



Investment Update February 2026

Investment Headlines & Comment

- An astonishing month for Pacific ex Japan equities.
- Gilt yields subsided from their recent peaks.
- Sterling fell against all three major currencies.

Feature Section This month we consider the profile of a particular subset of the World Equity index, namely Pacific ex Japan (PxJ). It is only around 4% of the World equity market, but it has recently been performing incredibly well (although post-month end global instability may well have taken some of the gains back).

From Table 1 (on page 2), readers will see a remarkable 64% return over the last 12 months (and yes, we have double checked that it is right!). So, what is driving it? All data in this article is from FTSE and is as of 31 December 2025. Figure 1a shows the profile of the index by sector, and Figure 1b shows it by country.

Figure 1a: PxJ sector allocation

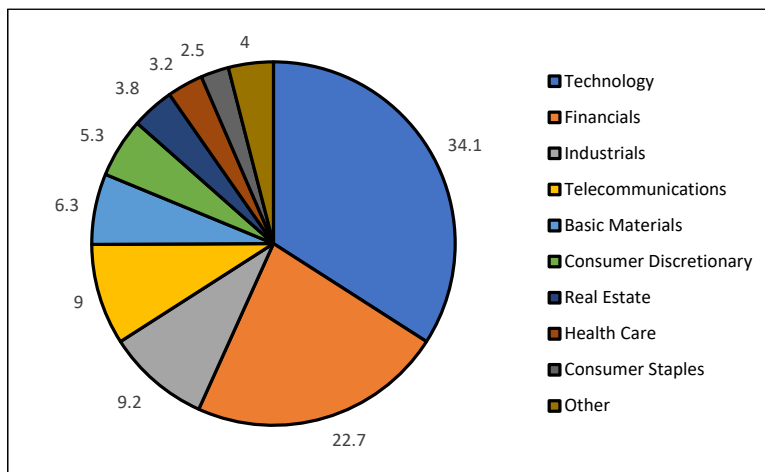
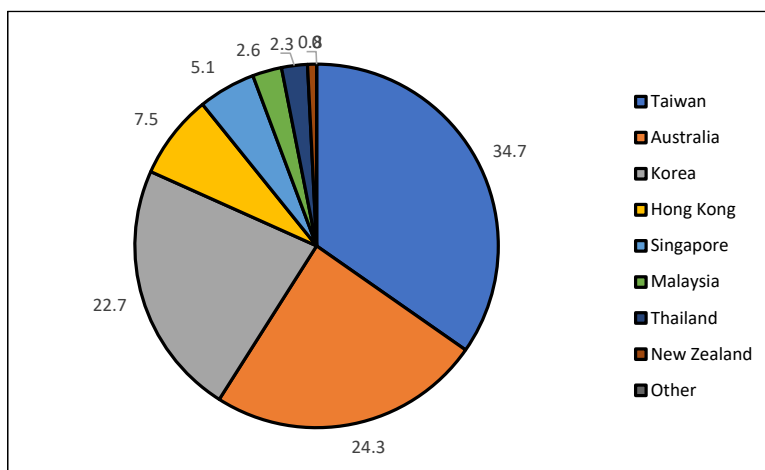


Figure 1b: PxJ country allocation



At a stock level, the Pacific ex Japan index is dominated by Taiwan Semiconductors, which as a single stock has a remarkable weighting of just under 20%. Given the reported scale of global technological progress and demand, this appears the most likely reason for the level of overall index returns generated recently. In stock terms, another electronics firm, Samsung, comes next with a rather lower weighting but still material at around 7%.

Relative to the World Index, the Pacific ex Japan index has modest overweights in Technology and Financials, but the index's main overweight is in Telecommunications. The main underweights are in Consumer Discretionary and Industrials.

The big question is, are these recent returns an example of a tech bubble, or are they actually sustainable (albeit at a more modest level)?



Asset Returns and Financial Measures [in Sterling unless marked otherwise]

The cells in bold with light shading show the best and worst performing asset classes from each column. The commodities and \$-based and unhedged-£-conversion hedge fund returns are excluded from that.

[NB: Future returns cannot be inferred from this table alone, but coupled with other items within *Update*, readers can make inferences as to whether they should be higher or lower than the past returns shown below.]

Table 1: Investment Data to 28 February 2026

Asset Class	1 month (%)	3 months (%)	12 months (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	20 years (% p.a.)
UK Equities	6.5	12.1	29.2	14.9	13.5	9.6	7.2
Overseas Equities	3.7	4.3	17.4	17.5	13.2	14.2	10.5
US Equities	1.5	-0.7	10.0	17.9	14.7	16.0	8.0
Europe ex UK Equities	4.8	10.1	23.0	13.5	11.3	11.3	12.4
Japan Equities	11.3	15.0	36.2	18.7	11.0	11.3	6.5
Pacific ex Japan Equities	14.4	32.4	63.9	23.1	11.4	13.7	10.6
Emerging Markets	7.1	16.2	40.8	17.8	7.6	11.5	8.0
UK Long-dated Gilts	4.4	3.7	5.1	-0.1	-9.2	-2.4	2.2
UK Long-dated Corp. Bonds	2.5	2.8	6.4	4.1	-5.0	1.2	3.3
UK Over 5 Yrs Index-Linked Gilts	4.3	6.0	5.4	-1.1	-7.7	-1.0	3.2
High Yield (Global)	2.2	0.5	2.7	6.3	4.4	6.6	7.8
Overseas Bonds	3.3	0.2	-0.9	-0.7	-1.7	0.5	3.5
Property *	0.5	1.6	7.0	4.9	4.3	4.3	4.8
Cash	0.3	0.9	4.1	4.7	3.2	1.9	2.0
Commodities £-converted	3.9	10.0	10.3	5.6	14.8	8.5	-0.4
Hedge Funds original \$ basis *	2.3	4.3	13.5	10.0	7.3	7.1	5.3
Illustrative £-converted version *	0.7	0.1	3.0	6.1	7.4	7.5	6.7
Euro relative to Sterling	1.2	0.0	6.1	0.0	0.2	1.2	1.3
US \$ relative to Sterling	1.5	-1.8	-6.6	-3.5	0.7	0.3	1.3
Japanese Yen relative to Sterling	0.7	-1.8	-9.8	-7.8	-6.7	-2.9	-0.2
Sterling trade weighted	-1.8	0.0	-0.6	2.3	0.6	-0.1	-0.8
Price Inflation (RPI) *	-0.5	-0.2	3.8	4.1	6.6	4.6	3.8
Price Inflation (CPI) *	-0.4	-0.2	3.0	3.3	5.1	3.4	2.9
Price Inflation (RPIX) *	-0.5	-0.3	3.7	3.6	6.2	4.5	3.8
Earnings Inflation **	3.3	3.0	2.8	4.8	5.3	4.3	3.3
All Share Capital Growth	6.2	11.6	24.8	10.8	9.6	5.7	3.5
Dividend Growth	-0.1	0.5	4.5	4.4	8.1	2.6	3.3
Earnings Growth	18.4	22.6	4.7	10.3	14.0	9.8	2.2

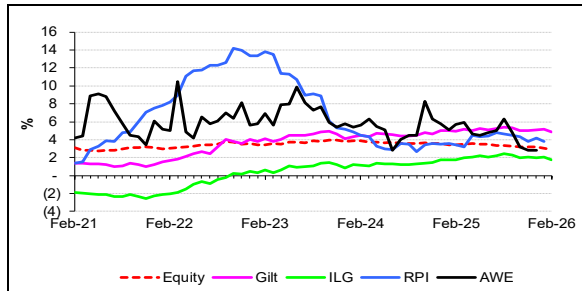
Note: All market returns are total returns for pension funds with income reinvested monthly. Indices used are as follows:

- UK Equities (incl. dividends and earnings) – FT-A All Share.
- Overseas Equities (incl. regions) – blend of FT All-World / World sub-indices
- Emerging Markets from MSCI US \$ based total return index (overall Index to 31 Oct 2001, Free Index from 1 Nov 2001 to take account of foreign investment restrictions), conversion to UK £ by J&A.
- UK Bonds – FT-A indices (Gilts Over 15 Years, ILG Over 5 Years)
- UK Corporate Bonds – iBoxx Non-Gilt **Over 15 Year** index (all credit ratings combined)
- High Yield – ICE Global, £ Unhedged
- Overseas Bonds – JP Morgan Traded Unhedged World ex UK
- Property – MSCI IPD UK Monthly Property Index
- Commodities – GSCI Total Return, converted to UK £ by J&A
- Hedge Funds Composite – HFRI US \$ based total return index plus converted to UK £ by J&A. **NB A smooth “cash + x%” return will only be shown in the base ‘hedged’ currency, here the US \$.**
- Cash – an indicative index based on the three-month London Interbank Sterling mid-rate, and SONIA since March 2021, calculated internally by J&A
- Price and earnings inflation – RPI, CPI, RPIX, and Average Weekly Earnings (whole economy, not seasonally adjusted, latest provisional data)
- Currency data – London close, from the Financial Times
- * denotes data lagged by 1 month, ** by 2 months – these reflect the later publication dates of these data items.

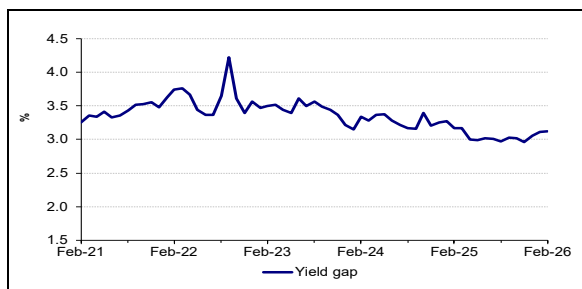


Yields and Yield Gaps

Figure 2: Yields, Inflation and Yield Gaps



The yield gap is a measure of expected average future inflation, derived as long bond yield minus ILG yield.

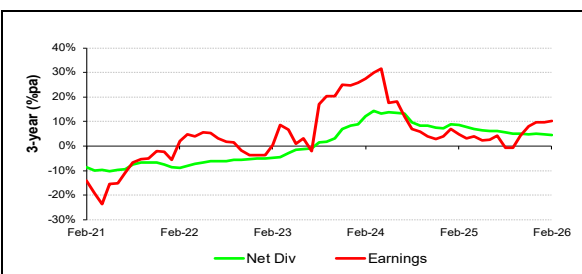
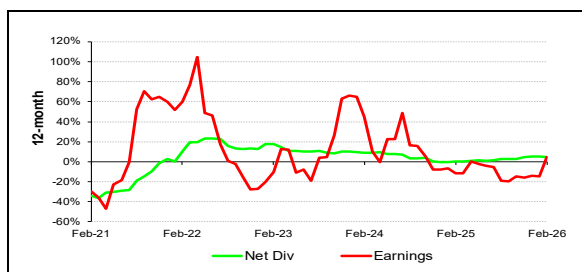


The gap gives a current expectation of around 3.1% p.a. for longer-term inflation including the (unknown) risk premium for gilts, relative to index-linked gilts.

Growth in Earnings and Dividends

These charts show movements in rolling 12-month and 3-year dividend and earnings growth for UK Equities over the last 5 years. [NB the charts have different scales]

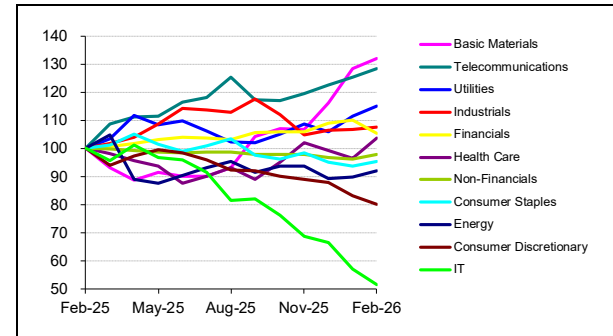
Figure 3: Dividend & Earnings Growth



Note: Earnings data from mid-2015 onwards is no longer reliable as one-off events may be affecting the prospective P/E ratios

UK Equity Sector Returns

Figure 4a: Sectors relative to All Share



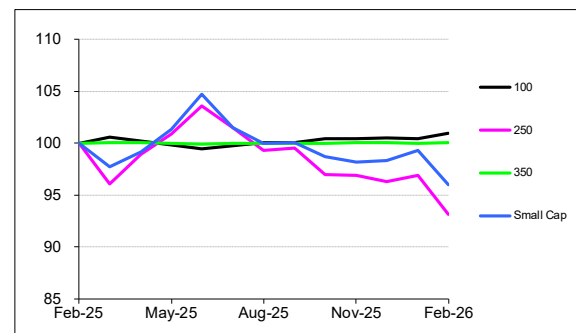
Note: Sector labels for relative lines are in end-value order

There was a rise this month in the rolling 12-month sector dispersion (up from 73% to 81%).

(% absolute return)	1 mth	3 mth	12 mth
Energy	9.0	10.1	18.9
Basic Materials	9.5	38.8	70.8
Industrials	7.3	15.1	39.0
Consumer Staples	8.5	8.6	23.3
Health Care	14.5	14.1	34.0
Consumer Discretionary	2.6	0.9	3.4
Telecommunications	9.0	20.5	65.9
Utilities	9.9	18.6	48.6
Non-Finan	8.4	12.3	26.6
Financials	1.9	11.7	36.3
IT	-3.8	-16.0	-33.4
All Share	6.5	12.1	29.2

UK Equity Size Returns

Figure 4b: Size groups relative to All Share



This month, both Mid and Small Cap fell relative to the All Share.

Sources for charts on this page:
Financial Times, Office for National Statistics, J&A



Bond market information

Figure 5: £ Non-Gilt Credit Margins

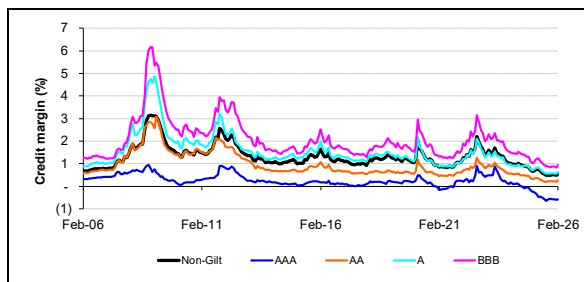


Table 2a: Over 15 Yr Corporate Yields & Margins

Month End	iBoxx Corp AA Y'ld (%)	FT 20 yr Gilt (%)	Margin (%)
Sep '25	5.74	5.33	0.41
Oct '25	5.43	5.02	0.41
Nov '25	5.48	5.05	0.43
Dec '25	5.49	5.07	0.42
Jan '26	5.57	5.14	0.43
Feb '26	5.44	4.89	0.55

Tables 2b, 2c: £ Market Size (£bn) and Maturity

Category	Mkt Val (£bn @ Feb 26 & 23, 20)			Weight (%)
	Feb 26	Feb 23	20	
Gilts (65)	1,731	1,408	1,439	75.3
Non-Gilts (1,214)	569	540	661	24.7
AAA (132)	116	110	137	5.1
AA (144)	62	72	87	2.7
A (449)	182	151	186	7.9
BBB (489)	208	207	250	9.1

Category	Mkt Val (£bn @ Feb 26 & 23)		W't (%)	Dur'n (yrs)
Gilts (65)	1,731	1,408	75.3	8.5
< 5 Yrs (15)	554	452	24.1	2.7
5-15 Yrs (22)	679	456	29.5	7.7
> 15 Yrs (28)	498	499	21.7	16.1
Non-Gilts (1,214)	569	540	24.7	5.5
< 5 Yrs (548)	293	255	12.7	2.7
5-15 Yrs (465)	203	197	8.8	6.8
> 15 Yrs (201)	73	88	3.2	13.1

Tables 2d, 2e: € Market Size and Maturity (Feb 26)

Category	Mkt Val (€bn)	Weight (%)
Sovereigns (558)	8,248	56.1
Non-Sovereigns	6,459	43.9
AAA (1,445)	2,328	15.8
AA (717)	830	5.6
A (1,903)	1,694	11.5
BBB (2,211)	1,606	10.9

Category	Mkt Val (€bn)	Weight (%)
1 – 3 Yrs (1,911)	3,582	24.4
3 – 5 Yrs (1,770)	3,237	22.0
5 – 7 Yrs (1,302)	2,328	15.8
7 – 10 Yrs (1,040)	2,483	16.9
10+ Yrs (811)	3,078	20.9

Table 2f: Breakdown of £ Index-Linked Market

Category (Number of issues)	Mkt Val (£bn @ Feb 26 & 23)		W't (%)	Dur'n (yrs)
Gilts (35)	596	560	100.0	13.6
< 5 Yrs (5)	121	94	20.4	2.2
5 – 15 Yrs (11)	228	193	38.2	9.2
> 15 Yrs (19)	247	272	41.4	23.4

Table 2g: High Yield bond yields (BB-B indices)

Month End	US (%)	Euro (%)	Sterling (%)
Oct '25	6.53	5.02	7.53
Nov '25	6.48	5.07	7.55
Dec '25	6.45	5.09	7.49
Jan '26	6.49	5.02	7.33
Feb '26	6.56	5.02	7.35

Sources: DMO, FTSE, iBoxx, ICE, J&A

£ Gilt Market “main” & “Green” Issuance

- £0.50bn, 1/8% 2028 (4.05x, 3.34%, n/a, Jan '26)
- £3.75bn, 4 1/8% 2031 (3.94x, 4.00%, 0%, Jan '26)
- £0.75bn, 4 1/4% 2032 (4.17x, 3.95%, n/a, Dec '25)
- £3.60bn, 4 1/8% 2033 (3.37x, 4.08%, 20%, Jan '26)
- £5.31bn, 4 3/4% 2035 (3.63x, 4.59%, 25%, Jan '26)
- £0.30bn, 4 1/4% 2049 (4.32x, 5.26%, n/a, Dec '10)

Note: Issuance amounts are nominals. The second % figure in each row is the yield or real yield. The third % figure is the additional amount taken up under the Post Auction Option Facility (PAOF), as a % of the amount of the issue. No PAOF applies for Green Gilt (Gr), tender or syndication cases.

