



Market Update:

The Iran & US escalation impact for investors

3 March 2026



This weekend the United States and Israel began a series of bombardments on targets in Iran, which included a compound in Tehran where some of Iran's leadership were meeting. It was later announced that the Tehran bombing had killed several senior government and military officers, including Iran's supreme leader, Ayatollah Khamenei. This sparked a military response from Iran, with multiple countries in the region being targeted. News outlets have been filled with pictures and videos of explosions, wreckage, and civilians reacting to the military actions. President Trump has stated that he expects the conflict to last several weeks.

The first markets to open today were in Asia, where indices fell sharply as tensions escalated. European markets followed with broad declines. Defensive sentiment was widespread across sectors, with travel, financials, and consumer cyclicals among the hardest hit. At time of writing, US markets have yet to open today but S&P 500, Dow, and Nasdaq futures are all negative, consistent with the global pattern. Within the UK market, sector moves remain stark: Shell is holding up relatively well amid rising oil prices, while IAG, the listed British airline group, is down just over 8 percent as concerns about airline disruption and fuel costs intensify. *(Data as at 3 March 2026)*

What does this mean for investors in global equity markets?

In times of increased uncertainty markets tend to fall. This reflects a perceived, perhaps real, increase in risk. Investors are right to be concerned but that need not translate into selling out. Over the past forty years there have been several major events that have looked, at the time, as if the investment world was about to implode. The October crash in 1987; the dot.com crash of 2000; the global financial crisis of 2008; Covid in 2020; Ukraine in 2022; and now Iran.

Periods like this create a sudden increase in uncertainty. Markets respond by repricing risk, often sharply and unevenly. These moves can feel dramatic in the moment, but they are a normal feature of how markets process new information. Each previous crisis saw markets fall. Importantly, however, markets subsequently recovered and went on to deliver strong equity returns.

What does this mean for GSI investors

GSI's systematic portfolios are built to weather periods of uncertainty and deliberately designed to avoid reacting to short-term news. We do not chase oil spikes, rotate into "war stocks", or try to time geopolitical events. Instead, we stay anchored to long-term drivers of return, implement systematic rebalancing and maintain broad diversification across regions and sectors.

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The strongest market days often occur close to the worst ones. Selling during a crisis risks missing the early stages of recovery, which can have a significant impact on long-term returns. Remaining invested has historically been the most reliable way to capture those rebounds.

Our belief is that, unless an investor's circumstances have changed, their long-term investment returns are better served by them maintaining their discipline and staying invested.

Fund exposure to the Middle East

GSI portfolios have limited exposure in the Middle East, with only very small positions in Israel. Our exposure is 0.29% in the **Global Aware Value Fund** and 0.30% in the **Global Aware Focused Value Fund** (as at 28 February 2026).

We have no exposure to Iran or the UAE.

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