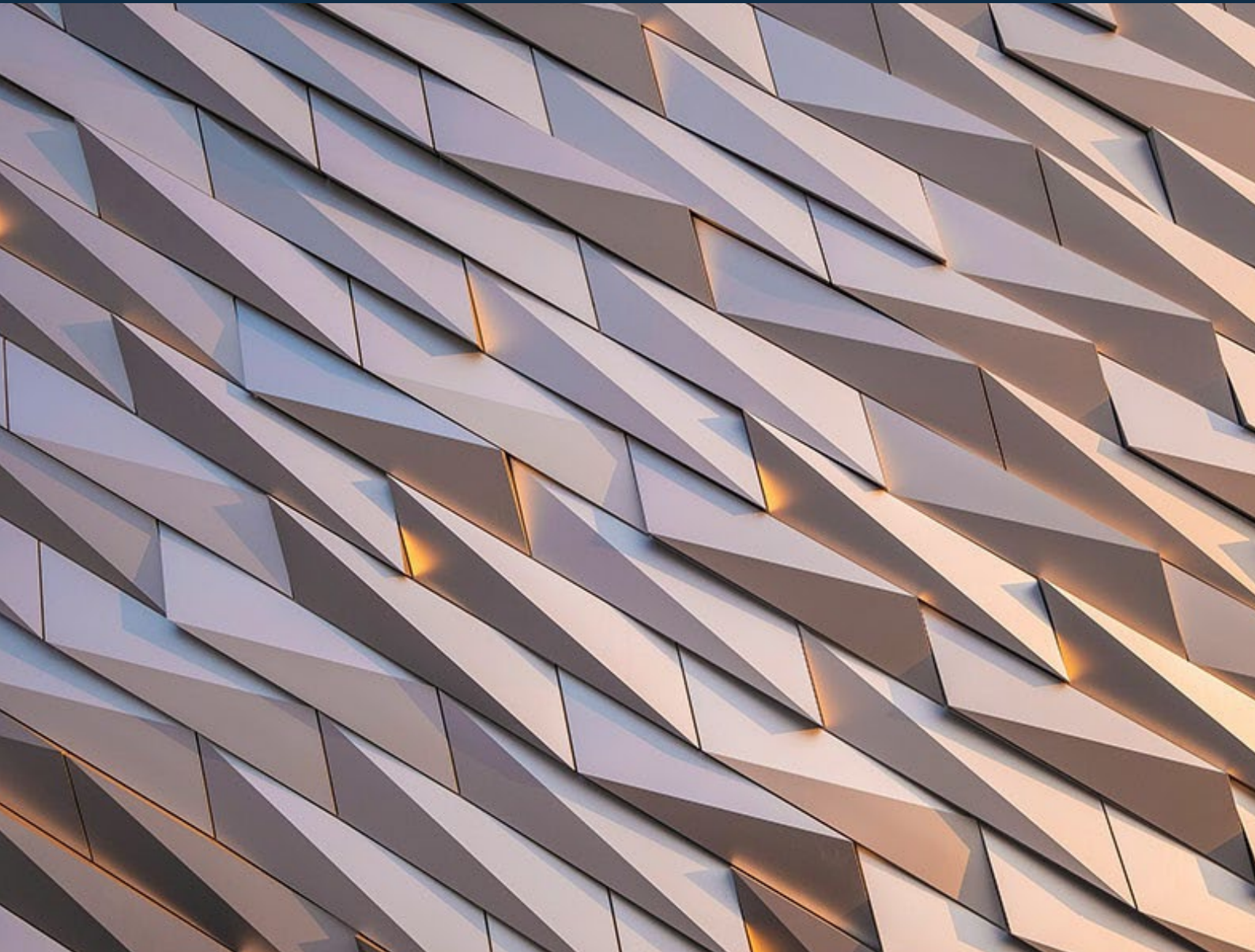


EVLI

Atlas Monthly Equity Navigator

JULY 2026



Rational Exuberance

Financial markets lost one of their defining figures in June, as Alan Greenspan, the long-serving Federal Reserve chairman once known as the Maestro, passed away at the age of 100. It was Greenspan who, in December 1996, coined the phrase “irrational exuberance” to describe unduly escalated asset values—words that have echoed through every bull market since. As markets digest another month of AI-driven gains, his warning feels timely. Yet this time, we would argue, the exuberance rests on firmer ground.

The macro backdrop continues to improve. Global manufacturing is in a broadening expansion, with survey data pointing to firming activity across the US, Europe, and Asia. At the same time, central banks have pivoted toward more hawkish rhetoric, as inflation is proving stickier than hoped in parts of the developed world. The combination of a strengthening real economy and less accommodating monetary policy sets up a familiar late-cycle tension: growth supports earnings, while rates and yields cap valuations.

In equities, AI infrastructure themes have run a bit too much, too fast in recent months, and some near-term consolidation would be healthy. But the fundamentals—a rising and remarkably strong revenue and earnings outlook across the AI bottleneck themes—continue to support the story. In our view, this is exuberance of the rational kind. We would treat weakness in memory and the chip supply chain as a buying opportunity, while watching the theme set broaden into robotics and noting continued strength in electrification. With summer seasonality ahead, thematic rotation potential is also building.

1. Rational Exuberance in AI Infrastructure

- **Too much, too fast:** AI infrastructure themes have advanced rapidly and now look extended in the short term, leaving them vulnerable to profit-taking and seasonal swings. Even so, the underlying fundamentals—a rising and very strong revenue and earnings outlook across the bottleneck themes—remain intact, which is why we characterize the current environment as rational rather than irrational exuberance.
- **Buy on weakness:** We would use periods of weakness to add exposure to the memory and chip supply chain, where capacity constraints and pricing power continue to underpin the earnings outlook.

2. Manufacturing Expansion Meets Hawkish Central Banks

- The global manufacturing expansion is broadening, with activity firming across major regions and supporting the earnings cycle. At the same time, inflation is proving sticky, and central banks have shifted to more hawkish rhetoric in response. Bond yields remain elevated as a result. The tug-of-war between improving growth and tighter policy expectations is likely to define the macro narrative through the second half of the year.

3. AI Broadens: Robotics & Electrification

- The AI investment universe is expanding beyond data centers. Robotics is emerging as the next leg of the theme, as advances in AI models begin to translate into physical-world applications and automation demand. Meanwhile, the electrification theme remains strong, spanning grid investment, power equipment, and the energy infrastructure needed to feed rising compute demand. Both extend the AI story into a wider set of industrial beneficiaries.

4. Summer Rotation Potential

- With leadership concentrated in AI-related themes for much of the first half, the potential for thematic rotation over the summer is building. Extended positioning, seasonal volatility, and hawkish central bank rhetoric could all act as catalysts for capital to rotate toward laggard themes and cyclical beneficiaries of the improving global economy. We view such rotation as a healthy feature of the current bull market rather than a threat to it.

Global Equity Performance

United States

- US markets advanced 1.3% in euro terms in June, capping a strong first half in which the region returned 13.3% in euros. Sector leadership was notable: Financials led with a 6.7% gain and Defensives added 4.9%, while Cyclical lagged at 0.5%. Beneath the headline index, the AI infrastructure complex was the clear driver of returns, with compute- and datacenter-related names powering ahead of the broader market.

Europe

- European markets gained 2.9% in June, taking the first-half return to 11.0% in euros. As in the US, Financials led the region with a 5.7% advance, while Cyclical (2.7%) outpaced Defensives (0.8%) as the improving manufacturing outlook supported economically sensitive names. The Nordic market was the odd one out, slipping 1.3% in June to end the first half up a more modest 7.0%.

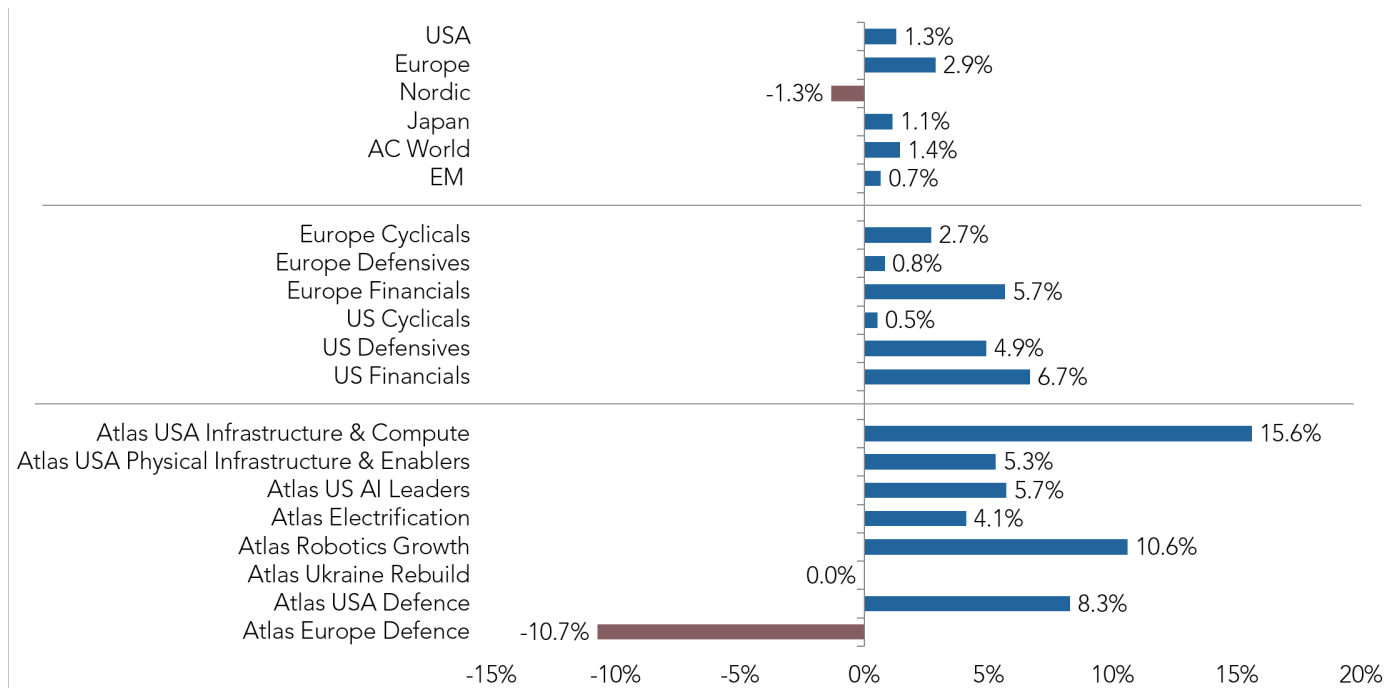
Emerging Markets

- Emerging Markets took a breather in June, adding a modest 0.7% in euros, while Japan gained 1.1%. The longer view is more impressive: EM leads all major regions for the first half with a 27.4% euro return, and Japan follows at 17.4%—both comfortably ahead of the AC World index, which returned 1.4% in June and 14.4% over the half. The valuation appeal and improving earnings picture behind that leadership remain intact heading into the second half.

Themes & Styles

June belonged to the AI infrastructure themes. Atlas USA Infrastructure & Compute surged 15.6%, well ahead of the broader market, with Atlas Robotics Growth close behind at 10.6% as the AI story broadened into the physical world. Atlas USA Defence added 8.3%, Atlas US AI Leaders gained 5.7%, Atlas USA Physical Infrastructure & Enablers rose 5.3%, and Electrification advanced 4.1%. The clear exception was Atlas Europe Defence, which corrected sharply, falling 10.7% after a very strong run, while Ukraine Rebuild was flat. The dispersion illustrates both the power of the AI-driven leadership and the value of watching for rotation within the theme set.

- **Thematic opportunities:**
 - **AI Infrastructure & Compute:** The strongest theme in June and the leader of the first half. The move has been fast, but the revenue and earnings outlook keeps pace—we would buy weakness, particularly in the memory and chip supply chain.
 - **Robotics Growth:** The AI story is broadening into the physical world, and June's 10.6% gain—second only to Infrastructure & Compute—confirms that markets are starting to price it. Momentum is now firmly behind the theme, though it is still early in the adoption cycle.
 - **Electrification:** Still strong, up 4.1% in June. Grid investment, power equipment, and the energy demands of rising compute keep this theme structurally supported alongside the AI complex.
 - **Financials:** The quiet winner of June, with US Financials up 6.7% and Europe Financials up 5.7%. An improving economy combined with still-high bond yields is a supportive mix for the sector on both sides of the Atlantic.
 - **Defence Divergence:** A striking split within the theme—USA Defence gained 8.3% in June while Europe Defence corrected 10.7% after its powerful run. The structural spending case in Europe is unchanged, so the pullback is worth monitoring as a potential re-entry point as summer rotation plays out.

Atlas Equity Chart of the Month: Equity market returns, euro returns, June 2026

Source: Evli Atlas Portfolio Technologies; Total returns in euros.

Key Risks & Considerations

Seasonal Volatility: Summer months typically bring thinner liquidity and choppy price action, and after a strong first half this seasonal pattern deserves respect. Importantly, this volatility would come against an improving global economy—helped at the margin by lower oil prices—so we would view seasonal weakness as noise within an intact uptrend rather than the start of something more sinister.

Overly Optimistic Sentiment: Investor sentiment has turned notably optimistic, particularly around AI-related themes. Stretched sentiment and positioning are classic near-term warning signs: they do not end bull markets on their own, but they do make markets more sensitive to disappointments and increase the likelihood of sharp, sentiment-driven pullbacks.

Hawkish Central Banks: With inflation proving sticky, central banks have pivoted to more hawkish rhetoric, and the risk is that policy expectations shift further against markets. A stronger-for-longer stance on rates would test valuations, especially in the long-duration growth segments that have led this rally.

Still-High Bond Yields: Long-term bond yields remain elevated, and it is important to keep an eye on the US 10-year yield in particular. If yields grind higher from here—whether on sticky inflation, fiscal concerns, or hawkish policy—equity valuations would face a stiffer headwind, with growth companies most exposed.

Final Thoughts

Alan Greenspan's famous 1996 question—how do we know when exuberance has become irrational?—remains the right one to ask. Our answer for today's market is that the enthusiasm around AI is, for now, rational: it is anchored in rapidly rising revenues and a strong earnings outlook across the bottleneck themes, not merely in expanding multiples and imaginations.

The near-term picture warrants some patience. Sentiment is optimistic, seasonal volatility is likely, and central banks have turned more hawkish while bond yields remain high. But these are headwinds within an improving global economy—manufacturing is expanding, lower oil prices are easing the inflation burden at the margin, and earnings momentum in the leading themes remains strong.

Over the next 6–12 months, we see further upside for equities, as the AI revolution cycle still has further to go. Within the AI complex, we would buy weakness in the memory and chip supply chain, follow the theme's expansion into robotics,

and maintain exposure to electrification. At the same time, the summer months offer scope for thematic rotation, and diversification across themes remains the sensible way to stay invested through it.

Greenspan liked to remind audiences that bubbles are only obvious in hindsight. Our job is to keep testing the exuberance against the fundamentals—and for now, the fundamentals are keeping up. We remain constructive, buy weakness in the strongest themes, and stay humble about the surprises that the second half of 2026 will inevitably bring.

What is Atlas?

Atlas is an intelligent platform empowering investors to build and manage highly personalized equity portfolios. Leveraging data and AI, we craft strategies aligned with your precise investment style, objectives, and sustainability goals—from classic value to emerging themes like AI.

- **True Personalization:** Go beyond generic models. Our AI helps craft strategies that perfectly reflect your vision.
- **Unprecedented Flexibility:** Don't get locked in. Shift from value to growth, or adjust thematic tilts, as your outlook evolves.
- **Powered Customization:** If our expert-designed, ready-made portfolios don't fit, our Atlas team of seasoned portfolio managers with the help of our proprietary AI engine will build a unique strategy for you.

Invest intelligently. Adapt instantly. That's Atlas.

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