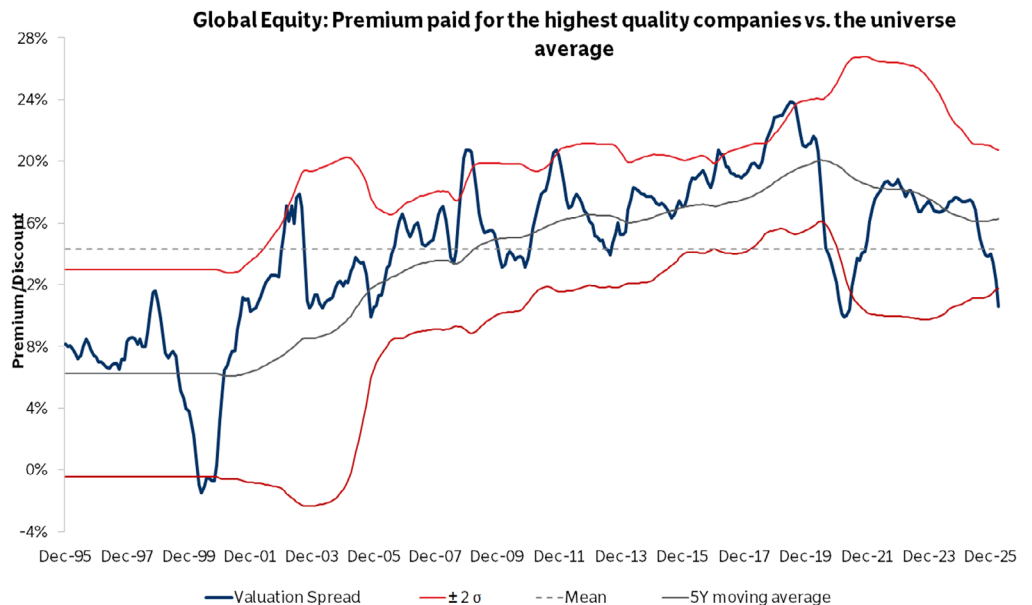


Quality time in the Markets

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Source: Momentum Global Investment Management, FactSet. Data to 31 March 2026.

What do the charts show?

The chart illustrates the valuation spread (blue line) between a group of global quality stocks and the broader equity universe of roughly 1,500 companies. The quality cohort consists of about 200 of the highest-quality firms, selected using our internally defined criteria. The valuation score itself combines multiple metrics to assess how expensive or inexpensive each company is.

Historically, high-quality companies have traded at an average premium of around 15% relative to the wider market. Makes sense: you pay more for better quality things. Today, that premium has compressed, sitting below both its long-term mean and the five-year moving average. In fact, it is now sitting two standard deviations below its typical range, indicating that high-quality stocks are currently trading at unusually attractive valuations compared to history.

Why this is important?

It would be an understatement to describe the first quarter of 2026 as eventful, particularly on the geopolitical front, which has driven significant volatility across risk assets. Despite this turbulence, markets have shown resilience, with global equities delivering positive returns year to date. Global equities have reached new high in recent days. As a result, equity valuations appear increasingly stretched, prompting investors to search more broadly for ideas. However, these gains have not been evenly distributed. A subset of stocks has lagged, creating potential opportunities. Decomposing global equity performance into three key investment styles – value, momentum, and quality – reveals a divergence. Value investing, which focuses on undervalued stocks, has performed strongly in recent periods, outperforming the broader market. Momentum strategies, targeting companies with positive earnings and price trends, have also delivered decent returns. In contrast, quality stocks – typically defined by stable earnings and strong balance sheets – have underperformed, potentially presenting an attractive entry point for investors.

With most equity markets at or near all-time highs, concerns about a potential correction are increasingly on investors' minds. Combined with a volatile geopolitical backdrop, this may be an appropriate moment to reassess how equity portfolios are constructed. Allocating to quality stocks at this stage could enhance returns over the medium to long term, while also adding more defensive characteristics and a steadier return profile in an uncertain environment. Given that the valuation gap between high-quality companies and the broader market is currently wide by historical standards, this may present a compelling opportunity to invest in high-quality businesses at more sensible prices.



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