



Global Equity: Looking Beyond Market Volatility

July 2026

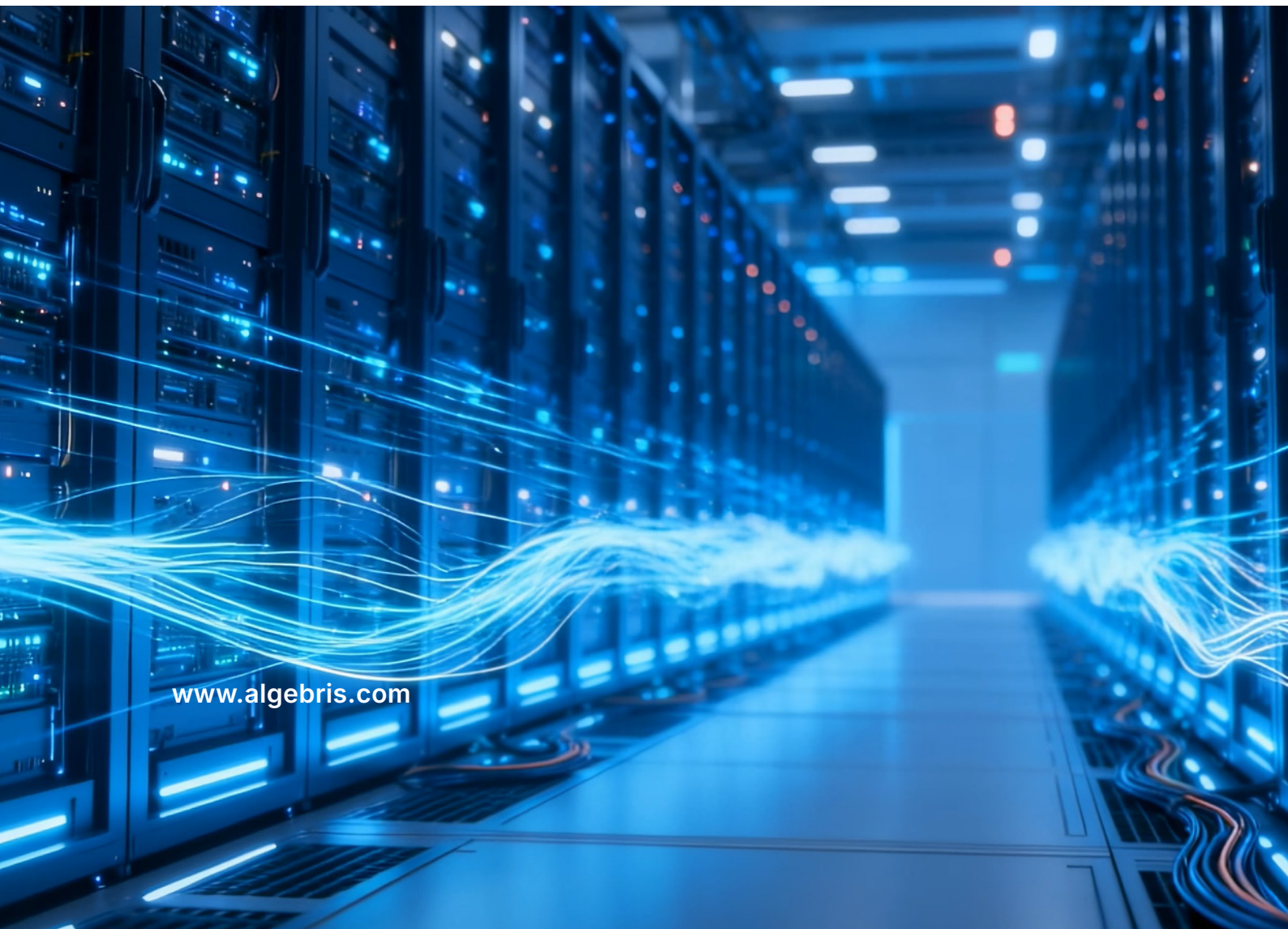


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In this report

Global equity markets delivered positive returns in the first part of the year, driven more by earnings growth than by valuation expansion. Periods of weakness are seen as opportunities to add exposure to quality companies with strong growth, cash generation and high returns on capital. Key structural themes include data centres, electrification, chips, memory, industrial infrastructure and European telecoms.

Italy also remains attractive, supported by solid earnings, appealing valuations, lower government bond spreads and renewed banking-sector M&A. Across both global and Italian equities, the focus remains on selective investment in liquid, high-quality companies capable of creating long-term value.

In the first part of the year, equity markets continued to deliver positive returns. Year to date, the US market is up around 8%, Europe a little more than 9%, Asia, in US dollar terms, more than 20%, while Italy remains one of the strongest markets, with a return of around 16.6%.

Beyond the headline numbers, the key point is the source of these returns. In the US, for example, market valuations have contracted, meaning the move has not been driven by multiple expansion. Instead, the main contribution has come from earnings, which grew by almost 20%.

This is an important signal of the solidity and sustainability of returns. The US equity market remains strongly supported by fundamentals: first-quarter earnings were robust, and we expect a further acceleration in the second half of the year.

Against this backdrop, we remain constructive on global equities. Periods of market weakness should be seen as opportunities to increase exposure to high-quality companies: businesses that continue to grow, generate cash and deliver high returns on capital.

This remains the core of our approach. Rather than trying to predict every short-term market move, we focus on company fundamentals and invest where we see real growth, quality and the ability to create value over time.

Data centres, electrification and reshoring as key drivers of growth

One of the key themes in the market today is investment in data centres. This trend started in the US, but has now become a global theme. It relies not only on digital infrastructure, which remains an important part of the US economy, but also creates opportunities across industrial markets in the US, Europe and Asia.

The growth of data centres is closely linked to industrial companies and electrification. It requires cables, power grids and a broad range of companies and services that enable the expansion of digital infrastructure. These themes cut across sectors and geographies and represent exactly the type of opportunities we look in Algebris' equity strategies.

During the year, for instance, we increased its exposure to chips and memory, particularly during periods of weakness linked to the war in the Middle East. At the same time, we remained significantly invested in industrial companies that support the development of data centres.

We also continue to favour other structural themes, such as reshoring and energy security. In Europe, one of the areas on which we are most constructive is telecommunications. European telecoms are undergoing consolidation, while management teams have restructured company P&Ls. As a result, the sector now offers cleaner profitability profiles, still-compelling valuations and the potential for consolidation to unlock further value for shareholders.

Italy: one of the best performing markets globally

Italy remains a market we like. Over the last five years, it has been one of the best-performing equity markets globally. Despite this strong performance, it continues to trade at attractive multiples compared with other developed markets, leaving room for further value creation.

We expect earnings to remain solid. Year to date, the Italian market has benefited from several supportive factors: positive earnings, valuations continuing to close the gap versus other European countries, and the spread between Italian and German government bonds reaching its lowest level in 20 years. This is a clear tailwind, particularly for international investors.

Another important element has been the renewed acceleration in banking-sector M&A. This provides support for the broader market and confirms that the Italian financial sector remains central for investors, while also being in very good shape from a fundamental perspective.

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