

Investment report for Teesside Pension Fund

March 2026

Political and economic outlook

Maybe 2026 will herald a more predictable and understandable political period. Let's hope so.

There are signs that the US Supreme Court has at last developed a backbone in its ruling against Trump's approach to tariffs. This is the first time in Trump's second administration that the Supreme Court has ruled against him; they have supported him on 24 other occasions.

Regarding the release of half the Epstein files, other jurisdictions appear to be taking the revelations quite seriously but the US Department of Justice seems to have taken an ostrich-like approach to the rule of law by stating that there are no charges to answer. The release of the final 50% of the files may result in a game of two halves. Trump has not featured very much in the first half but he could certainly come into his own in the second. We will just have to wait and see if the files are released to enable the second half, the Democrats will certainly be willing this to happen.

After what I thought was rather a peevish response to not getting a Nobel Peace Prize for doing nothing beneficial at all, Donald has embarked on a period where he has escalated world tension by threatening the use of (and using) force in such diverse countries as Venezuela and Iran. All this appears a little perverse given his reluctance to support Ukraine after its invasion by Russia. It may be just a coincidence but Marco Rubio's visit to Prime Minister Orban and the veto by Hungary preventing the EU from using increased sanctions against Russia seems a little too convenient. This could be a U.S attempt to maintain its influence but in the longer term

it introduces instability into the world political system which will not prevent China's inexorable rise towards number one in the world pecking order. Elsewhere the political scene looks extremely fluid with shifting alliances; an ex president being jailed in South Korea and a general feeling of uncertainty.

World economic growth looks set to be about 3% in 2006 driven mainly by the United States and China. Variations within this show developing markets and Southeast Asia growth at about 4% and the developed economies at about 2%. The major risks for the world economy remain tariffs and trade tensions and supply chain difficulties. There is very little likelihood that this position will change much over the medium term. Inflation is expected to trend down slowly over the next two years or so but will still remain above Central Bank targets.

Markets

Equity markets should continue to rise modestly driven by AI productivity gains, steady corporate earnings growth and a relatively loose monetary environment. Given the current valuation level of the US market other international markets are expected to outperform it over the medium term, especially the Southeast Asian markets. Geopolitical uncertainties will lead to volatility but the general trend will be gently rising markets.

Bond markets are giving real positive yields but have priced in lower inflation and are likely to show little price appreciation from this level.

Developed economy bond markets still have little to recommend them as finances remain stubbornly poor. Developing markets have a higher yield basis and better financial economics and therefore look more attractive.

Central Banks have some leeway to bring interest rates down but not a large amount so rates may fall by half a percent or so over the next year.

This is an environment where bond markets should give a modest positive return. Likewise this environment should be good for index linked securities which are already trading on positive real yields. The returns should be modestly positive and similar to conventional fixed interest.

Commercial property should give a positive return in this economic environment however it is likely to underperform other asset classes.

The environment continues to be extremely challenging for the private equity and unquoted sectors of the market.

Portfolio recommendation

I would not recommend any changes to the portfolio over the medium term as most asset classes are forecast to give similar returns.

As I am retiring in June this is likely to be my last committee meeting. I would like to thank everybody on the committee for their forbearance and for listening so politely to my advice over the past 40 years. I will miss you! When I am gone please indulge me by maintaining your love for equity type assets which are more likely to meet your liabilities in the future. Also please continue to treat fixed interest and liability matching assets with extreme caution as they can seriously damage your wealth. Remember there are no real matches for your pension liabilities so the job remains to pick those assets that you think will perform best over the long-term.

Peter Moon

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