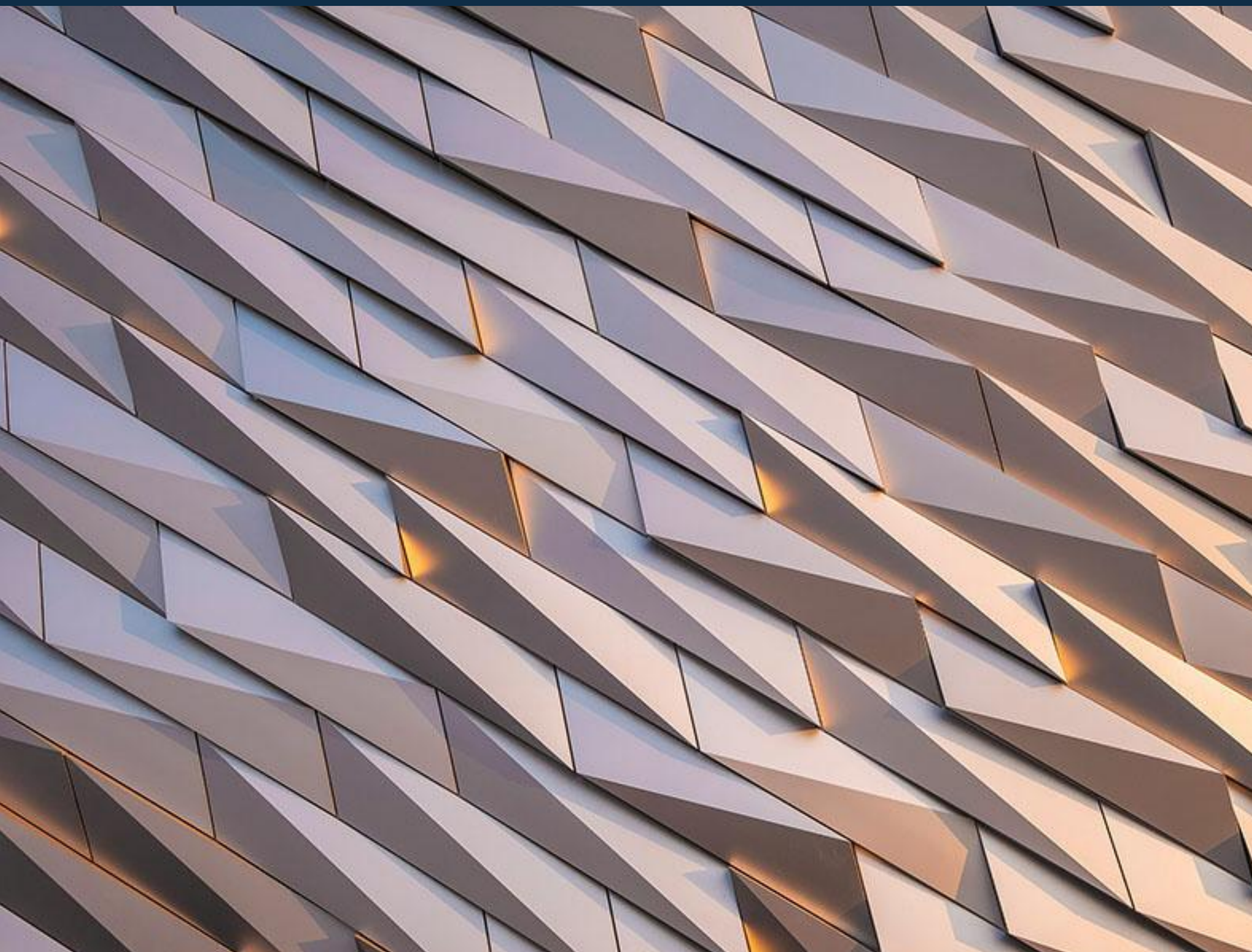
Atlas Monthly Equity Navigator

AUGUST 2026



Correction, Not Rejection

Equity markets spent July consolidating after the sharp gains of June, and the AI infrastructure complex bore the brunt of it. Memory names led a pronounced pullback, following an extended run-up into month-end June that had left positioning stretched and valuations exposed to any disappointment. The correction has been a technical unwind rather than a change in the underlying story.

The bearish narrative accompanying the sell-off leaned heavily on Chinese competition, capacity concerns around compute oversupply, and a handful of slight quarterly misses. In our view, these worries have been exaggerated relative to the underlying demand picture. The macro backdrop remains firmly in a sweet spot: global growth in 2026 looks solid and broad-based across regions, inflation worries have stayed muted, and earnings growth continues to run strong with revisions still trending positive.

The key risks are more hawkish central banks, higher bond yields, and investor sentiment that still looks too optimistic for comfort. As we noted in June, any correction of this kind should be regarded as a buying opportunity. Equity markets may well stay jittery as we head into the historically volatile August-September window, but the AI infrastructure theme looks increasingly attractive after this correction storm has passed through.

1. Correction, Not Rejection
    - **Memory and semiconductor pullback:** The AI infrastructure segment, led by memory, saw a large pullback in July. After an extended run into June, the correction has been technical in nature, driven by profit-taking rather than a break in the fundamental demand story.
    - **Exaggerated bearish narratives:** The sell-off has been accompanied by bearish commentary on Chinese competition, capacity concerns around compute oversupply, and a handful of slight quarterly misses. We view these worries as overdone relative to the underlying demand trajectory.
2. Macro Sweet Spot Persists
    - The macro environment remains firmly in a sweet spot. Global economic growth in 2026 looks broadly supportive across regions, as it is broadening beyond the AI infrastructure boom, without major inflation worries clouding the picture. Earnings growth has stayed strong and broadened, and revisions continue to trend higher, giving markets a solid fundamental floor beneath the recent volatility.
3. Risks to Watch
    - Hawkish central banks and higher bond yields remain the clearest threats to current valuations, particularly for longer-duration growth names. Investor sentiment, meanwhile, still looks too optimistic for comfort heading into the seasonally choppiest part of the year.
4. Seasonal Volatility, Structural Opportunity
    - We are entering the most volatile part of the year, August and September, with sentiment still overly positive—a combination that can foreshadow further near-term weakness. But the positive outlook for year-end earnings implies that any weakness should prove short-lived and be treated as a buying opportunity. Bottleneck themes within AI Infrastructure and Electrification already look attractive after the pullback.

Global Equity Performance

United States

- US equities fell -1.0% in July in euro terms, the weakest major developed market, as the AI infrastructure correction hit hardest in US-listed names. Cyclicals (-1.7%) dragged alongside the broader tech-adjacent complex, though Defensives (+2.4%) and Financials (+5.2%) held up well, providing a meaningful cushion. Atlas USA Infrastructure & Compute bore the brunt of the pullback at -18.3%, with Atlas USA Physical Infrastructure & Enablers (-14.7%) and Atlas US AI Leaders (-8.7%) also posting sharp declines. The global Atlas Electrification (-8.8%) sold off in sympathy, while Atlas Robotics (+0.6%) was a rare bright spot. The negative moves were technical in nature after extended positioning into June, and do not reflect a change in the fundamental demand outlook.

Europe

- European equities gained +1.0% in July in euro terms, with the Nordics (+1.7%) leading the region. The contrast with the US was stark: while AI-heavy US names corrected sharply, European markets were partly insulated by their lower exposure to the infrastructure complex. Atlas Europe Defence continued to demonstrate resilience, gaining +6.2% on sustained geopolitical spending momentum, while Atlas Ukraine Rebuild (-3.2%) retreated.

Emerging Markets & Japan

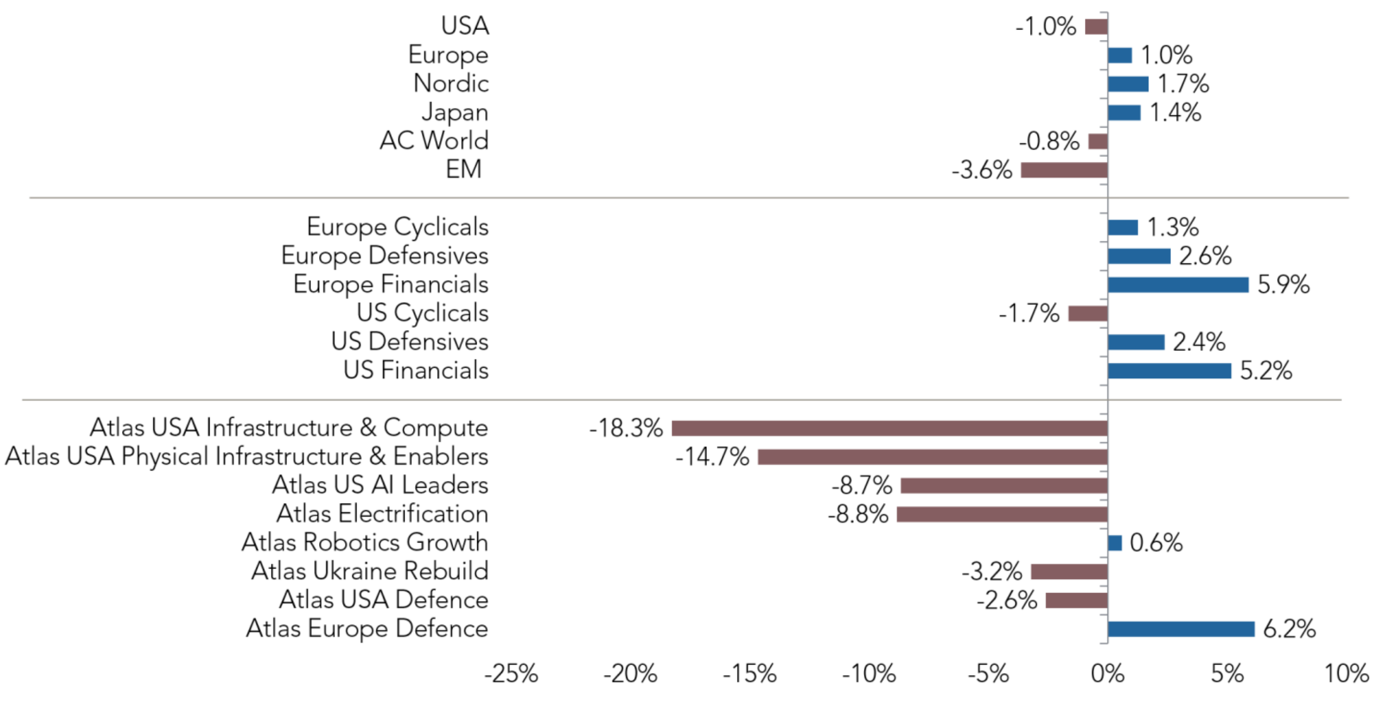
- Emerging Markets underperformed in July, falling -3.6% in euro terms amid a sharp pullback in Korean tech stocks. Japan (+1.4%) was the exception among non-European developed markets, continuing its constructive trend. AC World was down -0.8%, with the drag largely US- and EM-driven.

Themes & Styles

Themes remain largely unchanged from last month, with the July pullback creating attractive entry points rather than a change in direction. AI Infrastructure and Electrification stand out as the clearest beneficiaries of the correction, with bottleneck-exposed names now trading at more reasonable levels heading into year-end.

- Thematic opportunities:
  - AI Infrastructure & Compute: The July correction, led by memory and the chip supply chain, looks like a buying opportunity rather than a trend break, with demand fundamentals still intact.
  - Electrification: Grid, power, and industrial-metals exposures pulled back alongside AI Infrastructure and now offer an equally attractive entry point into a multi-year structural theme.
  - Robotics: The growth of AI-powered robots and autonomous systems are driven by the increasing demand for automation in manufacturing, logistics, healthcare, and other industries, though the theme has not been immune to the summer volatility.
  - Financials: A supportive macro backdrop and steady earnings continue to underpin the sector as a diversifying complement to AI-heavy positioning.
  - European Defence: Geopolitical tensions continue to support defence spending commitments across NATO countries, keeping the theme structurally relevant.

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



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

Key Risks & Considerations

Central Bank Policy: A more hawkish tilt from major central banks remains a key risk to current valuations, particularly for the longer-duration growth names concentrated in the AI infrastructure complex.

Bond Yields: Higher bond yields would add further pressure to equity valuations, especially for the AI Infrastructure and Electrification themes, which carry a longer earnings-duration profile.

Investor Sentiment: Sentiment still looks too optimistic for comfort as we enter the historically most volatile part of the year, which could set up further near-term weakness even against a constructive fundamental backdrop.

Bearish AI Narratives: Chinese competition, compute-oversupply concerns, and scattered earnings misses could keep generating negative headlines. We view these as exaggerated, but a further deterioration in the narrative bears watching.

Final Thoughts

July's correction in the AI infrastructure complex was a healthy reset after an extended June, not a signal that the underlying story has broken. The bearish narratives that accompanied the pullback—Chinese competition, compute oversupply, a handful of earnings misses—look exaggerated set against a macro backdrop that remains firmly in a sweet spot.

Global economic growth in 2026 looks broad-based, inflation worries remain contained, and earnings growth continues to run strong with revisions still trending positive. As we flagged in June, corrections of this kind are opportunities to add, not reasons to step away.

We are entering the most volatile part of the calendar, August and September, with sentiment still running too optimistic for comfort. Markets may well stay jittery through the season, but the constructive earnings outlook into year-end suggests any weakness should be short-lived. The bottleneck themes within AI Infrastructure and Electrification already look attractive after this pullback, and we would use further weakness to add.

Correction, not rejection: that is how we read July's pullback, and it is the lens we would encourage clients to apply as the seasonally choppier months ahead unfold.

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