easing, interest rate risk is genuinely two-sided again.
- Two political issues dominate the outlook. In February, the Supreme Court ruled the administration's use of emergency powers to impose tariffs unlawful; the temporary 10% global surcharge that replaced them expired on 24 July, with permanent duties proposed but not finalised, leaving importers and supply chains facing renewed uncertainty. The midterms follow in November, with the Democrats expected to regain control of the House, which would further constrain the Trump agenda and its fiscal stimulus.

Japan Equity

- Japan was the standout developed market during the past six months, with the Nikkei 225 index gaining more than 20%. Market gains were led by semiconductor-related companies, including Advantest and Tokyo Electron. Prime Minister Sanae Takaichi called a snap election for 8 February and won a historic landslide, taking a two-thirds 'supermajority' in the lower house. That removed a long-standing source of political instability and gave the government a clear mandate for stimulus and higher defence spending.
- The Bank of Japan raised its interest rate to 1% in June, the highest since 1995, yet the Yen stayed weak against most major currencies. Further increases towards a 'neutral rate' near 2% look likely, and the Yen will determine how much of Japan's local-currency performance UK investors actually capture. Longer term, a debt burden near 230% of GDP, a shrinking workforce and ageing demographics remain genuine constraints.

Asia (ex. Japan) Equity

- Asia excluding Japan was the best-performing major equity region and the strongest sector for UK investors over the past six months. The key drivers were demand for semiconductors and computer memory chips, powered by the rapid expansion of the artificial intelligence sector and the rollout of data centres across the world.
- Behind these returns lies the worst shortage of memory chips in fifteen years. Manufacturers have switched production towards the specialist, more profitable memory used in artificial intelligence (AI) systems, leaving far less capacity for the ordinary memory that goes into everyday devices. Prices have risen sharply, manufacturers are fully booked into 2027, and retailers are warning that phones, laptops and games consoles will cost more later this year.
- Chinese and Hong Kong shares were the exception in the region, falling as investors took a dimmer view of growth in these economies.
- Investment risks in Asia were laid bare over the summer as semiconductor stocks suffered a sharp correction on doubts over whether vast AI spending would pay off. The sell-off was severe in South Korea, where the market fell around 30% from its June peak into a 'bear market'. This fall should be kept in perspective, with the Korean market still up significantly during 2026, after strong gains earlier in the year.

Emerging Market Equity

- Emerging markets were among the strongest asset classes over the past six months. The make-up of the asset class has started to change fundamentally, with Korea and Taiwan overtaking China to become its two largest markets, together making up just over half the index by the end of June.
- Emerging market investing is starting to change. It used to be driven mainly by demographics, urbanisation and commodities. Today, a large part of it is tied to the companies supplying AI hardware. That shift has been very rewarding, and valuations still look sensible because profits have grown faster than share prices. It does mean emerging markets are becoming more concentrated, but still represent a very important and rewarding area of the investment market.
- Beneath the headline numbers, dispersion was wide, with emerging market energy exporters outside the Middle-East conflict zone benefiting from higher prices, while energy importers with little technology exposure (such as India) struggled. Because Korea and Taiwan now make up such a large share of the index, the late-July semiconductor correction hit the asset class hard in the closing weeks, a direct consequence of that growing concentration. Looking ahead, the direction of the US Dollar, how long the boom in memory chip prices lasts, and the geopolitical position of Taiwan are the three factors most likely to determine investor returns.

Property & Infrastructure

- Property and infrastructure investments delivered modest positive returns over the past six months, with listed property shares outperforming direct real estate funds. Data centres were the standout, though development is now constrained by power availability rather than land or demand. Operators with secured power access command premium valuations, while grid bottlenecks are creating broader opportunities across energy infrastructure.
- Traditional commercial property returns were mixed, with higher long-term borrowing costs weighing on valuations and offices and shops still facing challenges from changing work and shopping habits. Against that, infrastructure whose income rises with inflation looks more attractive while inflation stays stubbornly high.

UK Fixed Income

- UK fixed income was among the weakest sectors, as rising gilt yields drove negative returns. Ten-year yields spiked sharply from pre-conflict 15-month lows, pushing 30-year yields to 1998 highs by May. This turnaround was driven by energy-fuelled rate rise fears, political uncertainty during May's leadership contest, and heavy government debt supply meeting lower pension demand. Consequently, UK borrowing costs are now the highest of any major economy.
- Shorter-dated gilts, inflation-linked debt, and high-yield bonds outperformed longer-dated gilts and corporate debt. Looking ahead, reduced issuance and yields near 5% offer attractive value if inflation falls. The Autumn Budget remains pivotal: while the new Labour leadership has committed to the current fiscal rules, investors remain alert to targets being stretched for public spending. A credible plan could trigger a price recovery, whereas significant increases to public spending could quickly push borrowing costs higher.

Global Fixed Income

- Global bonds drifted, producing returns close to zero over the past six months. The reason was a shift in interest rate expectations across almost every major economy at the same time: the US Federal Reserve left interest rates unchanged, with its new chair signalling little appetite to cut, the European Central Bank raised interest rates for the first time in three years, the Bank of Japan continued lifting rates from very low levels, and the Bank of England moved from expecting cuts to seriously debating rises. The IMF has confirmed that the fall in inflation seen since early 2024 has stalled, raising its global inflation forecast to 4.7% for 2026.
- One new theme worth noting is that rapid AI infrastructure building is increasingly being paid for with borrowed money. The large technology companies are expected to issue hundreds of billions of Dollars of bonds, and rating agencies have flagged sizeable data centre commitments that do not yet appear in their accounts. That much borrowing from a single industry could unsettle corporate bond markets even if the wider economy holds up.
- The strain is already showing in private credit, where investment funds lend directly to smaller companies instead of buying listed bonds. These loans usually carry interest rates that move up and down with the base rate, so borrowers who expected rates to fall are still paying near their peak. Defaults across the sector reached a record 6% in the year to April. Software companies are the weak point, making up a far larger share of private credit portfolios than they do of public bond markets, and they now face the added question of whether AI erodes the businesses they have built.

Specialist & Global Equity

- In aggregate, global equities rose strongly in recent months, but the distribution of those returns was extraordinarily narrow by sector. Semiconductor indices in both the US and Asia roughly doubled, while the mega-cap technology platforms that had led markets for three years actually fell. Investors have rotated from the companies paying for AI infrastructure towards those supplying it.
- The scale of AI infrastructure spending continues to astonish, with the largest US technology companies heading towards combined 2026 capital expenditure approaching $700 billion – close to double the 2025 figure and the largest private investment cycle in history. The debate has shifted from how much will be spent to who can demonstrate a return on it, and that shift produced two sharp drawdowns. In June, the ‘Magnificent Seven’ tech stocks fell around 12% as shareholders pressed for evidence of monetisation. In July, semiconductor stocks sold off heavily in a significant correction that spread from Asia to the US. Investors grew concerned about whether vast AI spending would pay off, with added worries that big technology firms may build their own chips and that China is developing its own chip-making equipment.
- Beyond technology, global stock market returns broadened constructively, with defence, energy, financials, industrials, materials and healthcare all contributing. For diversified portfolios, this is welcome. The next phase is likely to be less about the market as a whole and more about a widening gap between winners and losers, making it more important than ever to separate the companies genuinely benefiting from AI from those simply riding the theme.

Alternative Strategies

- Gold had a difficult period after an exceptional 2025, suffering its worst quarterly fall since 2013. The cause was mainly interest rates: with rises now more likely than cuts, an asset that pays no income lost some of its appeal, and a stronger Dollar added to the pressure. Central banks were the exception, steadily buying gold throughout, and most major banks still expect a recovery over the next year or so. The lesson matters more than the price move: gold fell during a major Middle Eastern war, a reminder that so-called safe-haven assets offer no guarantee of protection.
- Cryptocurrencies fell sharply, with Bitcoin down around 27% year to date and trading below levels last seen in late 2024. The simultaneous decline of gold and Bitcoin, assets usually held for very different reasons, was an unusual signal of tighter global liquidity. Absolute return and hedge fund strategies were broadly flat to slightly negative, having found the sharp reversals in energy, rates and technology difficult to navigate.
- Commodities were dominated by oil. Brent crude rose from below $60 at the start of the year to above $106 in March following the closure of the Strait of Hormuz. Prices then fell below $70 by 1 July after a memorandum of understanding between the US and Iran, before rebounding towards $90 in late July as strikes resumed. Energy remains the single most important swing factor for inflation, and therefore for almost every asset class.

Cash & Money Market

- Cash and money market funds continued to deliver a steady return broadly in line with the 3.75% base rate. Unusually, cash outperformed both gilts and UK corporate bonds over the six months, which says more about how difficult fixed income has been than about how attractive cash has become. Against equities, the opportunity cost was substantial, and anyone who moved to cash during the March falls will have missed one of the strongest rebounds in years.
- With interest rates likely to stay at current levels for longer than expected, and with a possibility of increases, cash yields should remain reasonable through the rest of the year. Cash retains an important role as a stabiliser within most portfolios.

Summary

- **A major war shock, but markets kept climbing:** War broke out between the US-Israel coalition and Iran in February, closing the Strait of Hormuz through which roughly a fifth of global oil passes and triggering the largest supply disruption the oil market has ever seen. With the price of oil doubling, a sharp global correction followed in March, and inflation forecasts were torn up. Yet by the end of July, markets were substantially higher, and portfolios had delivered positive returns across the risk spectrum. An enormous artificial intelligence (AI)-driven investment cycle and strong corporate earnings proved more powerful than the energy shock, and the global economy has weathered it better than feared.

- **Inflation is back, and central banks have changed direction:** At the start of 2026, almost every region expected further interest rate cuts. This dissolved as global inflation stopped falling, with the International Monetary Fund (IMF) lifting its 2026 global inflation forecast to 4.7%. Central banks started to shift course: the ECB, Bank of Japan, and Bank of Korea raised rates, the US Federal Reserve held steady under a new chair, and the Bank of England halted interest rate cuts. Within portfolios, gilts and gold declined while cash outperformed bonds. For the first time in several years, investors must prepare for interest rate risk moving in either direction rather than solely downward.

- **Artificial intelligence returns broadened and became more volatile:** The best performing shares shifted decisively away from the big technology platforms paying for AI towards the semiconductor, memory and equipment companies supplying it. The 'Magnificent Seven' largest technology stocks fell in the first half of 2026, while surging semiconductor shares propelled the Korean and Taiwanese markets. With 2026 AI spending expected to approach $700 billion (and increasingly funded by debt), investors are starting to demand clear evidence of commercial returns. This scrutiny drove a sharp correction in semiconductor shares late in the period, and investors should expect this shift from spending money to making profits to remain a major and volatile driver of returns.

- **Politics moved to the foreground on both sides of the Atlantic:** The UK has its seventh Prime Minister in a decade. Andy Burnham's arrival leaves the Autumn Budget as a crucial test of fiscal credibility and will shape the financial direction of the country. Reflecting this uncertainty and structural weakness, UK bond yields are now the highest in the G7. In the US, lingering tariff disputes, a new Federal Reserve chair, and November's midterm elections add further uncertainty. Together, these show that political risk is becoming a persistent (rather than occasional) driver of market volatility.

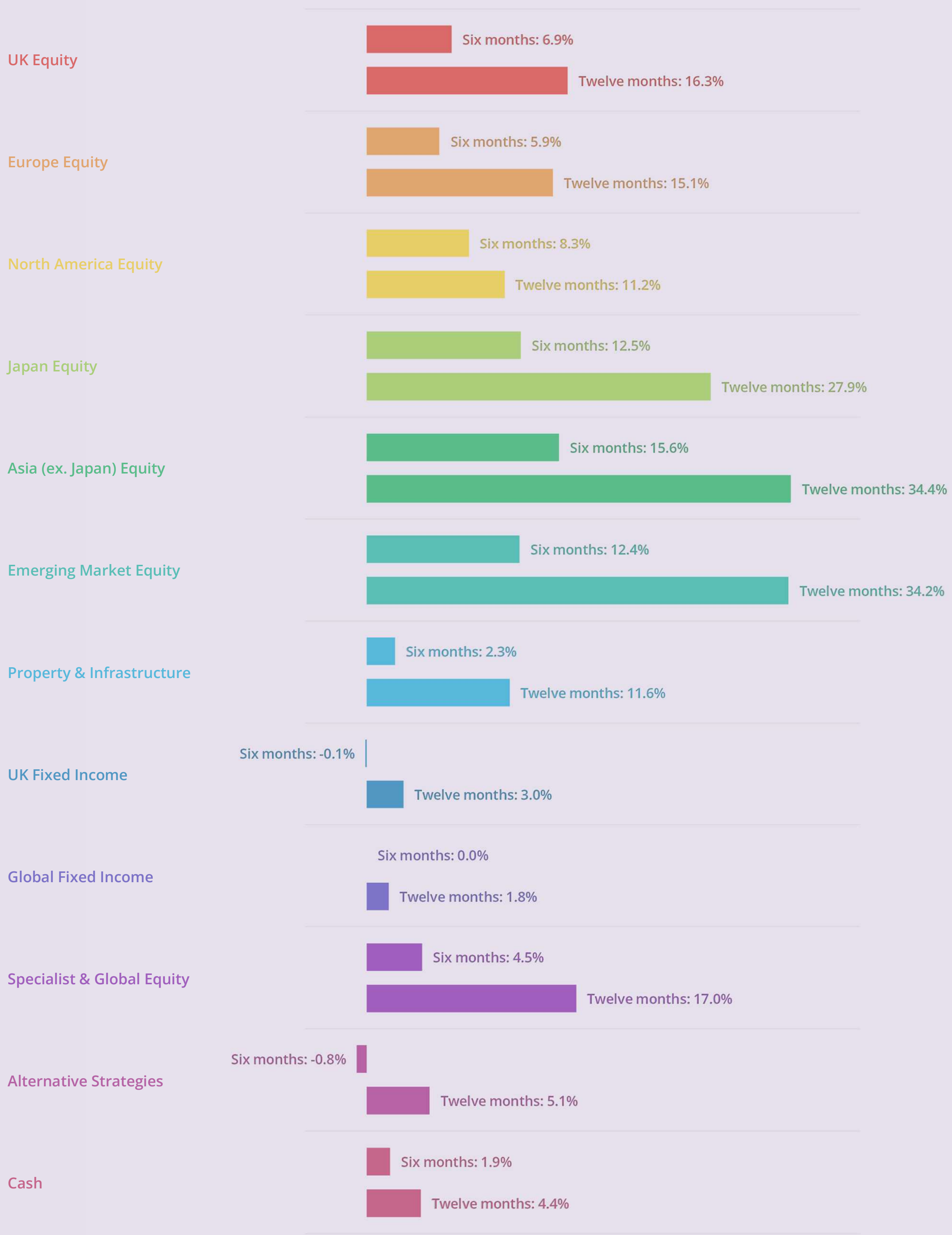
- **Diversification worked, but not as expected:** Against the backdrop of major war, rising inflation and continuing geopolitical uncertainty, the assets usually seen as defensive were not the ones that protected portfolios, with gold and government bonds both losing money. What worked instead was breadth across regions and sectors, particularly Asia, emerging markets and Japan, alongside the resilience of the UK's large-cap index and its heavy weighting in commodities and defence. This reinforces the importance of broad diversification over relying on any single asset during a crisis.

- **Portfolio Performance:** All NorthStar portfolios performed well over the past six months, delivering positive returns across the board against a volatile and unpredictable investment backdrop. Higher-risk strategies generated the strongest gains. Every portfolio outperformed its benchmark since the last review (bar the NorthStar Money Market Portfolio, which finished in line), with ethical portfolios performing particularly well. Investors are reminded that market volatility is expected to continue, and short-term falls remain a normal part of long-term investing.

- **Outlook:** The IMF projects growth of 3% in 2026, rising to 3.4% in 2027 as war-related weakness gives way to recovery. Near-term returns will be shaped by four main factors: whether massive AI spending delivers real profits; energy price stability; central bank interest rate trajectories; and policy shifts surrounding the UK Autumn Budget, US tariffs, and the US midterms. At the same time, compelling opportunities exist. Generational high bond yields, broadening equity market gains, and cheap UK and European valuations provide strong fundamentals. A disciplined, well-diversified portfolio aligned with clear long-term objectives remains the most reliable way to turn short-term volatility into long-term returns.

Asset Returns

Returns from asset types over the past six and twelve months to August 2026:



Economic & Market Data

	Value	6 Months	12 Months
Stock Markets			
FTSE 100	10,868.05	+6.3%	+19.0%
FTSE All-Share	5,836.47	+5.9%	+17.7%
Dax	25,612.03	+4.4%	+6.4%
Cac 40	8,485.64	+4.4%	+9.2%
S&P 500	7,489.72	+7.9%	+18.2%
NASDAQ	25,373.85	+8.2%	+20.1%
Nikkei 225	64,362.02	+20.7%	+56.7%
SSE Composite	3,832.26	-7.8%	+7.3%
Hang Seng	25,858.88	-5.6%	+4.4%
Bovespa	177,999.00	-1.9%	+33.8%
FTSE India	6,465.24	0.0%	+19.0%
Currencies			
£ GBP / $ USD	$1.3495	-2.0%	+1.7%
£ GBP / € EUR	€1.1681	+1.4%	+1.2%
£ GDP / ¥ YEN	¥212.29	+1.2%	+7.1%
Commodities			
Brent Crude	$87.93	+20.5%	+21.9%
Gold (LBMA Bullion)	$4,052.86	-19.8%	+22.6%
Silver (S&P GSCI Spot)	$2,821.58	-26.4%	+57.4%

UK Economy

CPI Inflation	+2.6%	(annual)
Base Rate	+3.75%	(current)
GDP	+1.3%	(annual)
Unemployment	+4.9%	(current)
Lloyds HPI	+0.6%	(annual)

Sources: FE, BBC, Bloomberg, ONS, Halifax, Bank of England

About NorthStar Wealth Management

Award-winning independent financial planning designed to help you take control of your money, grow your wealth, protect your lifestyle and plan for a more certain future.

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