

Confluence® Style Analytics®

August 2026

Factor Performance Analysis

Volatility emerges as a key driver of performance

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Market background

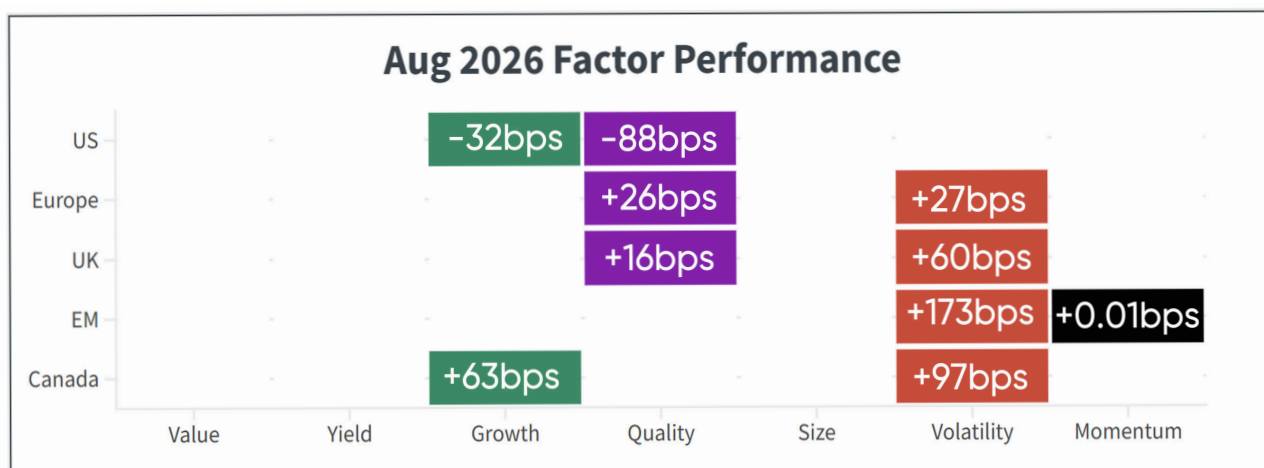
Across global equity markets, August performance highlighted the role of key equity factors in driving stock returns across regions. Volatility and Quality were among the factors associated with notable outperformance, with stocks exhibiting strong exposure to these characteristics delivering meaningful gains across both Developed and Emerging Markets. The analysis that follows examines the key factor trends across regions and highlights the stocks that demonstrated the strongest performance within these factor themes.

Crude oil prices continued their upward trajectory in August, reaching approximately \$86 per barrel by the end of the month. This followed a brief decline at the beginning of August, when prices fell to around \$75 per barrel, before rebounding and resuming their upward momentum. The recovery reflects a broader strengthening in oil prices over the course of the month, with crude ultimately ending August at significantly higher levels than where it began.

Bitcoin staged a strong recovery in August, gaining approximately 25–28% and briefly surpassing \$80,000 before ending the month near \$78,500. The rally reflected renewed investor appetite for alternative assets amid a weaker U.S. dollar and a more supportive macro backdrop.

Factor summary

- ▶ **US equities:** No Factors outperformed the market.
- ▶ **European equities:** Quality and Volatility outperformed.
- ▶ **UK equities:** Quality and Volatility outperformed.
- ▶ **Emerging markets equities:** Volatility outperformed.
- ▶ **Canadian equities:** Growth and Volatility outperformed.



US equities

U.S. equities outperformed in August, although the market's strength was not broadly reflected across factors. Most factor exposures underperformed the market, with the exception of 5-year Sales Growth and Low Gearing, which were the only factors to generate positive excess returns, suggesting that the market's performance was concentrated in companies with strong and sustained revenue growth and relatively conservative balance sheets. The strength of technology and AI-related stocks, alongside robust corporate earnings, likely supported the Sales Growth factor, while Low Gearing benefited from investor preference for financially resilient companies amid continued uncertainty around inflation, interest rates and the economic outlook. Overall, August's U.S. performance appears to have been driven more by a narrow combination of growth and balance-sheet strength than by a broad-based factor rotation.

This marked a clear shift from the previous month, when the U.S. market returned -1.7% and most factors outperformed the region, with only Momentum and Volatility lagging. In August, the market rebounded to +3.5%, but factor breadth was notably weaker, with most factors underperforming. The rebound therefore appears to have been driven more by market-specific strength than broad-based factor performance.

U.S. annual inflation held steady at 3.4% in August 2026, unchanged from July and in line with expectations. The unemployment rate also remained stable at 4.1%, matching market forecasts. Meanwhile, U.S. manufacturing output rose by 0.2% in July 2026, broadly in line with expectations.

Stocks with high sales growth 5Y in the region that drove the region's performance this month include info tech companies Microsoft Corp (9% in Aug) and NVIDIA Corp (9% in Aug). US equities that outperformed in August, as captured by the low gearing, included info tech company Palantir Technologies Inc (51% in Aug) and consumer discretionary company Tesla Inc (18% in Aug).

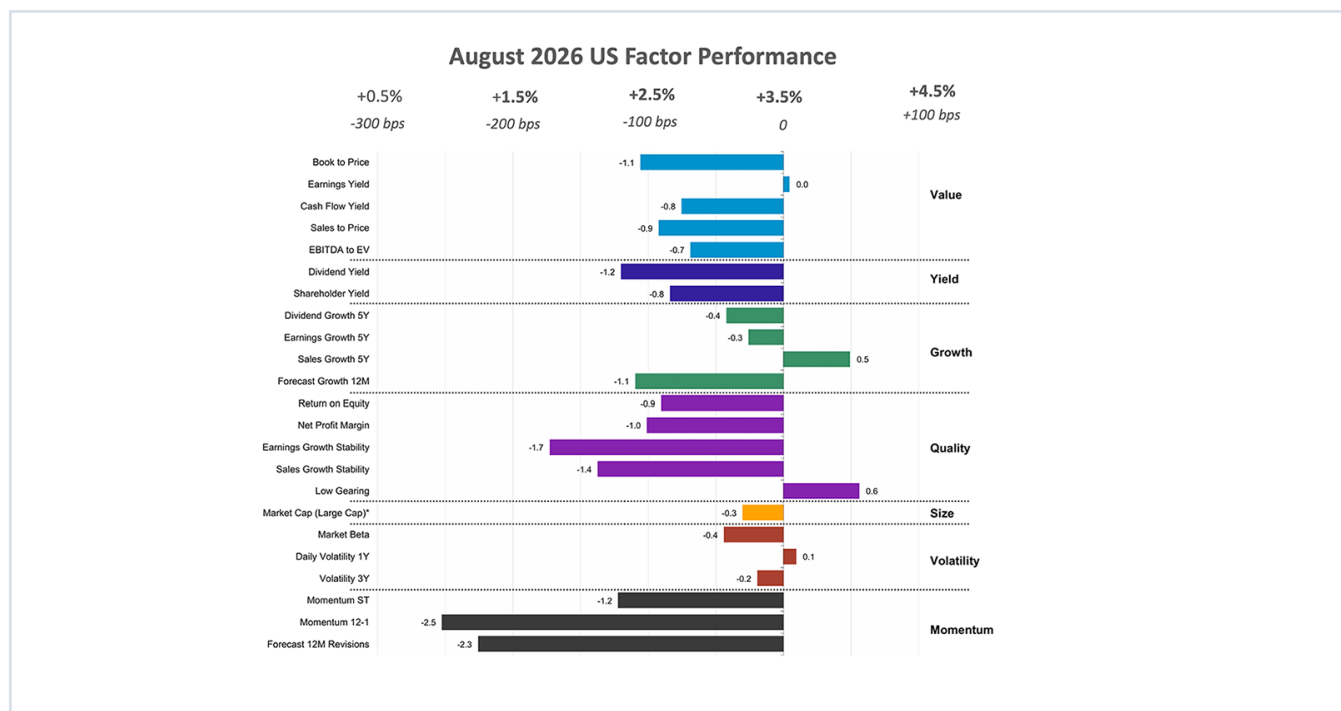


Figure 1: Aug 2026 US Factor Performance (sector adjusted)

Source: Confluence Style Analytics

European equities

European equities returned 1.7% in August, with Quality and Volatility emerging as the strongest-performing factors, followed by Momentum. Most other factors underperformed the region, indicating a preference for companies with stronger fundamentals and more defensive characteristics.

Performance was broadly stable versus July, when the region returned 1.8%, but the factor leadership shifted notably. Value and Yield were the key outperformers in July, whereas August favored Quality, Volatility and Momentum, suggesting a move away from income and valuation-driven exposure toward companies perceived as more resilient, higher quality and better positioned amid market uncertainty.

Eurozone annual inflation accelerated to 3.3% in August 2026, up from 2.9% in July and in line with market expectations. The seasonally adjusted unemployment rate remained unchanged at 6.4% in July, slightly above the 6.3% forecast. Meanwhile, industrial production was flat in June, following a 0.3% increase in May and outperforming expectations for a 0.1% decline.

The stocks contributing to the Eurozone region's short term momentum performance this month include securities like French consumer discretionary company Hermes International SCA (4% in Aug), Spanish financials company Banco Bilbao Vizcaya Argentina SA (4% in Aug). Companies with high short-term momentum include German industrials company Siemens AG (2% in Aug) and financials company Allianz SE (5% in Aug).

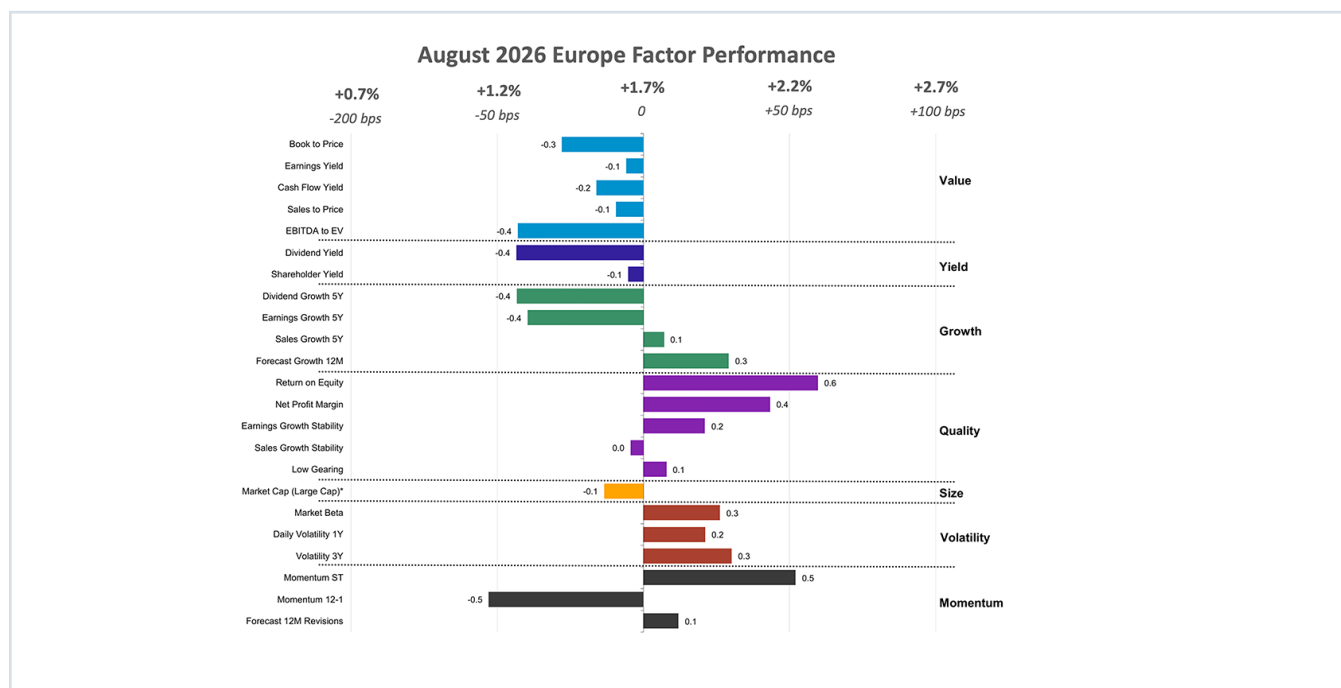


Figure 2: Aug 2026 Europe Factor Performance (country and sector adjusted)

Source: Confluence Style Analytics

UK equities

The UK market returned 0.5% in August, with Volatility and Quality emerging as the key outperforming factors. Their strength points to a preference for more defensive and fundamentally resilient companies, while most other factors lagged the broader market.

This marked a notable slowdown from July's 3.8% return, alongside a clear shift in factor leadership. While Value and Yield were the strongest factors in July, August saw leadership move toward Quality and Volatility, suggesting a more cautious investor preference for financially resilient and lower-risk companies.

UK annual inflation rose to 2.9% in July 2026, its highest level in four months, up from 2.6% in June. The unemployment rate remained steady at 4.9% in the three months to June 2026. Meanwhile, manufacturing output increased by 0.9% month-on-month in July 2026.

British stocks with strong volatility 3Y outperformed this month include materials company Anglo American Plc (+15% in Aug); and industrials company Rolls Royce Holdings Plc (+5% in Aug). Companies with high ROE that led the UK market in August include consumer staples company Unilever Plc (2.3% in Aug) and materials company Rio Tinto Plc (10% in Aug).

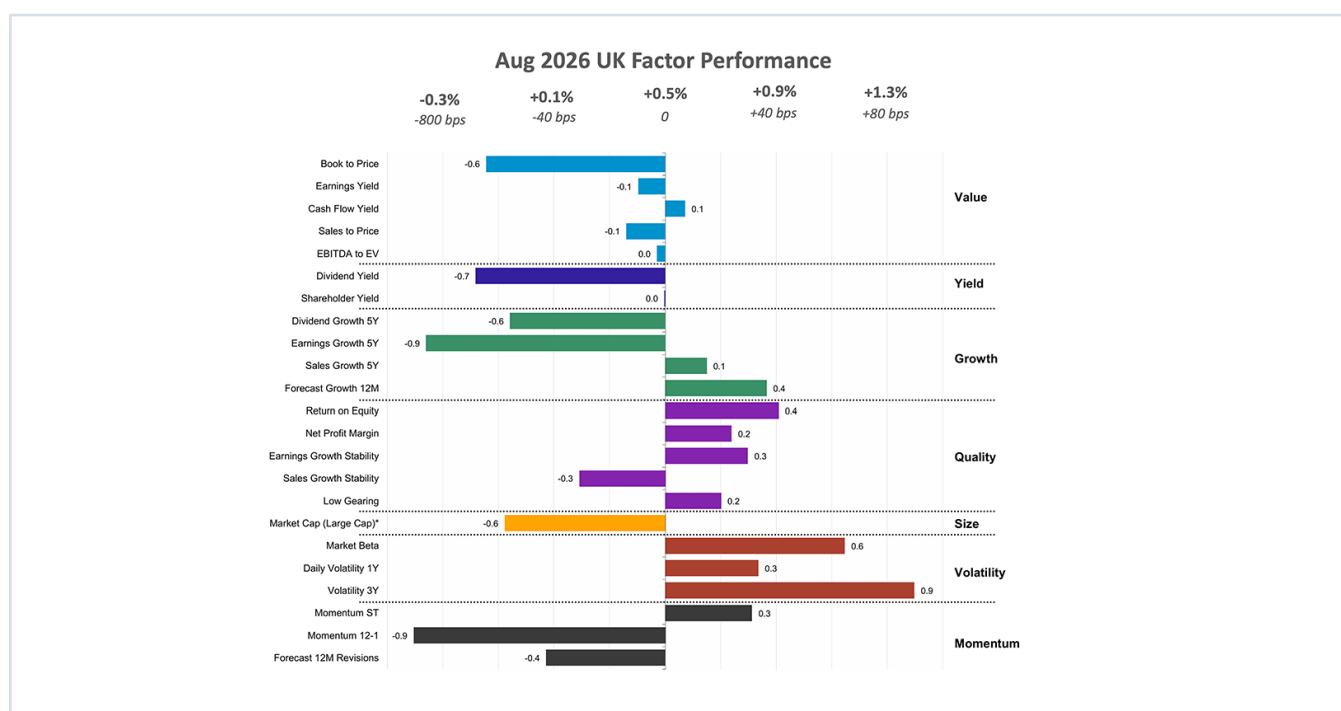


Figure 3: Aug 2026 UK Factor Performance (sector adjusted)

Source: Confluence Style Analytics

Emerging markets equities

Emerging markets rebounded strongly in August, returning 4.7% versus -4.7% in the previous month. The recovery was supported by a broader improvement in risk sentiment and renewed strength across key emerging-market equities, following the sharp sell-off in July. Volatility was the standout factor, outperforming the region and indicating stronger performance from more defensive exposures.

The strong performance of Volatility represented a clear reversal from July, when the factor significantly underperformed the region. This shift suggests that the August rebound was accompanied by a change in investor positioning, with lower-risk stocks gaining favor after the heightened volatility and risk-off conditions seen in the previous month.

Taiwan's annual inflation eased to 2.04% in August 2026 from 2.54% in July, while the seasonally adjusted unemployment rate remained stable at 3.33% in July. Industrial production increased by 4.15% month-on-month in July. In South Korea, annual inflation rose to 3.1% in August from 2.8% in July, while unemployment declined to 2.7% from 2.8%. Industrial production grew by 0.2% month-on-month in July. In China, annual inflation increased to 0.8% in August from 0.5% in July, while the surveyed urban unemployment rate rose to 5.2% in July.

Emerging Markets equities that outperformed in August, as captured by the Volatility factor, included Chinese Consumer Discretionary company Alibaba Group Holding Ltd., which gained 13%, and Industrials company Contemporary Amperex Technology Co. Ltd., which rose 17%.

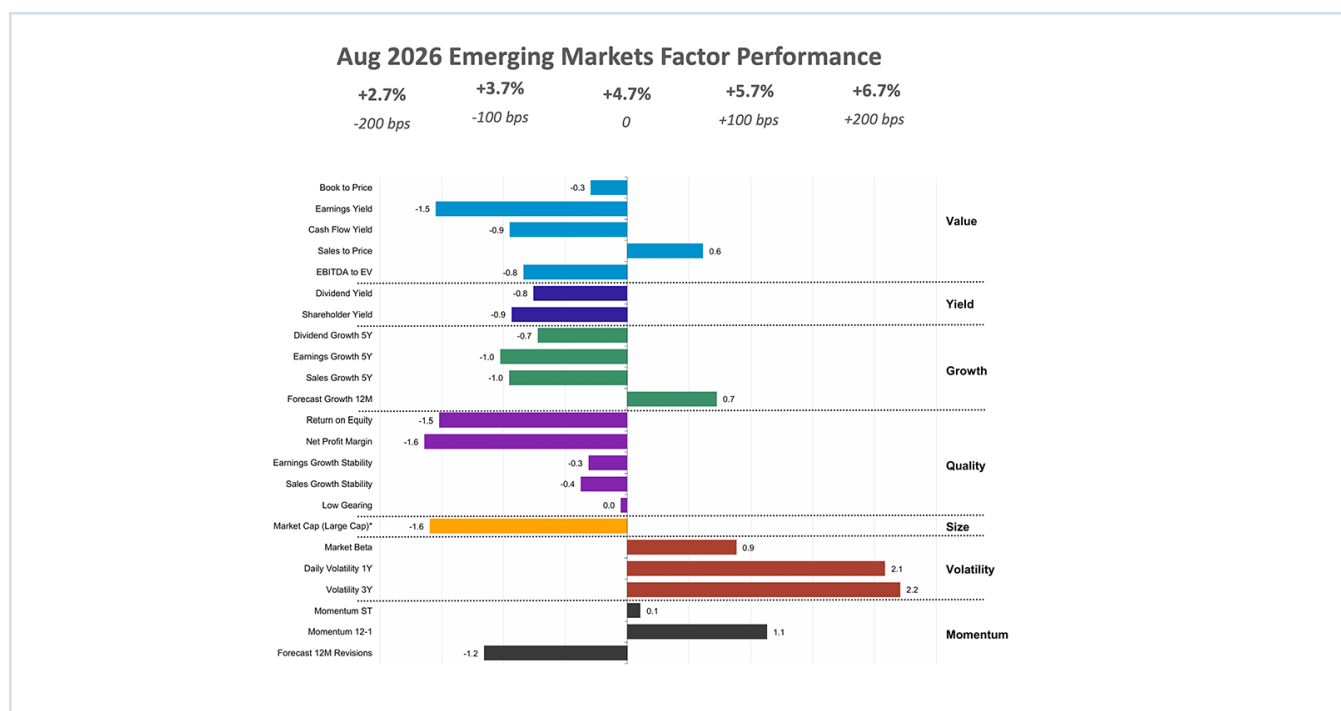


Figure 4: Aug 2026 Emerging Factor Performance (country and sector adjusted)

Source: Confluence Style Analytics

Canadian equities

Canadian equities returned 4.8% in August, up from 2.3% in July and outperforming other developed markets. The strong performance was supported by the region's exposure to materials, energy and financials, with strength in commodity-related stocks providing an additional boost during the month.

Factor leadership shifted notably from July to August. Value moved from positive to negative excess returns, while Volatility reversed from underperforming to outperforming the market. This suggests a shift away from value-oriented stocks toward more defensive and lower-risk exposures.

Canada's headline inflation rose to 3.0% in July 2026 from 2.8% in June, slightly above the 2.9% market forecast. The Consumer Price Index increased by 0.5% month-on-month in July. Meanwhile, the unemployment rate remained unchanged at 6.4% in August. Manufacturing sales edged down 0.2% month-on-month in July, according to the advance estimate.

Stocks in the region exhibiting strong performance on the 3Y Volatility subfactor included Information Technology company Shopify Inc., (gained 27% in August), and Energy company Cenovus Energy Inc., which (rose 7% Stocks) driven by the 5Y Sales Growth subfactor included Materials company Agnico Eagle Mines, (up 40% in August), and Financials company Toronto-Dominion Bank, which (gained 1%).

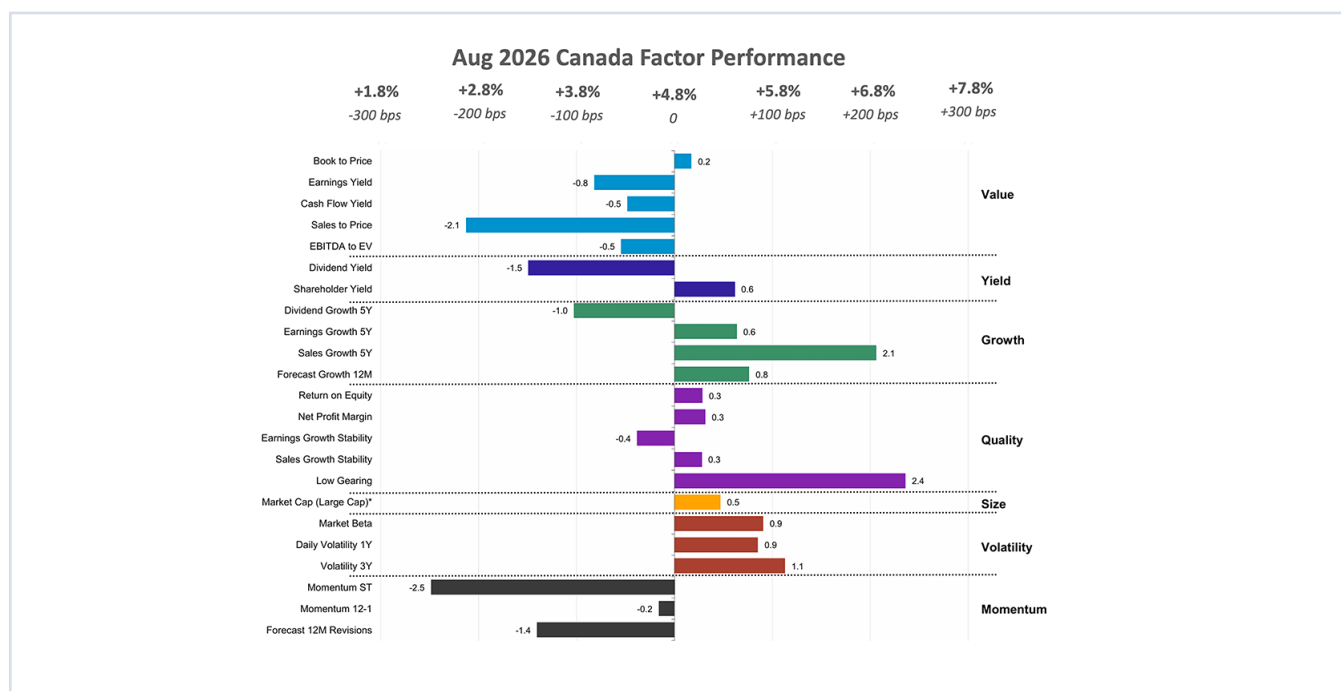


Figure 5: Aug 2026 Canada Factor Performance (sector adjusted)

Source: Confluence Style Analytics

Appendix: How to read the charts

Each factor's performance is based on the relative performance of its top 50% of stocks by market cap, compared to the overall market. The Size factor uses the top 70% of stocks, as the only exception.

For example, for the book-to-price factor, we determine the period's performance of the basket of stocks with the highest book-to-price values, relative to the total market. Each factor is analyzed independently, market and fundamental data are adjusted to enable sector-average (within each country) relative data to be used, and the performance measurement isolates the factor's contribution to return.

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