Marsham
Investment Management

September 2026

Update from Marsham

The Middle East conflict enters its sixth month as Trump's Iran reparations demand stalled diplomacy. US Treasury Secretary Bessent launched "Operation Economic Outcast," threatening sanctions against Iran traders. Elsewhere, US-Canada tariff tensions escalated with Canadian Prime Minister Carney pledging dollar-for-dollar retaliation. On rates, 30-year Treasury yields hit their highest levels since 2007 amid fiscal and inflation concerns. Bessent announced expanded debt buybacks to curb borrowing costs, though markets remain sceptical. July's PCE inflation remained elevated and too hot for the Fed while growth held steady. Jackson Hole closed the month with Fed Chair Warsh delivering a hawkish keynote speech.

In Europe, while the ECB kept rates unchanged in July the tone shifted noticeably hawkish in August. Euro-area inflation rose to 2.9% YoY in July (from 2.8%) amidst energy price surges following the US-Iran ceasefire collapse. Growth proved modestly constructive with regional divergence: Germany and the broader manufacturing sector showed resilience, while France remained weak narrowly avoiding technical recession amid ongoing fiscal and political challenges. While expectations of further tightening remain with markets now pricing in a September rate hike, we maintain our view that the longer-term rates path will be modest from here.

In the UK growth surprised to the upside, aided by the heat wave and the World Cup, with the latest composite PMI data broadly showing continued momentum for now. Meanwhile, inflation rose to a four-month high above BoE forecasts, driven by energy prices and Ofgem cap increases. Labour market weakness persisted especially in the private sector: private sector PMI headcount declined for a 22nd consecutive month, payrolls continued to shed, and vacancies remain depressed. BoE Governor Bailey's dovish Jackson Hole comments emphasised limited evidence of significant second-round inflation effects given labour market weakness, limiting the case for further monetary tightening. Looking ahead, attention shifts to October's Budget where Chancellor Healy has reiterated fiscal discipline as his top priority.

While geopolitical macro risks remain elevated, we believe we are well positioned for the volatile backdrop. The situation continues to warrant close monitoring. Our unconstrained strategy allows for the required flexibility to actively adjust our positioning accordingly. Disciplined security selection remains critical, and we reinforce our priority on fundamental research and stress testing on all investment names. As such, we have confidence in the ability of our portfolios to deliver strong returns while weathering volatility.

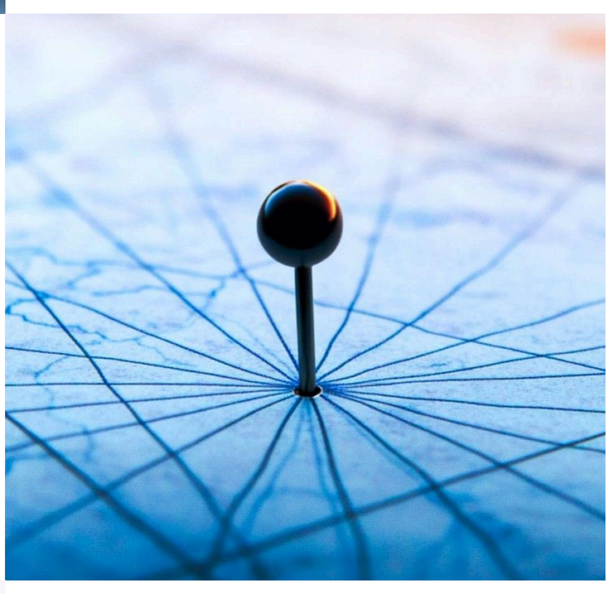
PERFORMANCE

Our funds have posted the following performance **year-to-date**:

+2.1% **in the USD fund**
+0.8% **in the EUR fund**
-0.7% **in the GBP fund**

POSITIONING

In the **USD** fund, we maintain a bias to shorter-dated credits with attractive yields, favouring resilient, policy-agnostic credits – overweight higher-quality IG and underweight high yield. In **EUR**, we maintained intermediate duration favouring attractively yielding subordinated financials, communications, and utilities. In **GBP**, we maintained long duration favouring high-quality credits.



INSIGHTS

Marsham are pleased to announce that we have been shortlisted in two categories at this year's **Investment Week's Sustainable Investment Awards**.

Read More

Read our latest article "**Credit investing in the transition**" featured in **Funds Europe**.

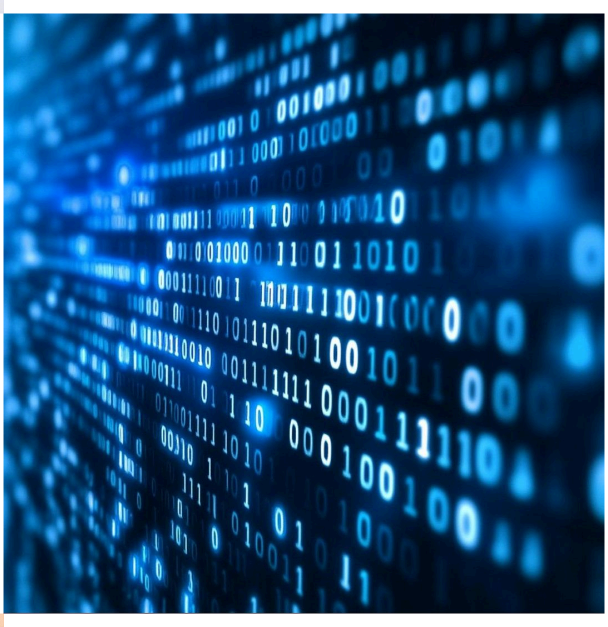
Read Here

FUND FACTSHEETS

USD Transitional Issuers FI Fund

EUR Transitional Issuers FI Fund

GBP Transitional Issuers Fund



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