MONTHLY REVIEW – FEBRUARY 2026

OUR PERSPECTIVE

"You can't predict. You can prepare." ~ Howard Marks, investor, writer, and co-founder of Oaktree Capital.

Over the last few days, the 'Epic Fury'-shock has re-priced tail risk of geopolitics back into energy markets. Iranian retaliation and drone strikes have disrupted regional supply and infrastructure, while traffic through the Strait of Hormuz has reportedly come to a standstill. This has pushed Brent toward $80 and a reminder how quickly a "local" conflict becomes a global macro unknown.

Our base case is not apocalypse. It's volatility. The Middle East rarely delivers clean outcomes – but merely shifting probabilities. Here are three plausible scenarios:

1. **Contained escalation (50%)**

   Tit-for-tat strikes continue, but key infrastructure avoids sustained damage, and Hormuz remains navigable (albeit with higher insurance and freight costs).

   Oil: Brent $85–$95 as the risk premium stays embedded.

   Gold upside: $5,500–$6,000 as hedging demand persists.

2. **Cold-war-style energy shock (30%)**

   A prolonged disruption: repeated strikes, regional uncertainty, temporary shutdowns, or an effective "soft closure" via shipping/insurance withdrawals. History offers parallels: 1973 and 1979 weren't just oil events; they were inflation regime shifts.

   Oil: Brent $100–$140, driven by a genuine supply shock.

   Gold upside: $6,000+ as real rates fall and policy credibility is questioned.

> The **Strait of Hormuz** is a narrow sea passage between Iran (north) and Oman's Musandam Peninsula (south) that links the Persian Gulf to the Gulf of Oman and the Arabian Sea. It's a critical chokepoint for global energy trade, especially oil and LNG exports.

3. **Fast de-escalation (20%)**

   Backchannel diplomacy stabilises flows; fear fades faster than fundamentals. Think 2019 Abqaiq-style: a violent spike, then an equally swift normalisation once supply proves resilient.

   Oil: Brent $70–$80.

   Gold: $5, 500 as the safe haven bid cools, but remains persistent.

Our probabilities are early estimates, and no one knows the likely path and how it will impact capital markets. We are moving into an era where geopolitics repeatedly collides with inflation dynamics: energy security, supply chains, sanctions, and fiscal pressures. You don't "forecast" this reliably; you prepare for it.

That is precisely where our *Permanent Portfolio* framework earns its keep. In an energy shock, gold and commodity focused managed futures can respond immediately, while cash provides optionality, and government bonds still hedge growth scares when risk assets wobble. This is the type of scenario where diversification is not merely an academic hypothesis, but the difference between enduring the headline cycle and being forced to try and trade it.

MARKET REVIEW

Deflationary Boom Assets

Global equities edged higher, but the month was defined by dispersion and a sharp style rotation. The Bloomberg World Equity Index returned [+0.98% (USD)], masking a clear split between value [+4.82% (USD)] and growth [-1.04% (USD)]. The air came out of crowded US mega-cap tech: US equities [-1.31% (USD)], Nasdaq [-3.66% (USD)], and the Magnificent 7 [-7.66% (USD)], as investors grew less willing to pay peak multiples amid intensifying scrutiny of AI capex payback.

Outside the US, returns were far stronger: UK [+5.04% (USD)], Europe ex-UK [+2.83% (USD)], Japan [+8.42% (USD)], and EM [+5.22% (USD)]. Credit participated as rates fell: US corporates +1.18% and EMD advanced (Hard +1.18%, Local +1.63%), with spreads largely resilient.

Deflationary Bust Assets

Government bonds rallied broadly: US Treasuries [+1.53% (USD)], Global Agg [+0.94% (USD)], UK Gilts [+2.50% (GBP)], as markets balanced softer inflation signals against slowing-growth fears. A cooler US CPI print helped pull yields lower, even as producer-price data highlighted tariff-related cost pressure in the pipeline. In the UK, the BoE held Bank Rate at 3.75% with a close vote, reinforcing a "not yet done" disinflation message.

Inflationary Boom Assets

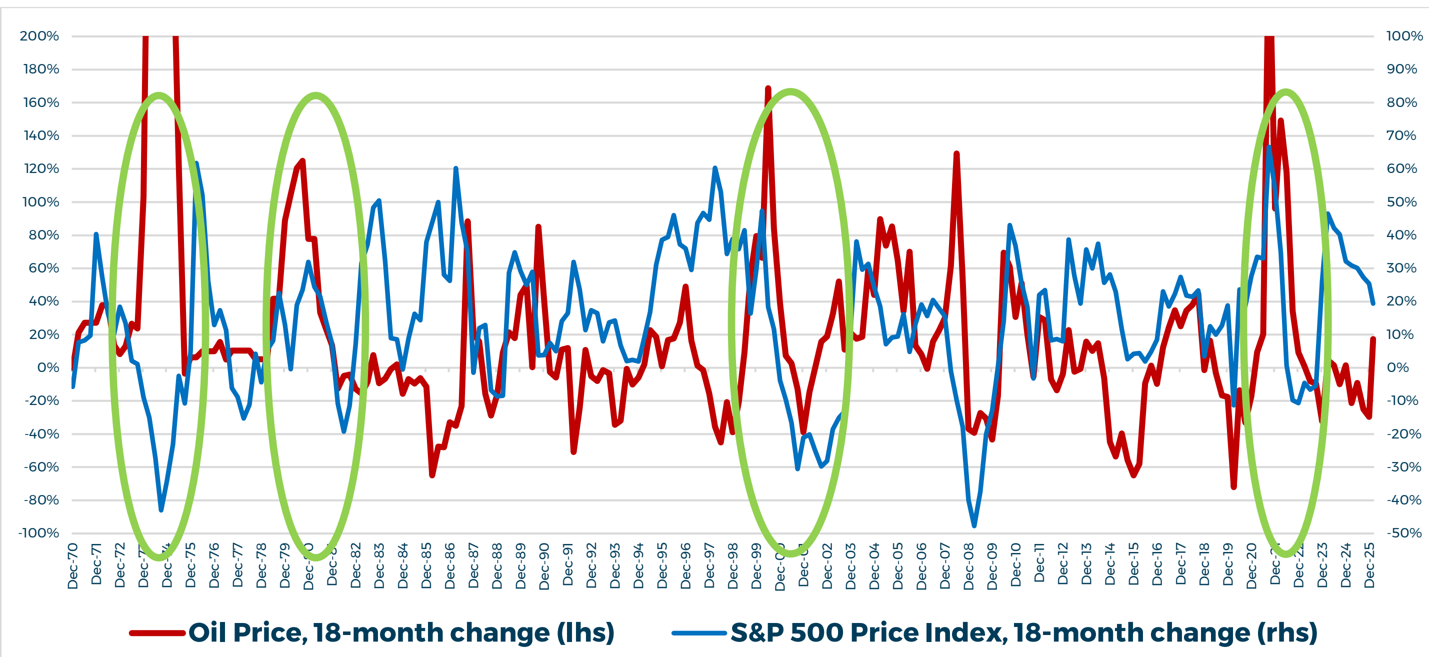
Commodities were choppy: Brent and WTI were marginally up, whilst natural gas prices declined. Uncertainty in supply-demand dynamics remain highly uncertain and volatile.

Trend-following benefited from cross-asset swings as the SG CTA Index finished up c.+3%, as bond strength, equity weakness, and commodity trends created a more "tradable" tape. The Bitcoin winter gets deeper as the extended its decline, falling [-22.21% (USD)] over the course of February.

Inflationary Bust Assets

Inflation hedges rallied strongly. Gold was up [+7.30% (USD)] to ~$5,251/oz and precious metals gained [+9.88% (USD)], supported by lower real yields, policy uncertainty, and renewed attention to geopolitically driven price dynamics. Inflation-linked bonds also rose: US TIPS [+1.17% (USD)], UK linkers [+3.73% (GBP)], while a weaker GBP TWI [-1.33%] added some fuel for UK-based investors holding USD-denominated real assets.

Exhibit 1: The rolling 18-month change in oil vs the S&P 500 shows us that oil price spikes rarely leads to good equity outcomes!



Source: Bloomberg L.P., Shard Capital, 28/02/2026

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For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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