VANILLA PORTFOLIOS

Monthly Commentary – 06 July 2026

London Stock Exchange Listed Products		
Name	**Ticker**	**ISIN**
Vanilla Blue Chip Portfolio USD	VPCU LN	XS2788042245
Vanilla Blue Chip Portfolio GBP	VPCG LN	XS2788042245
Vanilla Global Balanced Portfolio USD	VPBU LN	XS2944878912
Vanilla Global Balanced Portfolio GBP	VPBG LN	XS2944878912

The Month the Fever Broke

After a quarter in which geopolitics set the agenda for almost every asset class, June was the month the temperature finally came down. The interim US–Iran deal, signed on 14 June, ended weeks of brinkmanship that had whipsawed energy markets since the spring. The agreement, which followed the 60-day memorandum of understanding reported in late May, saw the US lift its naval blockade, and the effect on oil was immediate and dramatic. Brent crude, which had spent the quarter trading on headlines rather than fundamentals, finished June at $72.92 per barrel: nearly back to pre-conflict levels, though still up 19.8% year-to-date. For a market that had priced in everything from supply disruption to outright regional war, the speed of the retracement was a reminder of how much risk premium had been sitting in the price.

Perhaps the most striking feature of June was how little damage the energy shock appeared to have done to the real economy. The May payrolls report, released in early June, beat expectations – the third consecutive upside surprise – taking the three-month average to +188k, the strongest run in two years. For those who had spent the spring warning of stagflation, the data offered little support. Growth held up, hiring held up, and with oil retreating, the inflation impulse from energy began to fade almost as quickly as it had arrived.

A Changing of the Guard at the Fed

June also delivered the first FOMC meeting under new Chair Kevin Warsh, and it did not disappoint those expecting a change of tone. The meeting was decidedly more hawkish than markets had anticipated, with half the committee indicating a preference for a rate hike before the end of 2026. The repricing in rates markets was severe: having begun the quarter pricing a handful of basis points of cuts, by the end of June futures implied 38bps of hikes. That is a remarkable swing in expectations over a matter of weeks, and it says as much about the resilience of the data as it does about the new Chair's instincts.

The Fed was not alone in its hawkishness. The ECB delivered its first rate hike since 2023, taking the deposit rate to 2.25%, while the Bank of Japan raised rates 25bps to 1%. The BoJ's move did little to arrest the yen's slide, however – the currency ended June at 162.55 per dollar, its weakest level since 1986. The dollar, by contrast, remained firm throughout the month, extending a run of strength that has now persisted for four consecutive quarters.

Relief, Then Euphoria as Gold Sees the Unwind of the Fear Trade

For equity markets, the combination of de-escalation, resilient data and fading inflation fears proved a potent cocktail. Global equities extended their gains through June, with the rally led – emphatically – by semiconductors. AI-related chip demand continued to run well ahead of supply, to the point where Apple raised prices in response to memory-chip shortages. When the world's most valuable consumer franchise starts passing on component costs, it tells you something about how tight the market has become. Semiconductor indices in both the US and Korea ended the month at or near record levels, capping an extraordinary run.

Sovereign bonds ended the month on a steadier footing as inflation fears eased, though the hawkish turn from central banks kept a lid on any meaningful rally. The more telling story was in the safe havens: gold and silver continued to give back their conflict-era gains through June, and Bitcoin remained under pressure, unable to find a bid even as risk appetite returned elsewhere. The fear trade, in short, was unwound almost as quickly as it was assembled.

Looking Ahead

June's lesson is one investors relearn every few years: geopolitical risk premia are real, but they are also perishable. The interim deal is exactly that – interim – and the second half of the year will test whether the de-escalation holds. Meanwhile, the more durable story may be the one central banks are telling. If the world's major economies can absorb an energy shock of this scale and still generate the strongest payrolls run in two years, the case for higher-for-longer rates – and possibly higher still – is not going away. Portfolios positioned for cuts have some thinking to do.

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Blue Chip Stocks: June Monthly Performance (USD) Highlights

The portfolio was re-balanced in the middle of June and not all the stocks discussed below will have been held in the portfolio for the full month.

Top Performers

Company	Sector	Performance
Lam Research Corporation	Technology	36.30%
ASML Holdings	Technology	23.40%
Caterpillar Inc.	Industrials	21.60%
GE Vernova Inc.	Industrials	21.40%
Parker-Hannifin Corporation	Industrials	15.80%

Lam Research Corporation

- AI-driven semiconductor investment continued to support demand for wafer fabrication equipment, boosting confidence in Lam's long-term growth outlook.
- Optimism around memory chip spending and advanced packaging technologies reinforced expectations for stronger customer capital expenditure.
- Positive analyst sentiment and improving earnings expectations encouraged investors to increase exposure to semiconductor equipment manufacturers.

ASML Holding

- Continued strength in AI-related chip demand reinforced confidence in ASML's dominant position in advanced EUV lithography equipment.
- Investors responded positively to expectations of sustained semiconductor capital spending by leading foundries and chip manufacturers.
- The company's strong order backlog and technology leadership supported further gains despite ongoing geopolitical uncertainties.

Caterpillar Inc.

- Improving global economic sentiment increased expectations for stronger construction, mining and infrastructure activity.
- Anticipation of higher government infrastructure spending supported the outlook for heavy equipment demand.
- Investors were attracted by Caterpillar's resilient earnings profile and ability to generate strong cash flows despite a mixed industrial backdrop.

Bottom Performers

Company	Sector	Performance
Alphabet Inc.	Communication Services	-6.10%
Apple Inc.	Technology	-7.30%
Amazon.com, Inc.	Consumer Discretionary	-11.90%
Microsoft Corporation	Technology	-17.20%
Alibaba Group Holding Limited	Consumer Discretionary	-22.00%

Amazon.com, Inc.

- Profit-taking followed a period of exceptional share price gains, with investors rotating out of large-cap technology leaders into other sectors.
- Concerns emerged that continued heavy investment in AI infrastructure could weigh on near-term profit margins despite strong long-term growth prospects.
- The broader technology sector experienced increased volatility as investors reassessed valuations following a strong rally earlier in the year.

Microsoft Corporation

- The stock came under pressure as investors took profits after an extended period of AI-driven outperformance.
- Ongoing concerns that substantial AI and cloud infrastructure investment would continue to temper near-term margin expansion weighed on sentiment.
- A rotation away from mega-cap technology stocks into more cyclical sectors contributed to relative underperformance during the month.

Alibaba Group Holding Limited

- Weak consumer spending and an uneven economic recovery in China continued to weigh on expectations for domestic e-commerce growth.
- Persistent concerns over China's property market and broader macroeconomic outlook reduced investor appetite for Chinese equities.
- Heightened competitive pressures in China's online retail market raised concerns over margins and the pace of future earnings growth.

ETF Portfolio Insights – Vanilla Funds' Global Balanced GBP Strategy

The Global Balanced Portfolio delivered a clear illustration of the changing market leadership during June. Semiconductor-related investments remained the standout performers as investors continued to embrace the structural growth opportunities created by artificial intelligence. The VanEck Vectors Semiconductor UCITS ETF was the portfolio's strongest contributor, benefiting from continued optimism that chip manufacturers and equipment suppliers will remain at the centre of the AI investment cycle. Confidence in sustained demand for advanced semiconductors, together with improving earnings expectations across the sector, helped propel the ETF significantly higher over the month.

Japanese equities also enjoyed a strong period, with the Xtrackers Nikkei 225 ETF emerging as the portfolio's second-best performer. Investor sentiment towards Japan remained constructive as corporate governance reforms, resilient earnings and a relatively supportive economic backdrop continued to attract international capital. The market also benefited from expectations that Japanese companies would continue to play an increasingly important role in global technology and industrial supply chains.

In contrast, defence stocks experienced a notable pullback after a prolonged period of exceptional performance. The VanEck Defense ETF was the weakest performer in the portfolio as investors locked in profits following the sector's strong gains over recent months. With geopolitical tensions easing during June, some capital rotated away from defence companies towards more economically sensitive and growth-oriented sectors.

The iShares Global Clean Energy Transition ETF also struggled, reflecting ongoing challenges facing the renewable energy sector. Higher financing costs, project execution concerns and continued pressure on clean energy valuations outweighed the long-term structural investment case. Despite favourable long-term themes surrounding the global energy transition, investors remained cautious about the sector's near-term earnings outlook, resulting in another difficult month for clean energy-related companies.

June Top Performers

Fund Name	AssetClass	Theme	Performance
VanEck Vectors Semiconductor UCITS ETF	Equity	Sector	13.9%
XTrackers Nikkei 225 UCITS ETF 1D	Equity	Large Cap	6.8%
Vanguard USD Emerging Markets Government Bond UCITS ETF	Fixed Income	Government	2.3%
Avantis Global Equity UCITS ETF Acc	Equity	Factor	2.0%
iShares $ TIPS 0-5 UCITS ETF	Fixed Income	Inflation	1.3%

June Bottom Performers

Fund Name	AssetClass	Theme	Performance
WisdomTree Quantum Computing UCITS ETF - USD Acc	Equity	Thematic	-4.2%
iShares MSCI World Energy Sector UCITS ETF (Dist)	Equity	Sector	-5.6%
L&G Longer Dated All Commodities UCITS ETF	Commodity	Broad Market	-6.3%
iShares Global Clean Energy Transition UCITS ETF (Dist)	Equity	Thematic	-11.8%
VanEck Defense ETF Acc	Equity	Thematic	-12.4%