Monthly Commentary – 06 November 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

Markets Balance AI Optimism Against Growing Valuation Risks

Markets continued to advance through October, supported by expectations of further monetary easing, resilient economic growth and ongoing enthusiasm surrounding artificial intelligence. Yet beneath the surface, investors are increasingly confronting a more difficult question: have expectations for the AI-led investment cycle moved too far ahead of reality? The extraordinary concentration of market returns within a handful of technology companies has left equity markets vulnerable to a reassessment of growth expectations. While the long-term transformational potential of artificial intelligence remains compelling, investors are beginning to scrutinise whether the enormous sums being invested in data centres, semiconductors and computing infrastructure will ultimately deliver sufficient returns.

This creates an important distinction between the long-term opportunity and the near-term market risk. A sharp correction in technology and AI-related assets remains entirely plausible if capital expenditure continues to rise faster than revenues and profits. Such a development could result in significant short-term wealth destruction given the dominant weight of these companies within major equity indices.

At the same time, investors should be cautious about confusing a potential valuation correction with the end of the broader bull market. Historical market patterns continue to provide reasons for optimism. One of the more frequently cited observations is that the S&P 500 has delivered positive returns during the 12 months following every US midterm election since 1950. While historical patterns are never a guarantee of future performance, they illustrate that periods of volatility and longer-term market outcomes are often very different things.

Against this backdrop, markets are navigating a delicate balance between elevated expectations, persistent macroeconomic uncertainty and potentially supportive longer-term fundamentals.

Central Banks: The Easing Story Meets Economic Reality

Monetary policy remained a major influence on markets throughout October. Investors are increasingly focused not on whether interest rates have peaked, but on the pace and extent of future rate cuts.

The challenge facing policymakers is that inflation has proved stubborn in all the wrong

places. While headline inflation has generally moderated, services inflation and wage growth remain more persistent than central banks would like. As a result, policymakers have considerably less room to deliver aggressive rate cuts than financial markets have occasionally anticipated.

Labour markets remain the critical indicator. Evidence of cooling employment demand would support further easing, while continued resilience in wages and hiring could delay or limit investment being directed towards data centres and computing infrastructure has become a key focus for investors, particularly whether future returns will justify the significant capital commitments and associated financing requirements.

Beyond headline index performance, market breadth continues to provide a more meaningful signal. Periods of broader participation from cyclical sectors, financials and smaller-cap companies have generally reflected increasing confidence in a soft-landing scenario, while narrower leadership has tended to indicate a more defensive market backdrop. Valuation gaps between market leaders and the broader equity universe remain historically wide, leaving overall market returns increasingly sensitive to any disappointment in earnings delivery or growth expectations.

Commodities and Geopolitics

Commodity markets continued to balance relatively ample supply conditions against persistent geopolitical risks. Oil prices remained range-bound, influenced by production decisions on the supply side and uncertain global demand prospects on the other. Meanwhile, developments in the Middle East and evolving sanctions policies continued to create the potential for periodic volatility.

Gold should have been a notable beneficiary of this environment, supported by sustained central bank purchases and continued demand for protection against fiscal imbalances and currency debasement risks, but the softening of the US Dollar did not help matters. Elsewhere, trade and technology policies, including tariffs, export controls and restrictions affecting semiconductors and critical minerals, remain an important source of uncertainty for global supply chains and corporate profitability.

Against this backdrop, we continue to favour diversified exposure across regions and asset classes while maintaining ample liquidity to capitalise on periods of market dislocation.

Blue Chip Stocks: October Monthly Performance (USD) Highlights

Top Contributors

Name	Symbol	Return	Contribution
ELI LILLY & CO	LLY	+22.51%	+1.35%
BERKSHIRE HATHAWAY INC-CL B	BRK B	+8.94%	+1.25%
WALMART INC	WMT	+18.85%	+0.81%
ABBVIE INC	ABBV	+13.42%	+0.54%
ASTRAZENECA PLC	AZN	+15.59%	+0.47%

ELI LILLY & CO

- Third-quarter results beat expectations as incretin franchise sales continued to compound rapidly.
- Management again raised full-year guidance, pointing to easing manufacturing bottlenecks and improved supply.
- Momentum in the oral GLP-1 opportunity reinforced the market's view of a widening lead over rivals.

BERKSHIRE HATHAWAY INC-CL B

- Quarterly earnings showed resilient insurance underwriting and buoyant investment income on a record cash pile.
- Defensive characteristics were in demand as investors trimmed exposure to crowded technology positions.
- Continued clarity on the leadership transition reassured shareholders and supported the valuation.

WALMART INC

- Investors rewarded further share gains in grocery and strength in higher-margin advertising and marketplace revenue.
- E-commerce profitability improvements underpinned confidence in the longer-term margin trajectory.
- The stock benefited from rotation into defensive consumer staples amid softer discretionary spending data.

Bottom Contributors

Name	Symbol	Return	Contribution
INTEL CORP	INTC	-45.30%	-1.56%
ALPHABET INC-CL C	GOOG	-18.35%	-1.06%
LAM RESEARCH CORP	LRCX	-27.21%	-0.73%
META PLATFORMS INC-CLASS A	META	-15.19%	-0.73%
NEBIUS GROUP NV	NBIS	-34.65%	-0.70%

INTEL CORP

- Results highlighted continued foundry losses and heavy capital spending, keeping free cash flow under pressure.
- Scepticism persisted over the pace of external customer wins for its advanced process nodes.
- Shares gave back earlier gains as investors questioned the valuation following a strong prior run.

ALPHABET INC-CL C

- Rising capital expenditure guidance for AI infrastructure raised concerns about margin and cash-flow dilution.
- Investors weighed the risk of generative search tools eroding traditional query monetisation.
- Ongoing regulatory and antitrust overhang limited appetite for the shares despite solid cloud growth.

LAM RESEARCH CORP

- Shares fell as semiconductor capital equipment names gave back a portion of their strong year-to-date gains.
- Cautious commentary on the timing of NAND and foundry/logic spending tempered near-term expectations.
- Renewed export-control and China demand uncertainty weighed on sentiment towards the sector.

ETF Portfolio Insights – Vanilla Funds' Global Balanced GBP Strategy

As we move into November 2026, the portfolio retains a growth-oriented core, anchored by broad developed market exposure through the Avantis Global Equity UCITS ETF and the iShares S&P 500 UCITS ETF, complemented by more concentrated positions designed to capture structural rather than cyclical growth. The Invesco Nasdaq-100, Xtrackers MSCI World Information Technology, VanEck Semiconductor and WisdomTree Quantum Computing holdings collectively express a view that the capital expenditure cycle associated with artificial intelligence, advanced computing and semiconductor fabrication has further to run, while the Global X Data Center REITs and Digital Infrastructure position offers a more asset-backed route into the same theme. We are conscious that this cluster carries meaningful overlap and shared sensitivity to the same earnings drivers, and position sizing will remain under active review.

Beyond this core, several holdings are intended to diversify both the return profile and the underlying economic exposure. The iShares MSCI Emerging Markets and Xtrackers Nikkei 225 positions widen the geographic opportunity set at a point where non-US equity valuations remain comparatively undemanding, while the VanEck Defense ETF and iShares MSCI World Energy holdings provide exposure to fiscal and energy security themes that have shown low correlation with technology leadership. The iShares Global Clean Energy Transition position is more contrarian in nature and remains sensitive to policy direction and the rate environment.

Defensive and inflation-aware exposures are deliberately weighted towards the short end. The iShares GBP Ultrashort Bond, UK Gilts 0-5yr and Sterling Corporate Bond 0-5yr holdings provide liquidity and dampen duration risk, while the US TIPS 0-5yr, Amundi US 10-year and Euro 2-10 year inflation expectations funds, alongside the L&G Longer Dated All Commodities position, offer protection should inflation prove stickier than consensus assumes. The Vanguard USD Emerging Markets Government Bond holding adds carry, albeit with associated credit and currency sensitivity.

Looking ahead, the principal risks are a disorderly repricing of growth equities, renewed upward pressure on long-term yields, and the currency translation effect on unhedged dollar assets for a sterling investor.

October Top Contributors

Name	Ticker	Return	Contribution
ISHARES MSCI WD ENERGY-USD D	WENS_LN	+10.94%	+0.43%
ISHARES GBP ULTRASHORT BOND	ERNS_LN	+0.45%	+0.03%
ISHARES UK GILTS 0-5YR UCITS	IGLS_LN	+0.48%	+0.03%
iShares ? Corp Bond 0-5yr UCITS ETF GBP (Dist)	IS15_LN	+0.41%	+0.02%
ISHARES USD TIPS 0-5	TP05_LN	+0.37%	+0.01%

October Bottom Contributors

Name	Ticker	Return	Contribution
iShares MSCI EM UCITS ETF USD (Dist)	IEEM_LN	-9.37%	-0.91%
VANECK SEMICONDUCTOR ETF	SMGB_LN	-16.71%	-0.49%
WisdomTree Quantum Computing UCITS ETF - USD Acc	QWTM_LN	-19.23%	-0.43%
XTrackers MSCI World Information Technology UCITS ETF 1C	XXTW_LN	-8.41%	-0.41%
iShares Global Clean Energy Transition UCITS ETF (Dist)	INRG_LN	-11.55%	-0.33%