VANILLA PORTFOLIOS

# Monthly Commentary – 03 August 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 |

## Defying the Summer Slump

August is often a quiet and occasionally volatile month for markets, yet this August proved to be a striking exception. Rather than succumbing to a late-summer wobble, investors were met with robust global economic data and resilient corporate earnings. This broad optimism propelled equities to fresh record heights, with major indices such as the S&P 500 and Europe's STOXX 600 establishing new peaks. The upward momentum was particularly pronounced across technology shares, which continued to act as the primary engine for broader equity performance.

## The Surge in Global Yields

While equity markets enjoyed smooth sailing, the fixed-income landscape experienced historic volatility. The defining story of the month was a sharp, worldwide surge in longer-dated sovereign bond yields, fuelled by stronger-than-expected economic growth, persistent inflation worries, and renewed fiscal anxieties. Benchmark yields across major economies reached multi-year or all-time peaks: the US 30-year Treasury yield climbed to a post-2007 high of 5.31%, Germany's 30-year yield touched a post-2011 high of 3.81%, and Japan's 30-year yield reached 4.14%, its highest level since the maturity was first introduced in 1999. Investors were forced to confront the reality of a substantial repricing in long-term borrowing costs despite the upbeat economic backdrop.

## Treasury Interventions and Financial Repression

Just as rising borrowing costs threatened broader market stability, an unexpected official intervention shifted the tone. The US Treasury, led by Scott Bessent, caught market participants off guard by announcing it would at least double the size of its buyback operations for longer-dated Treasuries, raising the maximum cap from $2 billion to at least $4 billion per operation. While this aggressive liquidity measure succeeded in pulling yields down from their mid-month highs, it simultaneously amplified concerns over systemic financial repression. With fiscal authorities perceived as stepping in to manage long-term yields, capital rotated toward traditional hard assets, driving a significant rally in precious metals and weighing on the US dollar.  This story has only just begun, and we can be sure this isn't the last we will hear about the US Treasury versus the markets!

Adding to bond market crosscurrents was a firmly hawkish message from the Federal Reserve. Speaking at the Jackson Hole economic symposium, Fed Chair Warsh emphasized that the central bank's 2% inflation objective remains a firm, fixed target, warning that recent benign summer readings do not signify that underlying inflationary trends have meaningfully improved. This resolute rhetoric dampened hopes for an easing bias, leaving markets pricing in a solid likelihood of another rate hike in September.

**Geopolitical and Supply-Side Shocks**

Underpinning the central bank's caution was a resurgence in commodity-driven price pressures. Energy markets experienced sharp swings; an initial price drop prompted by hopes of diplomatic talks quickly reversed after negotiations failed to materialize, culminating in renewed military strikes and a strong month-end rebound in oil and European natural gas prices.

Compounding these energy pressures were acute supply constraints across the agricultural complex, where the continued closure of the Strait of Hormuz alongside the onset of El Niño triggered sharp surges in global food staples like wheat, corn, and sugar. Together, these geopolitical and supply headwinds ensure that inflation remains a dominant macro risk for portfolio allocators heading into the autumn.

Yet, as August came to an end, from stage left came the quarterly earnings report from Nvidia delivering record-shattering results driven by explosive artificial intelligence infrastructure demand. Revenues reached $96.2 billion, up 106% year-over-year.  Need we say more?

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# Blue Chip Stocks: August Monthly Performance (USD) Highlights

## Top Performers

| Company | Sector | Performance |
|---|---|---|
| MICROSOFT CORP | Technology | 9.37% |
| ASML HOLDING NV-NY REG SHS | Technology | 4.11% |
| MERCADOLIBRE INC | Consumer Discretionary | 3.10% |
| LAM RESEARCH CORP | Technology | 2.89% |
| TAIWAN SEMICONDUCTOR-SP ADR | Other | 2.74% |

## MICROSOFT CORP

- Strong Azure growth and continued demand for AI services reinforced confidence in Microsoft's cloud-growth outlook.
- Investors responded positively to accelerating AI revenue and the expanding commercial opportunity across its software platform.
- The shares benefited as concerns about a slowdown in AI-related software spending eased during the month.

## ASML HOLDING

- Strong quarterly results and higher full-year revenue guidance highlighted resilient demand for advanced chipmaking equipment.
- AI investment continued to support expectations for sustained demand from leading logic and memory-chip manufacturers.
- Confidence in ASML's technological leadership and long-term capacity-expansion plans underpinned investor sentiment.

## MERCADOLIBRE INC

- Rapid revenue growth reflected continued momentum across Latin American e-commerce and digital payments.
- Strong growth in marketplace volumes and payment transactions supported confidence in the company's expanding ecosystem.
- Investment in logistics, free shipping and credit weighed on margins in the near term but reinforced expectations for longer-term market-share gains.

## Bottom Performers

| Company | Sector | Performance |
|---|---|---|
| ALPHABET INC-CL C | Communication Services | -5.96% |
| ALIBABA GROUP HOLDING-SP ADR | Other | -6.73% |
| GENERAL ELECTRIC | Industrials | -6.77% |
| GE VERNOVA INC | Industrials | -9.27% |
| TJX COMPANIES INC | Consumer Discretionary | -14.62% |

### GENERAL ELECTRIC

- Profit-taking followed a strong share-price run, with investors becoming more cautious about a valuation that already reflected much of GE Aerospace's positive earnings and cash-flow outlook.
- Supply-chain and production risks remained in focus, particularly the potential impact of aircraft-manufacturing delays on engine deliveries and services activity.
- Elevated expectations increased sensitivity to any disappointment, leaving the shares vulnerable as investors reassessed the pace of future margin and free-cash-flow growth.

### GE VERNOVA INC

- The shares consolidated after a powerful rally, as investors took profits despite continued strength in the company's order book and long-term power-demand outlook.
- Earnings fell short of elevated expectations, with attention drawn to a weaker-than-expected per-share profit performance.
- Ongoing challenges in the wind business created concerns over the pace and reliability of margin improvement across the group.

### TJX COMPANIES INC

- Slower comparable-sales growth in the core Marmaxx division raised questions about momentum at the company's largest business.
- The stock came under pressure after an analyst downgrade, as concerns grew around intensifying competition in off-price retail.
- Strong results and improved guidance were already largely anticipated, meaning investors focused more heavily on signs of moderation in US sales growth.

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## ETF Portfolio Insights – Vanilla Funds' Global Balanced GBP Strategy

Entering September, the portfolio retains a pronounced growth bias through its allocations to global technology, the Nasdaq-100, semiconductors, data-centre infrastructure and quantum computing. These holdings remain well placed to benefit from continued artificial-intelligence investment, as companies build the computing capacity, software and semiconductor supply chains required to support it. However, following a strong period for many technology-related assets, returns are likely to become more dependent on companies delivering against high earnings and capital-expenditure expectations. This could lead to greater short-term volatility, particularly in the semiconductor and quantum computing allocations.

The portfolio is diversified beyond US technology. Japan, emerging markets and the broader global equity allocation offer exposure to different sources of growth, while Avantis Global Equity helps reduce reliance on a small group of large technology companies. Emerging-market equities and sovereign debt could benefit from improving global risk appetite and a less restrictive US monetary backdrop, though both remain sensitive to currency movements, Chinese growth and geopolitical developments.

Defensive and inflation-aware positions remain an important part of the overall balance. Energy, broad commodities and defence could provide useful protection if geopolitical tensions, supply disruption or inflationary pressures reappear. Meanwhile, short-dated gilts, sterling corporate bonds and ultrashort bonds offer a more stable source of returns and limit exposure to sharp rises in longer-term bond yields. US and European inflation-linked holdings further strengthen the portfolio's resilience should inflation prove more persistent than markets expect.

The main uncertainty is whether markets can sustain the current combination of resilient growth, contained inflation and high technology-sector expectations. The portfolio is positioned to participate if this remains intact, but its mix of real assets, shorter-duration bonds and inflation protection should help cushion the impact if growth weakens or inflation risks return.

### August Top Performers

| Fund Name | AssetClass | Theme | Performance |
|---|---|---|---|
| Xtrackers MSCI World Information Technology UCITS ETF 1C | Equity | Sector | 7.72% |
| VanEck Defense ETF Acc | Equity | Thematic | 6.64% |
| L&G Longer Dated All Commodities UCITS ETF | Commodity | Broad Market | 6.12% |
| Invesco Nasdaq-100 UCITS ETF | Equity | Sector | 5.14% |
| iShares MSCI EM UCITS ETF USD (Dist) | Equity | Large Cap | 5.01% |

## August Bottom Performers

| Fund Name | AssetClass | Theme | Performance |
|---|---|---|---|
| iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist) | Fixed Income | Investment Gra | 0.31% |
| iShares UK Gilts 0-5yr UCITS ETF GBP (Dist) | Fixed Income | Government | 0.30% |
| iShares Global Clean Energy Transition UCITS ETF (Dist) | Equity | Thematic | -0.57% |
| iShares $ TIPS 0-5 UCITS ETF | Fixed Income | Inflation | -0.61% |
| Amundi US Inflation Expectations 10Y UCITS ETF Acc | Fixed Income | Inflation | -0.62% |