Portfolio Snapshot

Q2 2026

SHEPPARD

Sector Outlook

Global macroeconomic conditions were uneven in Q2 2026. Growth expectations were moderate, inflation persisted and monetary policy remained relatively restrictive. However, easing geopolitical concerns created a more constructive backdrop, helping to improve market sentiment, even as underlying conditions remained fragile.

Equity markets posted broad-based gains during the quarter as the U.S.-Iran ceasefire reduced geopolitical uncertainty and contributed to lower oil prices. However, persistent inflation and relatively hawkish interest rate expectations kept investors cautious, resulting in gains being spread across sectors rather than concentrated solely in growth stocks. Even so, Technology outperformed, driven by ongoing investment in and developments surrounding artificial intelligence, while Industrials posted strong gains on the back of resilient economic activity. In contrast, Energy lagged as oil prices reversed some of the gains recorded in the first quarter, while defensive sectors delivered mixed results.

On a year-to-date basis, a strong second quarter recovery saw sector leadership narrow, with Technology and Industrials overtaking Energy as sector leaders.

Sector		
Name	**QTD Performance (%)**	**YTD Performance (%)**
Information Technology	31.79%	19.76%
Industrials	14.85%	20.15%
Consumer Discretionary	9.27%	-0.77%
Financials	9.01%	-1.18%
Health Care	8.78%	3.47%
Real Estate	8.52%	11.52%
Communication Services	8.32%	0.80%
Materials	2.04%	11.97%
Consumer Staples	0.33%	8.03%
Utilities	-0.53%	7.69%
Energy	-13.45%	19.66%
S&P 500	15.20%	10.21%

Data as at 06/30/2026

<u>Key Themes</u>

Geopolitical & Energy Risk: Middle East tensions eased during the quarter, reducing upward pressure on oil prices. However, inflation expectations remain elevated as energy prices are expected to stay above pre-war levels amid a fragile U.S.-Iran ceasefire.

Shifting Rate & Inflation Outlook: “Higher-for-longer” interest rate and inflation expectations remained a key market theme, as energy-related pressures kept central banks cautious and monetary policy restrictive.

Market Rotation: Sector performance broadened as investor sentiment improved, though caution persisted due to ongoing geopolitical and macroeconomic uncertainty.

AI Sector Leadership: Technology stocks rebounded sharply, with gains significantly outpacing most other sectors as AI investment continued to support market sentiment.

Sector Outlook

Growth Sectors

Growth sectors are anticipated to remain central to market leadership, supported by sustained investment in AI, cloud infrastructure, and robust semiconductor and chip demand. However, valuation concerns may persist in select segments as capital expenditure rises and competitive dynamics continue to evolve, as investors look for returns from capital investments particularly from AI-linked names.

Risks: higher-for-longer interest rates, regulatory and geopolitical risks, valuation concerns, trade frictions.

Portfolio Note: Growth exposure remains selective, with allocations tilted toward technology to capture upside from ongoing AI investment and cloud expansions.

Defensive Sectors

The outlook for defensives remains mixed. However, these sectors may continue to provide stability if volatility stays elevated amid ongoing geopolitical and macroeconomic uncertainty. Utilities remain supported by AI-linked growth and the energy transition, though they remain sensitive to interest rates. Healthcare will continue to benefit from structural demand but may face challenges from evolving policy, while Consumer staples may deliver modest gains if consumer spending slows and job growth weakens.

Risks: Interest rate risk, inflation risk, policy uncertainty, and broader economic shifts.

Portfolio Note: Defensive exposure will be applied selectively and will continue to serve as a stabilizing component across our strategies.

Cyclical Sectors

Cyclical sectors are likely to experience wide dispersion, rather than uniform returns, as macroeconomic and commodity trends remain volatile. Industrials and Energy may continue to benefit from supportive backdrops, including infrastructure spending, resilient business activity, and higher but still fluctuating oil prices amid geopolitical uncertainty. Other cyclical sectors remain more dependent on broader macroeconomic conditions, particularly as inflation remains elevated and as economic growth is anticipated to moderate alongside consumer spending. Financials may lag if conditions tighten, while Consumer Discretionary may remain weak if the consumer outlook fails to improve.

Risks: A sharper than expected economic slowdown, a re-escalation of geopolitical tensions, tighter monetary policy, supply-demand imbalances, and a retreat in oil or metal prices.

Portfolio Note: Allocations to cyclicals will focus on opportunities that may emerge from a potential shift in the economic outlook, while continuing to manage downside vulnerabilities.

Overall, sector performance will continue to be shaped by macroeconomic trends, evolving policy landscapes, and geopolitical shocks. Modest equity appreciation may be seen, and interest rates may remain “higher-for-longer”, potentially supporting our portfolios.

Strategy Recap

Across asset classes, performance reflected market dynamics as easing geopolitical tensions, persistent inflation, and evolving interest-rate expectations shaped returns during the quarter.

Equity markets delivered strong gains, led by cyclical and growth sectors, which offset weakness in select defensive sectors including Utilities and Consumer Staples, as well as Energy. This shift reflected a return of risk appetite.

Fixed income markets were mixed in Q2 2026 as yield movements diverged across the curve. Short-term yields moved higher amid persistent inflation and increasingly hawkish Federal Reserve expectations, putting pressure on bond prices and limiting returns. Medium and long term bonds experienced greater volatility due to changing interest rate expectations, though periodic declines in yields provided some support, partially offsetting losses. Overall, returns were modest, with some parts of the bond market performing better than others.

Commodity markets remained volatile, though weakness became more broad based during the quarter. Oil prices eased as peace negotiations reduced perceived geopolitical risks, while higher yields and a stronger U.S. dollar weighed on gold. On a year-to-date basis, gold remained under pressure, while oil retained gains from its earlier surge linked to the Middle East conflict.

Asset Classes		
Benchmark	**QTD Performance**	**YTD Performance**
U.S. 2YR Treasury	0.29%	0.51%
U.S. 5YR Treasury	-0.12%	-0.16%
U.S. 10YR Treasury	0.18%	-0.02%
Gold	-14.14%	-7.21%
Oil	-15.09%	21.24%
S&P 500 Index	15.20%	10.21%
Bloomberg U.S. Aggregate Index	0.67%	0.62%
Bloomberg Commodities Index	-8.08%	14.36%

Data as at 06/30/2026

Strategy Recap

Returns, while positive, varied during the quarter. Equities drove results across the Offshore Strategies, while commodity exposure weighed on the Pelagic Strategies. As a result, the Offshore Strategies outperformed, with gains increasing across higher-risk profiles as portfolios with larger equity allocations captured more of the market's advance.

Technology was a main contributor to performance across all three portfolios, though meaningful allocations to consumer non-cyclical companies also helped underpin returns by providing downside protection during periods of heightened market volatility. Exposure to short and medium term government bonds also contributed modest returns and added stability during the quarter.

The Pelagic Strategies, however, delivered more muted returns relative to the Offshore Strategies. Performance was constrained by weakness in commodity allocations, namely gold, amid higher interest rate expectations and a stronger US dollar. This was partially offset by gains in technology and consumer non-cyclical holdings as the equity market recovered, while fixed income provided stability and helped keep returns positive.

Name	QTD Performance	YTD Performance	Risk Level
P-Blue Marlin	2.56%	5.47%	Aggressive
P-Tarpon	1.83%	3.41%	Balanced
P-Leatherback	1.07%	1.51%	Conservative
Blue Marlin	10.73%	6.01%	Aggressive
Tarpon	6.72%	3.38%	Balanced
Leatherback	4.87%	2.25%	Conservative
S&P 500	15.20%	10.21%	Benchmark

Data as at 06/30/2026

Returns shown are net returns

In response to evolving market conditions and shifts in investor sentiment, portfolio positioning was adjusted in Q3 2026:

- Fixed income allocations were increased and shifted toward short to medium term bond holdings, helping to reduce sensitivity to interest rate movements while positioning the portfolios to benefit from more attractive income opportunities.
- Overall equity exposure was reduced, while maintaining a balance between growth-oriented and defensive sector exposures.
    - Technology exposure was increased to capture innovation-led growth opportunities, while defensive sector exposure was maintained or expanded through utilities, health care, and consumer staples, supporting portfolio resilience amid elevated uncertainty.
- Within the Pelagic strategies, gold allocations were increased and oil exposure was removed to provide greater protection against uncertainty, inflation risks, and market volatility.

About Sheppard

Founded in 2009, Sheppard Securities Limited is a full-service independent securities brokerage and investment advisory firm. Our focus is on helping private and institutional clients manage their wealth through comprehensive financial planning as well as efficient portfolio optimization and management. Our Head Office is located at 5-7 Sweet Briar Road, St. Clair, Trinidad.

Sheppard serves over 3,000 clients with over $8 billion in assets under management with securities in 14 currencies, in 65 countries, operating on 60 exchanges. We maintain professional relationships with most major financial institutions in Trinidad and Tobago, throughout the Caribbean and Internationally. We employ one of the most advanced financial trading platforms available worldwide: Pershing LLC (rated AA- by S&P) – a wholly owned subsidiary of The Bank of New York Mellon. 60% of our assets under management are held outside of Trinidad and Tobago. Sheppard Securities currently has over 50 employees of which includes more than 20 investment professionals. Information on members of staff can also be viewed on our website: https://sheppard.tt/who-we-are/

SHEPPARD

Sheppard Securities Limited
5-7 Sweet Briar Road, St. Clair, Trinidad, WI
Tel: 868.222.5192
Website: www.sheppard.tt