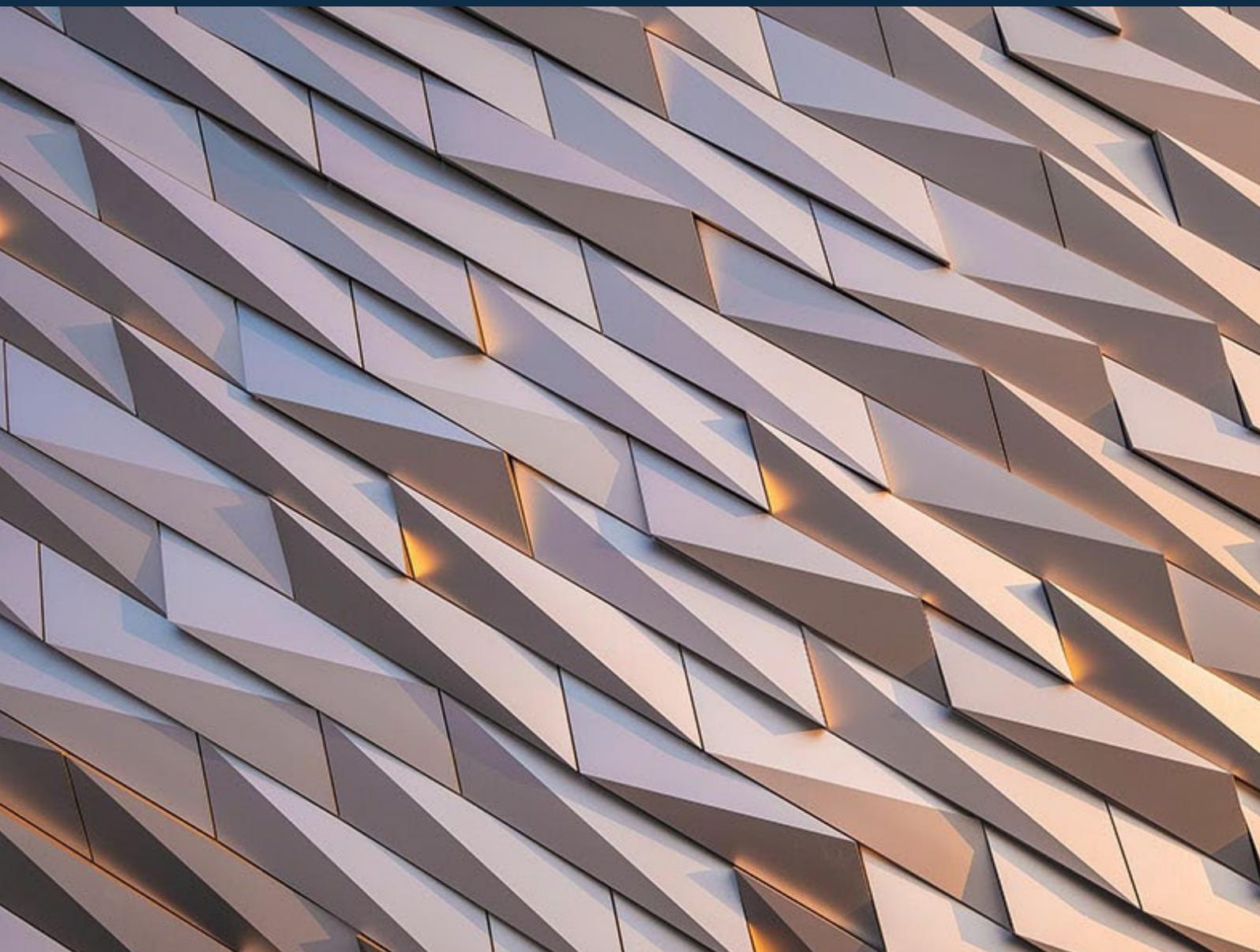


EVLI

Atlas Monthly Equity Navigator

MARCH 2026



Non–US Rotation Rally, AI Disruption & War Worries

February built on the rotation momentum from January, with flows continuing from expensive growth themes into cheaper value plays — from US to Europe, Japan, and Emerging Markets, and from technology into industrials and materials. The rally was strong through most of the month, until geopolitics intervened: a US and Israeli attack on Iran at the turn of the month triggered a risk-off wave that led to profit-taking and reversed some of the rotation gains.

The AI theme grew considerably more complicated this month. New AI tools are expected to dismantle the traditional software engineering model, dealing a blow to software and services companies. A high-profile “doomsday AI scenario” report added further anxiety, while AI hyperscalers continued sliding on worries about over-investment and bottlenecks related to energy supply and memory chips. AI is no longer a simple long thesis.

On the macro side, the global economic outlook appears increasingly broad-based. Fiscal stimulus from Germany, the US, and Japan is lifting corporate willingness to invest, supporting cyclical sectors across regions. Manufacturing and industrial themes remain well-positioned as capital expenditure intentions strengthen outside the tech sector.

1. AI Disruption & Hyperscaler Overhang

- **AI tools as disruptors:** New AI coding and productivity tools are threatening the core revenue model of traditional software companies. As AI automates large portions of software development, markets are repricing entire segments of the sector downward — a structural shift, not a temporary dip.
- **Hyperscaler fatigue:** AI infrastructure spending continues at a pace that worries investors. Energy supply constraints, memory chip shortages, and growing doubts about near-term monetisation have created a perfect storm for hyperscaler stocks. The best way to play AI now may be through bottlenecks and periphery — memory supply chains and electrification — rather than the hyperscalers themselves.

2. Broad-Based Global Recovery & Fiscal Stimulus

- The global economic outlook appears genuinely broad-based for the first time in years. Germany’s landmark fiscal expansion, combined with investment-friendly signals from the US and Japan, is encouraging companies to raise capital expenditure plans. Manufacturing and industrial sectors are responding positively, with order books strengthening across Europe and Asia. The rotation away from US technology is being supported, not just by valuation mean-reversion, but by real underlying economic momentum elsewhere.

3. Iran Conflict & Energy Price Risk

- The US and Israel’s attack on Iran at the end of February sent oil and energy stocks sharply higher, introducing a new risk variable into what had been a constructive macro backdrop. Higher energy prices are an unwelcome input for inflation, corporate margins, and consumer sentiment. That said, history is clear: military conflicts are typically transitory market events. This one is likely no different — and may well create an attractive entry point into many of the themes we favour.

4. Rotation Trade: Temporary Reversal or Opportunity?

- The Iran conflict is a sad story and will create near-term market jitters. But the fundamental rotation case — from expensive US growth into cheaper global value — remains intact. The structural drivers are strong: valuations, fiscal stimulus, and a broadening earnings recovery all support continued rotation. A resumption in Q2 looks probable. Near-term weakness should be treated as an opportunity, not a warning sign.

Global Equity Performance

Japan was the standout regional winner in February, with European markets rising +3.6% and Emerging Markets delivering +6.3%. Japan surged +9.8% as the yen and domestic economic recovery attracted global flows.

United States

- US markets were the clear laggard in February, with the S&P 500 declining -0.3% for the month. US Financials were the worst-performing segment, down -3.3%, followed by US Cyclical at -2.2%. The only bright spot

domestically was US Defensives, which surged +6.7% as investors sought shelter amid geopolitical uncertainty and technology sector weakness. The AI disruption narrative weighed particularly heavily on software-exposed growth stocks, while the Iran conflict amplified risk-off dynamics at month-end.

Europe

- Within Europe, Defensives (+5.4%) led the way, while Cyclical (+2.1%) also performed well. European Financials were broadly flat (-0.1%), holding up far better than their US counterparts. Germany's landmark fiscal expansion continued to underpin confidence in European industrials, and early positioning for Ukrainian reconstruction supported materials and infrastructure-related names..

Emerging Markets

- Emerging Markets delivered strong returns of +6.3% in February, with the AC World index up +1.8% for the month. The EM outperformance reflects the combination of attractive valuations, a weaker dollar, and genuine economic momentum across Asia.

Thematic

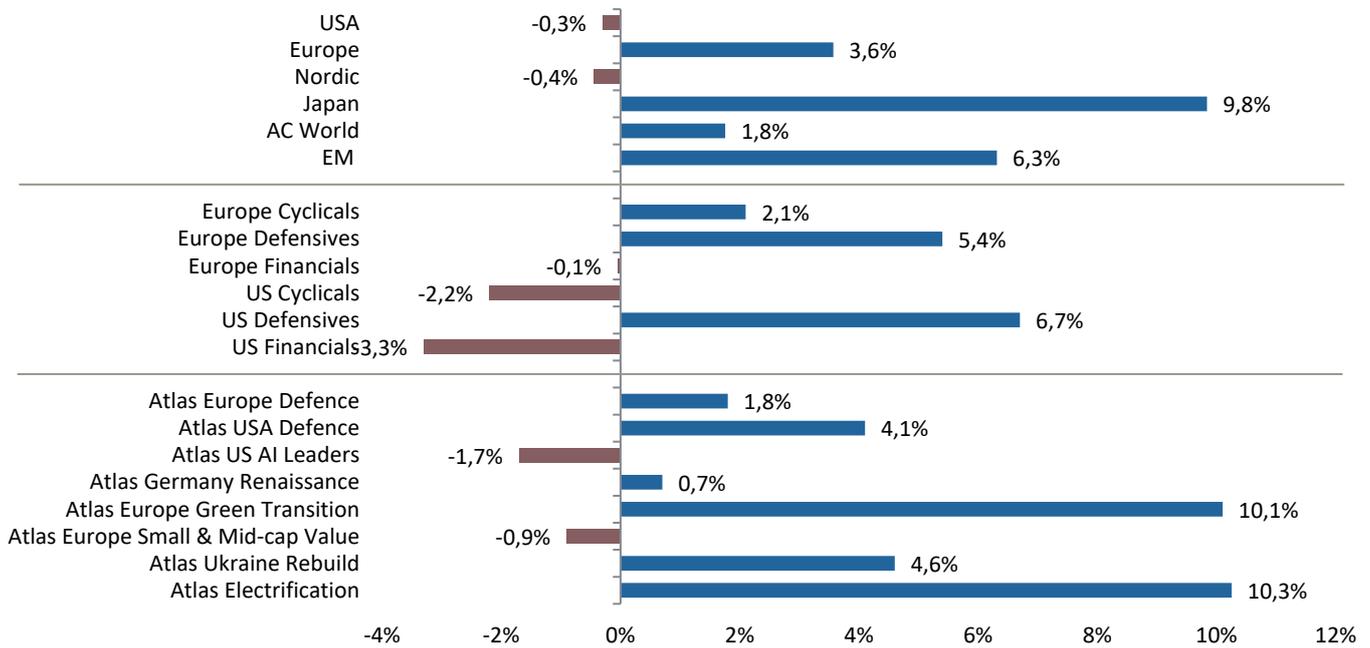
- Among Atlas thematic strategies, Electrification was the top performer with an extraordinary +10.3% gain, closely followed by Europe Green Transition at +10.1%. Atlas Ukraine Rebuild (+4.6%) and Atlas USA Defence (+4.1%) also delivered solid returns. Atlas US AI Leaders (-1.7%) and Atlas Europe Small & Mid-cap Value (-0.9%) were the only detractors, reflecting the AI headwinds and late-month risk-off pressure.

Themes & Styles

February confirmed that the investment landscape is bifurcating sharply: value and non-US themes are thriving, while expensive US growth and AI-adjacent plays are struggling. The themes we have been highlighting — European revival, defence, electrification, and manufacturing recovery — continue to outperform. The AI theme has grown more nuanced; the opportunity now lies in the bottlenecks and supply chain, not the hyperscalers themselves. Electrification stands out as the theme of the month, delivering exceptional returns driven by energy infrastructure demand.

- **Thematic opportunities:**
 - **European Comeback:** Europe continues to outperform as the valuation gap with the US closes. Germany's historic fiscal expansion is lifting the entire region, with Industrials, Materials, and Financials all benefiting. The European Comeback is not a trade — it is a multi-year structural rotation that is still in its early innings.
 - **European Defence:** NATO spending commitments and the ongoing Ukraine conflict are driving a sustained ramp-up in European defence budgets. Atlas Europe Defence (+1.8%) held up well in a volatile month. The theme has multi-year visibility and remains a core position in our thematic allocation.
 - **Ukraine Rebuild:** Atlas Ukraine Rebuild delivered +4.6% in February. As reconstruction frameworks take shape and European companies secure early project positioning, this theme offers a rare combination of value, growth, and geopolitical tailwind. We expect the theme to strengthen further as ceasefire talks evolve.
 - **Manufacturing and Resources:** The global manufacturing recovery is gaining momentum. Fiscal stimulus in Germany, Japan, and the US is translating into real investment activity, supporting industrial companies and resource producers. This is the cyclical backbone of the rotation trade and looks set to continue through 2026.
 - **★ Electrification — Theme of the Month:** Atlas Electrification surged +10.3% in February, making it the top-performing strategy across both Atlas themes and global markets. Electrification sits at the intersection of three powerful macro forces: the energy transition, the AI infrastructure build-out (which demands enormous power), and the manufacturing revival. It is also a compelling indirect AI play — capitalising on the power and grid infrastructure that AI growth demands, without the hyperscaler and software disruption risks. We see further upside ahead as energy demand projections are revised higher globally.

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



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

Key Risks & Considerations

Prolonged War & Energy Price Shock: A prolonged Iran conflict or escalation involving other regional actors could push oil prices materially higher, reigniting inflation and weighing on global growth. Energy price spikes would disproportionately hurt consumer spending and corporate margins in import-heavy economies. This is the most immediate tail risk for the current market environment.

AI Disruption Broadens & Technology Crash: If AI disruption spreads beyond software into broader services and professional sectors faster than anticipated, a wider earnings shock could trigger a more severe technology sector crash. Given the still-elevated concentration of global equity indices in US tech, a disorderly unwind could spread to broader markets through passive fund outflows and risk sentiment contagion.

Growth Scare & Inflation Comeback: Higher energy prices from the Iran conflict, combined with the lagged effects of ongoing fiscal stimulus, could reignite inflationary pressures and delay central bank easing. A growth scare — particularly if consumer confidence softens on geopolitical anxiety — could derail the manufacturing recovery narrative and hit cyclical themes hard.

US Equity Wealth Effect Reversal: With US household equity wealth at approximately \$70 trillion, a sustained decline in US equities would meaningfully weigh on consumer spending and sentiment — a key risk for global growth. This is also, however, why we believe a short and contained Iran conflict is the most likely outcome: US policymakers are acutely aware of the stakes for domestic wealth and will act to stabilise the situation.

Final Thoughts

February’s volatility, driven by the Iran conflict, is a jarring but likely temporary interruption to a coherent and well-supported investment thesis. History is consistent: military conflicts create short-term dislocations, not structural bear markets. The TACO dynamic — Too Awful to Consider for US equity wealth at \$70 trillion — means policymakers have strong incentive to keep the conflict contained and short. We expect this will prove to be an interesting buying opportunity into many of the themes highlighted in this report.

The fundamental case for the rotation trade remains firmly intact. Manufacturing recovery is continuing. Corporate earnings growth is broadening beyond US technology. Fiscal stimulus in Europe, Germany, and Japan is generating real

economic activity. We expect the rotation trade to resume with conviction in Q2, once geopolitical uncertainty fades and investors refocus on the macro fundamentals.

The strategic direction is clear: avoid America, prefer European and Asian themes. Within portfolios, we favour European Comeback, European Defence, Ukraine Rebuild, Manufacturing and Resources, and above all, Electrification — our theme of the month and one of the most compelling multi-year opportunities in markets today. For AI exposure, look to the bottlenecks and periphery: memory supply chains, power infrastructure, and electrification rather than hyperscalers and software.

Near-term noise aside, the macro environment is the most supportive it has been for a truly diversified global portfolio in years. Stay the course, use pullbacks as entry points, and position for a Q2 rotation renaissance.

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.

Find out more about Atlas on <https://www.evli.com/en/atlas> or contact us at Atlas@evli.com.

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