BankInvest Global Equity Income

March 2026 – Performance review

March 2026 was a poor month, as the absolute return was negative by 5.29%, while the relative return was negative by 164bp. Year-to-date, the absolute return is negative by 1.40%, which is 761bp lower than the benchmark.

At sector level, the highest positive contributions in the month came from Consumer Discretionary (+30bp), Industrials (+27bp) and IT (+7bp), while Energy (-181bp), Consumer Staples (-28bp) and Financials (-19bp) showed the largest negative sector contributions.

Absolute Performance, March 2026					
Company	**Sector**	**+ Return**	**Company**	**Sector**	**- Return**
Rentokil	Industrials	2.9%	Otis	Industrials	-14.7%
Verizon	Communication Services	2.6%	LVMH	Consumer Discretionary	-14.9%
American Water Works	Utilities	1.6%	Schneider Electric	Industrials	-17.2%
Nextera Energy	Utilities	1.5%	Reckitt Benckiser	Consumer Staples	-21.6%
Service Corp.	Consumer Discretionary	0.8%	Unilever (GB)	Consumer Staples	-22.8%
Average, Top-5		**1.9%**	**Average, Bottom-5**		**-18.2%**

Relative Performance, March 2026					
Company	**Sector**	**+ Contribution**	**Company**	**Sector**	**- Contribution**
Siemens (BM)	Industrials	0.15%	Total Energies (BM)	Energy	-0.20%
Toyota Motor (BM)	Consumer Discretionary	0.14%	Reckitt Benckiser	Consumer Staples	-0.30%
Service Corp.	Consumer Discretionary	0.11%	Chevron (BM)	Energy	-0.32%
London Stock Exchange Group	Financials	0.10%	Schneider Electric	Industrials	-0.33%
Linde	Materials	0.10%	Exxon Mobil (BM)	Energy	-0.59%
Sum, Top-5		**0.61%**	**Sum, Bottom-5**		**-1.73%**

BM = Benchmark stock

The large benchmark stock Siemens (SIE GY) had a poor month, contributing positively to relative returns. The share price weakness can be attributed to 1) concerns about AI disintermediation across both software and automation and 2) fears related to the Middle East conflict. On the AI side, the market seems concerned that AI tools could erode parts of the value in industrial software, while also lowering barriers to entry in automation by making programming/configuration easier. We believe this reaction is likely overdone, as we have seen in other names, particularly given Siemens' strong installed base, deep customer relationships and mission-critical role in industrial workflows. In addition, Siemens remains well positioned to benefit from its exposure to data centers and electrification.

The portfolio holding Linde (LIN US) outperformed in March. Some brokers see the Iran conflict as a net positive for Linde. They believe Linde's oil/gas customers may increase volumes to take advantage of the tighter energy markets (higher oil prices). When refineries want to produce more, they often need more hydrogen/oxygen/nitrogen, and Linde is the pipe feeding those inputs through its on-site plants. It is also worth highlighting Linde's exposure to the Space sector. Linde has been supplying fuel to space launches since 1964. Today, it supports >80% of rocket launches in the US making it the "Exxon for space". The revenue exposure is likely small today (1-2% of group revenue), however, may become materially larger in coming years.

A weak month for Japanese automakers including Toyota (7203 JP) (large benchmark stock). Toyota reported production cuts tied to the Middle East conflict and reported disappointing production data for February. However, hybrid electric vehicle (HEV) makers may benefit from higher gasoline prices, as hybrids become more attractive when fuel savings matter.

Service Corporation International (SCI US) outperformed in March, as investors sought shelter in defensive businesses amid AI-related disruption fears and the Middle East conflict. SCI is insulated from both themes, given its stable, non-discretionary funeral and cemetery operations, which make the stock a relative safe haven.

Another safe haven was the US water utility company American Water Works (AWK US). Management stuck a constructive tone on the Pennsylvania and New Jersey rate cases despite political noise around affordability and remains confident in achieving its long-term 7-9% EPS growth target. The company sees water affordability as manageable and expects the WTRG merger to close in 1Q27.

The escalation of the Middle East conflict has pushed oil prices materially higher, supporting strong performance in the Energy sector. As the portfolio has no exposure to Energy, this has been a meaningful drag to relative performance (-181bp in March).

Unilever (ULVR LN) had a weak month, with the share price declining 23%, making it one of the worst performing names in the Consumer Staples sector. The sell-off was driven by a combination of deal-related uncertainty (selling the Food business to McCormik (MKC US)) and rising input costs from the Middle East conflict. Given that Unilever has a large Emerging Market exposure, demand there is more sensitive to input-cost led price increases than in Western countries. Hence both margins and growth may suffer from the Middle East conflict. With regards to the divestiture, Unilever confirmed a USD 44.8bn deal to combine its food business with McCormick. The deal will be a Reverse Moris Trust (RMT), and Unilever will receive a cash payment of USD 15.7bn, and a 65% stake in the new combined McCormick & Unilever Food company. Unilever shareholders will receive a stake of 55% of the new company, and Unilever will hold the remaining 10%.

Schneider Electric (SU FP) held pre-close meetings, where the CFO talked down Q1 numbers on Industrial Automation. Data center demand remains strong, and CFO reiterated confidence in full-year guidance for 2026. Revenue exposure to Middle East is <5% but creates some uncertainty. Energy-efficiency demand, due to high energy costs, is not yet showing a specific incremental pickup at present, though historically such themes have provided support (such as following Russia's invasion of Ukraine).

Reckitt Benckiser (RKT LN) underperformed after warning about a challenging trading environment in Europe following a weak cold and flu season. Improvements are expected in Q2, partly driven by new product launches. Amid heightened M&A activity in the Consumer Staples/Consumer Health space, Reckitt is mentioned as a potential takeover target due to its attractive product portfolio. Some brokers also think Reckitt is too small to operate on its own if Reckitt manages to successfully divest its Mead Jonhson division, which is currently in a lengthy litigation process (some speculate whether Danone would be a suitable buyer for Mead Johnson). Another portfolio holding also hit by a weak cold and flu season is Haleon (HLN LN), due to its over the counter (OTC) respiratory care exposure (Otrivin, Theraflu etc.). Haleon has also been cited in sell-side research as a potential consolidation candidate.

LVMH (MC FP) had a poor month, with the share price declining 15%, driven primarily by the escalation of the Middle East conflict. The Middle East had been one of the few bright spots for the luxury sector and an important "Tourist hub", with flagship stores across Dubai, Doha and Bahrain. Naturally, the Middle East conflict cast doubt about demand in the short-term.

The elevator company, Otis (OTIS US), spoke at a broker conference, where the company guided negative EPS growth in H1-26. Otis detailed that elevator components that ship between Europe and Asia are now having to reroute around Africa, causing delays in revenue recognition. Thus, Otis acted less defensive despite most of earnings coming from their stable and recurring service division. We have not added to our position in Otis, as the Middle East conflict reduces visibility and puts risk on H2-26 numbers, although dependent on how long the conflict lasts.

<u>Buying, selling, and other matters</u>

In early March, we did a pair trade between two US Utilities, selling CMS Energy (CMS US) and buying American Water Works (AWK US). Relative valuation and the risk/reward had become more compelling for AWK. Electricity affordability is becoming an increasingly important issue in the US, partly driven by power demand from data centers, which is adding pressure to electricity prices. In an election year, this could create further political and regulatory uncertainty, leaving electric utilities more exposed than water utilities.

Later in March we sold Paychex (PAYX US) and bought ABN Amro (ABN NA) and Tokyo Electron (8035 JP). With enterprises integrating AI into workflows, we may see structural risk to employment levels, posing a long-term headwind to PAYX. Headlines about FTE reductions from various companies suggest that AI replacing humans is beginning to emerge. With economic uncertainty and unemployment potentially worsening, we see better risk/reward in ABN Amro (ABN NA) and Tokyo Electron (8035 JP). The Dutch bank ABN is a self-help story, where AI can help improve cost/income targets, while ABN may also be considered a takeover target. The purchase of ABN was also funded by reducing our position in ING (INGA NA) and Royal Bank of Canada (RY CN). Tokyo Electron is the fourth largest global supplier of semiconductor production equipment (SPE). In the AI era, the demand function for memory has fundamentally changed. Memory, especially high bandwidth memory (HBM), is now a critical input for generating intelligence, as more memory means better models (ChatGPT, Gemini, Claude etc.). With memory demand outstripping supply, more factories need to be built, supporting higher demand for semiconductor equipment. We think Tokyo Electron will take market share within wafer fab equipment (WFE) and see upside to consensus estimates.

<u>Valuation of the asset class</u>
According to MSCI, dividend stocks are cheaper (P/E fwd) than the broader world index (MSCI World). Dividend stocks naturally also provide a higher dividend yield, but also lower risk as measured by beta. Data is for February 2026, as data for March 2026 is yet to be released.

	Dividend Yield (%)	P/E	P/E Fwd	Beta
MSCI World HDY	3.0%	18.8x	16.8x	0.86
MSCI World	1.6%	24.1x	19.9x	1.00

Note: Valuation differences may stem from different sector composition of the HDY Index vs. the MSCI World Index.
Source: MSCI.

Kindly,

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