MARKETING COMMUNICATION

SARASIN
& PARTNERS

Six Minute Strategy

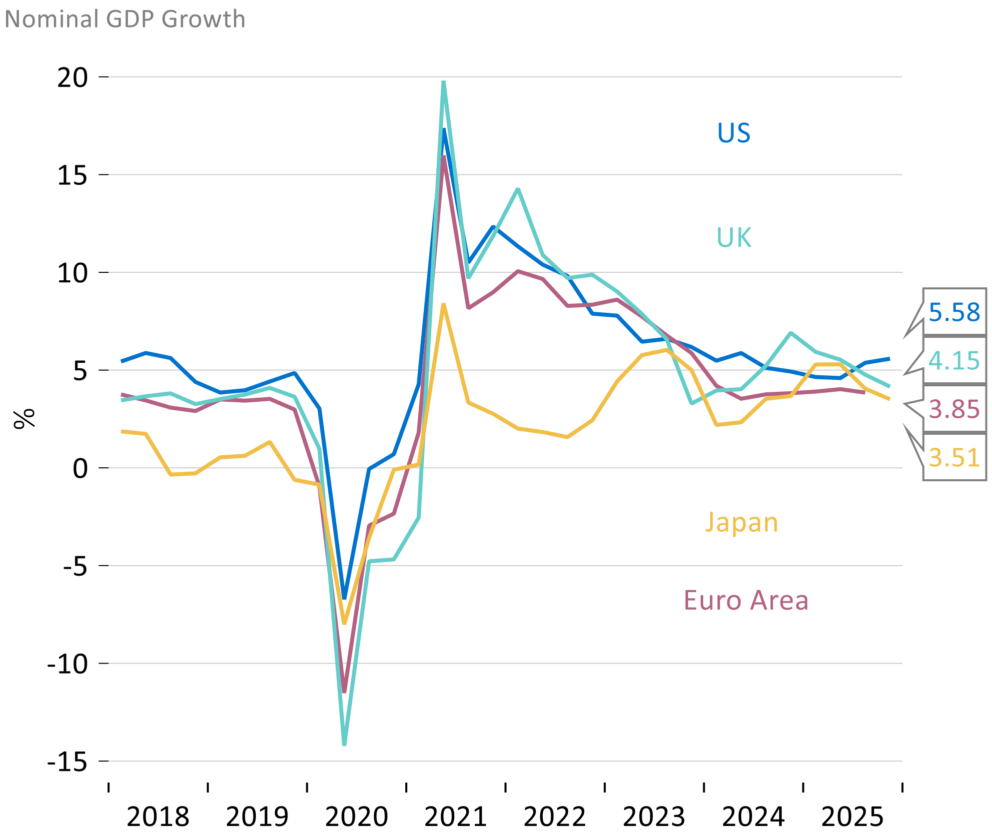
The New Geopolitics of Capital

February 2026

1. Outlook 2026: Global economies to run hot

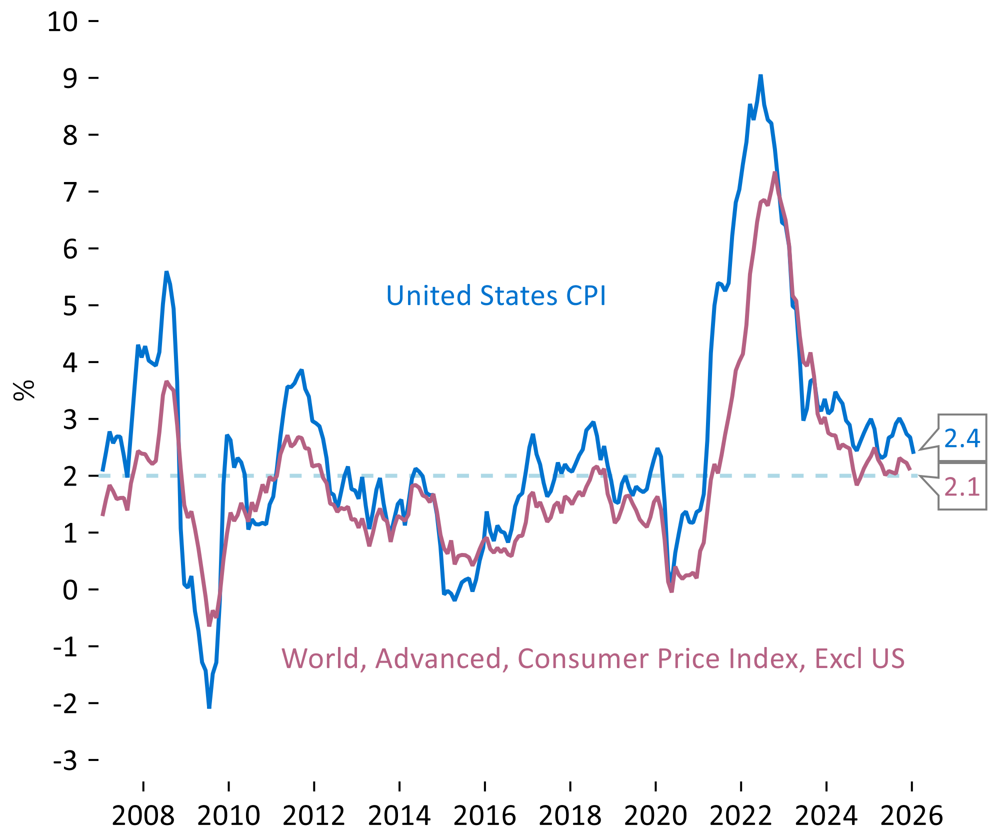
Strength in nominal growth and inflation above target is consistent with economies running hot

Nominal GDP growth led by the US



Source: Macrobond, 23.02.26

Headline inflation – 2% seems to be a floor not a target



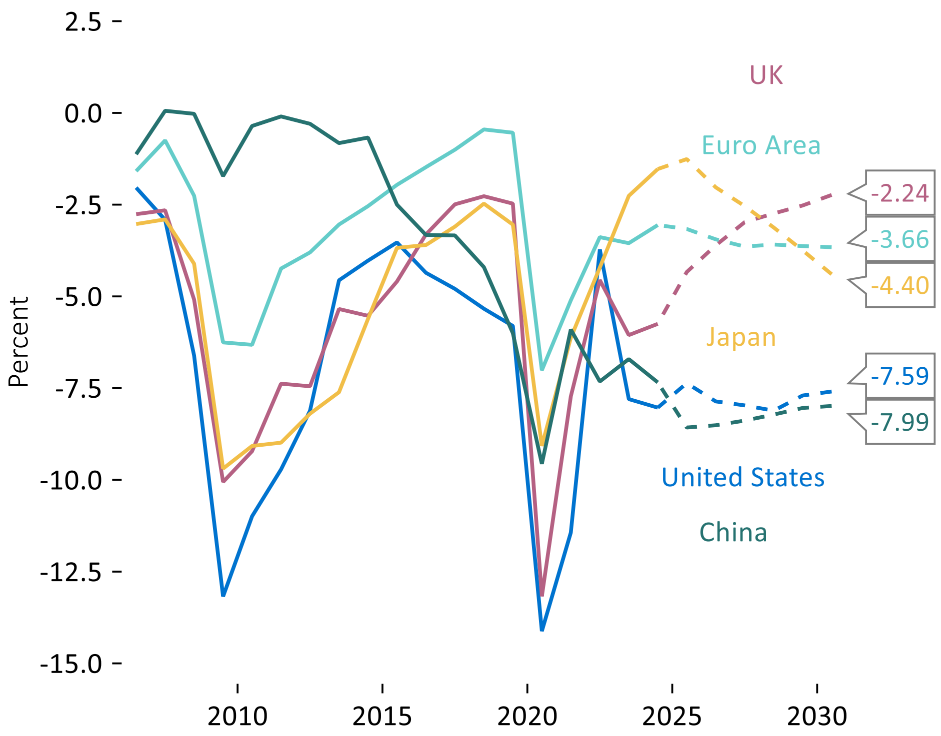
Source: Macrobond, 23.02.26

2. Governments show little desire to tame deficits

Yields to remain high as term premiums normalise and government deficits swell

Global fiscal deficits

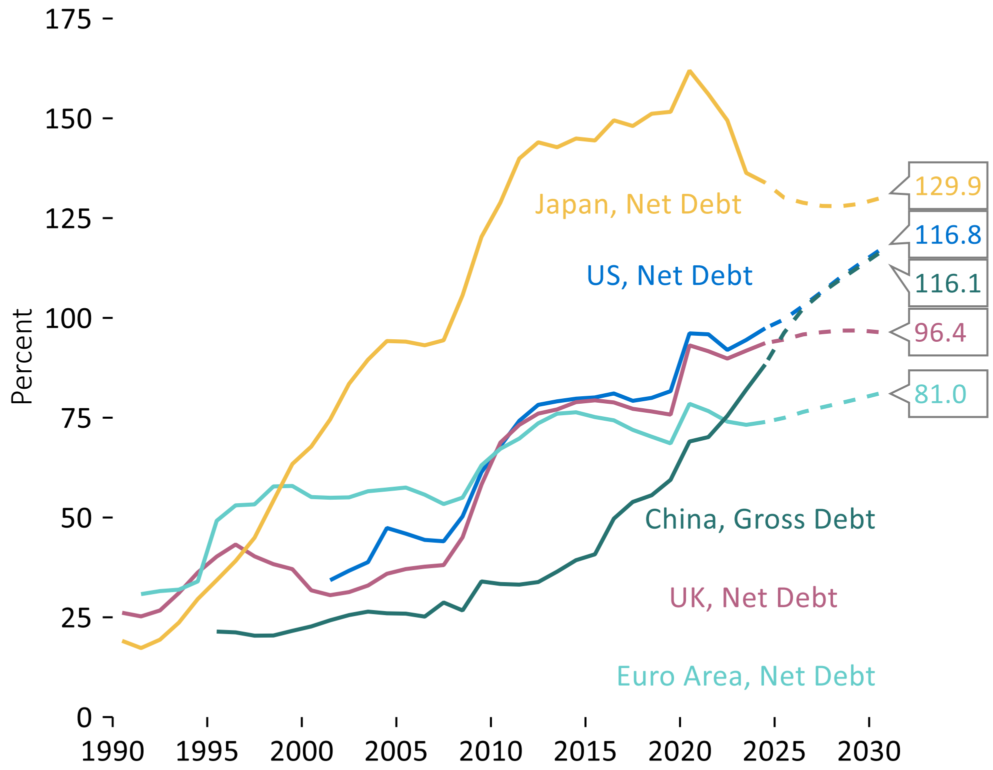
IMF Fiscal Monitor, Fiscal Deficit, Percent of GDP



Source: Macrobond, 23.02.26

Government net debt

IMF Fiscal Monitor, Government Debt, Percent of GDP



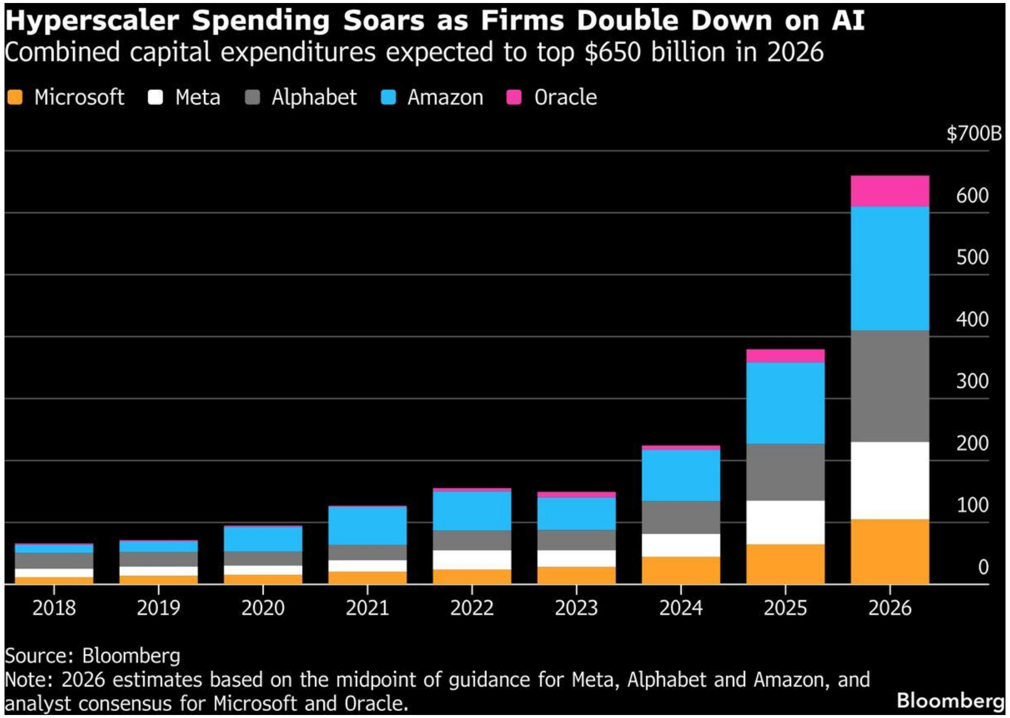
Source: Macrobond, 23.02.26

Past performance is not a reliable indicator of future results and may not be repeated.

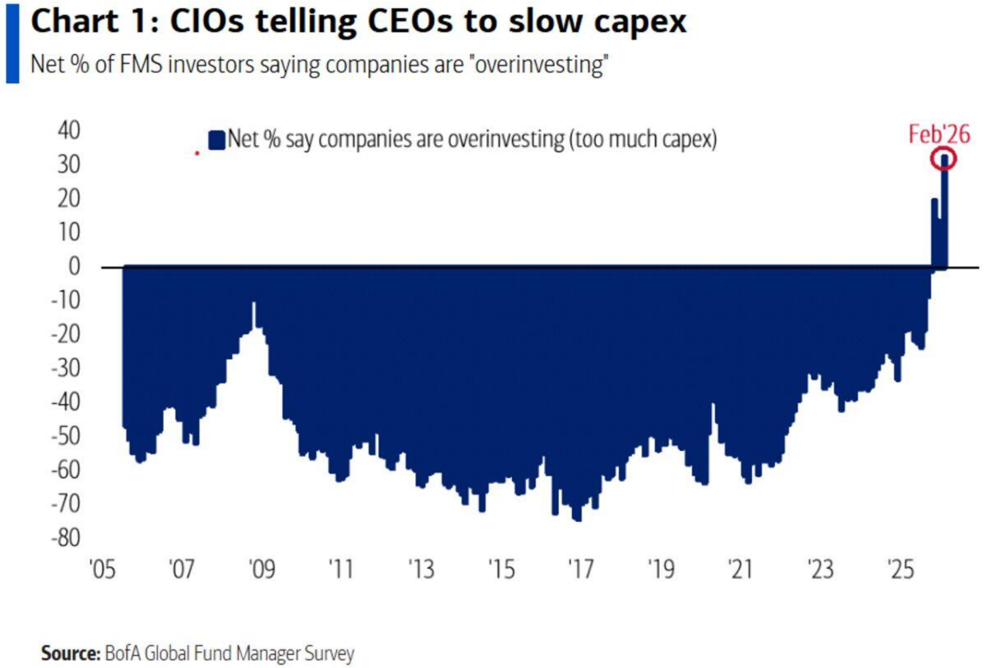
3. AI capital expenditure - winners and losers

Fund managers beginning to show concern over the capex spend of the hyperscalers

AI capex for 2026 totals = 2/3 of 2026 US defence budget



Investors beginning to worry about over-investing



Does AI work too well?

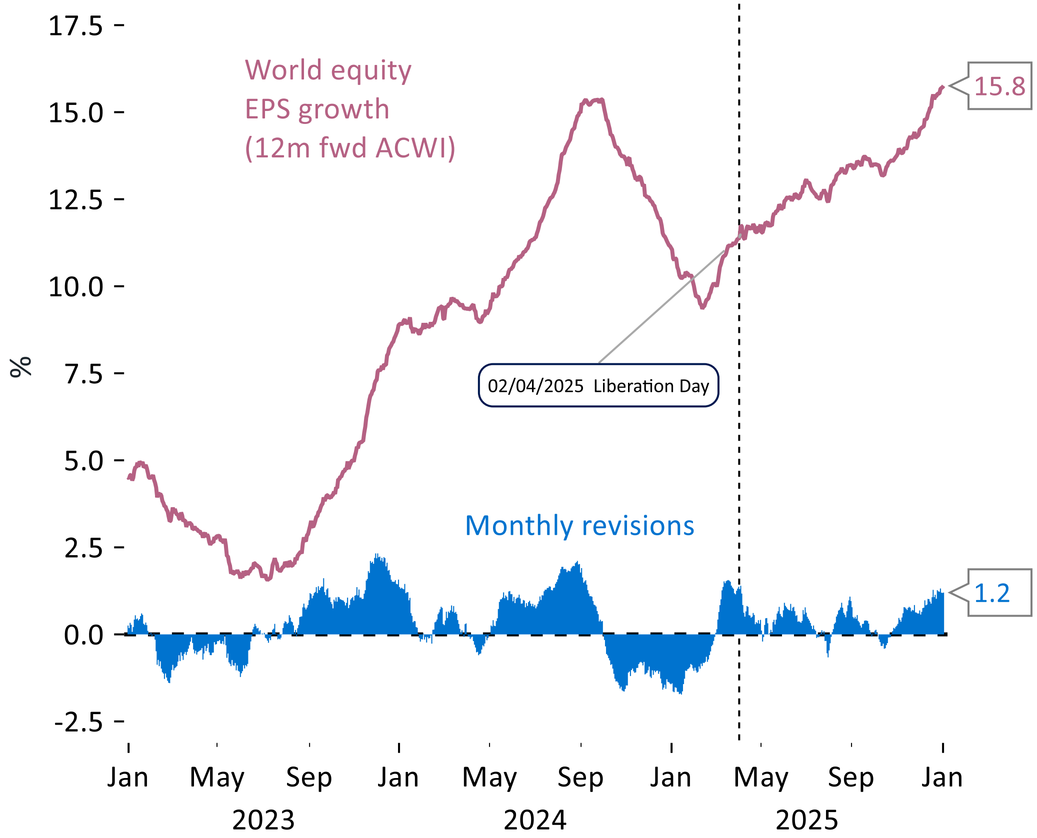
Investors are moving from an every stock is a winner mindset to a true winners and losers landscape

Source: Bloomberg January 2026 & Bloomberg Feb 2026

4. Global earnings and dividend growth

Robust forecasts for 2026 global earnings

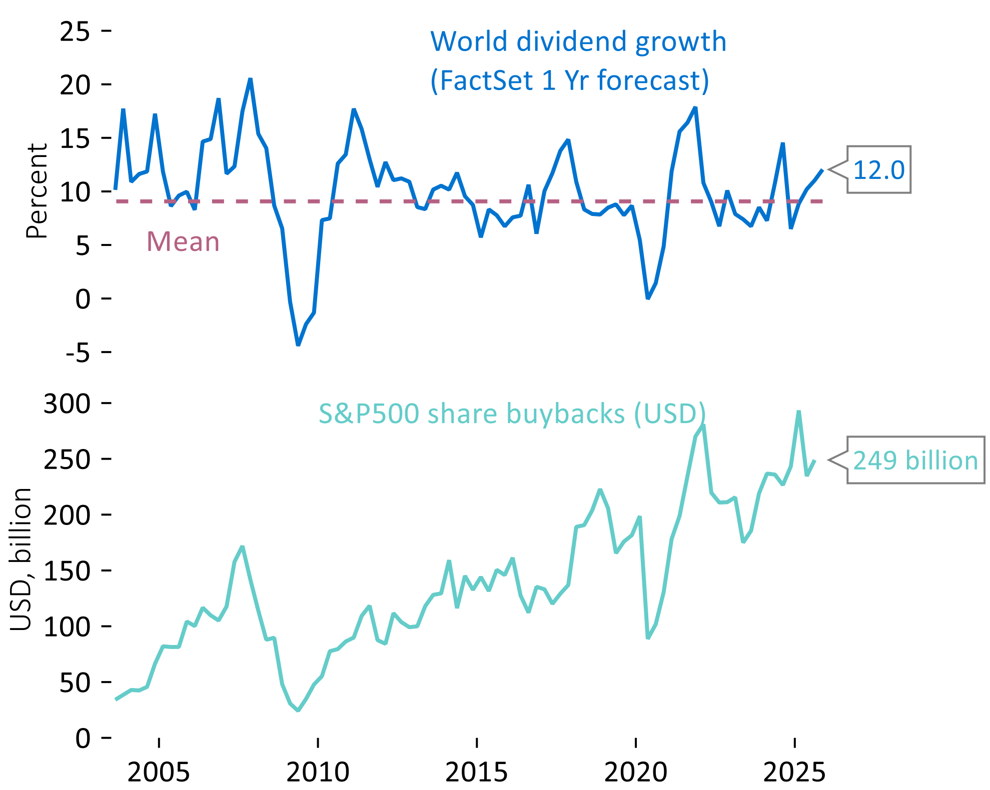
Global earnings strong – revisions positive



Source: Macrobond, 23.02.26

Global dividends strong – US buy-backs near record

Global dividend growth and US stock buybacks



Source: Macrobond, 23.02.26

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Global fragmentation

From deficient demand to security of supply – regime change for the global economy

The world is moving away from an open cooperative arrangement to a competitive, rivalrous one, marked by Great Power Competition. Despite the Supreme Court ruling, the US will continue to leverage its vast consumer market, technology and defence expertise to extract concessions from its trading partners.

Key implications for investment portfolios

1. Spending on ageing, climate and defence will **increase debt and deficits to unsustainable levels**.
2. Less efficient global supply chains will lead to **higher and more volatile inflation.**
3. Higher fiscal and inflation risks will push up **term premia** and keep **bond yields elevated.**
4. AI diffusion is likely to accelerate, pushing up **productivity and ultimately delivering more robust profits.**
5. Higher fiscal and geopolitical risks rise increase the demand for **gold, metals & real assets.**

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