



Quick overview

- Global equities rose despite tension and rising yields.
- Technology and AI holdings again led ProsperityBuild's gains.
- Gains broadened into energy, materials and financials too.
- Rising yields hurt bonds, but ProsperityShield still gained.

Introduction

August was a good month for investors. Global equity markets moved higher, even against a backdrop of geopolitical tension, ongoing inflation concerns and rising government bond yields. Strong company earnings and resilient economic growth gave investors reasons for confidence.

While headlines were dominated by events in the Middle East and shifting expectations for central banks, investors largely looked past the noise and focused on the fundamentals.

Two themes stood out this month: fundamentals winning out over headlines, and higher interest rates coinciding with stronger growth, not weaker growth.

Fundamentals win out over headlines

August showed that markets are still driven by fundamentals, even when geopolitical risks are high. Tensions in the Middle East, higher energy prices and hawkish comments from central banks all stayed in focus. Despite this, global equities delivered strong returns, as investors took comfort from resilient economic activity and a robust earnings season. ProsperityBuild delivered a positive return for the month, helped by its exposure to companies and sectors with strong earnings momentum.

The latest earnings season ended on a high note, led once again by technology companies. Strong results from major chipmakers reinforced confidence in the

artificial intelligence investment cycle, and this strength spread beyond chips into software and other parts of the technology sector.

Technology holdings were among the strongest contributors to ProsperityBuild's performance this month, as investors rewarded companies delivering both earnings growth and clear progress in monetising AI.

This growth wasn't limited to technology. Energy, materials, industrials and financials all contributed to market gains too. Within the fund, the materials sector benefited from stronger copper prices and steady demand, which improved sentiment towards diversified miners. This wider spread of returns across sectors is a healthy sign. It suggests markets are relying less on a small handful of companies and more on broad-based strength across the economy.

Economic data added to the positive picture. Business activity surveys across major economies stayed in growth territory, showing that economic momentum continues even with interest rates where they are. Together, healthy economic activity and strong company profits helped investors see past short-term headlines.

The takeaway for investors is simple: markets continue to reward companies with strong earnings, healthy finances and resilient business models. It's a good reminder of the value in staying focused on the fundamentals, rather than reacting to every twist in the news cycle.



Higher yields don't mean weaker growth

Government bond yields rose across major markets in August, driven by ongoing inflation concerns, higher energy prices and growing government borrowing. Rising bond yields can sometimes be a headache for investors, especially in fixed income markets. But the wider economic picture stayed supportive, with growth holding steady and company earnings continuing to beat expectations. Despite the more challenging environment for bonds, ProsperityShield delivered a positive return for the month, a reminder of the benefits of a diversified portfolio.

Economic data remained encouraging through August. Business activity across the US, Europe and Asia continued to point to growth, and job markets stayed strong. At the same time, inflation remained above central bank targets, a sign that the fight against rising prices isn't over yet. Commodities were a bright spot in this environment. Strong prices for precious metals, firmer industrial metals and resilient energy markets all helped offset some of the weakness in fixed income.

Bond markets reflected this uncertain inflation picture, with investors demanding higher yields to compensate for both inflation risk and rising government debt. This pushed long-term government bond yields to their highest levels in years, making for a tougher month for government bonds. Credit markets held up better, supported by healthy company finances and continued demand for income. Global credit was a positive contributor to ProsperityShield's performance this month.

The lesson here is that rising bond yields don't automatically mean the economy is weakening. In August, higher yields reflected a mix of resilient growth and persistent inflation pressures, a reminder of why it pays to hold a diversified portfolio that can navigate different market

Portfolio & Market Update

August 2026

conditions while still finding good opportunities for the long term.

Glossary

ProsperityBuild: A growth-oriented investment fund co-manufactured by Flying Colours Investment Management and Fidelity International, designed to provide global equity exposure.

ProsperityShield: A diversified, defensive investment fund co-manufactured by Flying Colours Investment Management and Fidelity International, designed to grow capital over the long term, while providing a smooth performance path for investors.