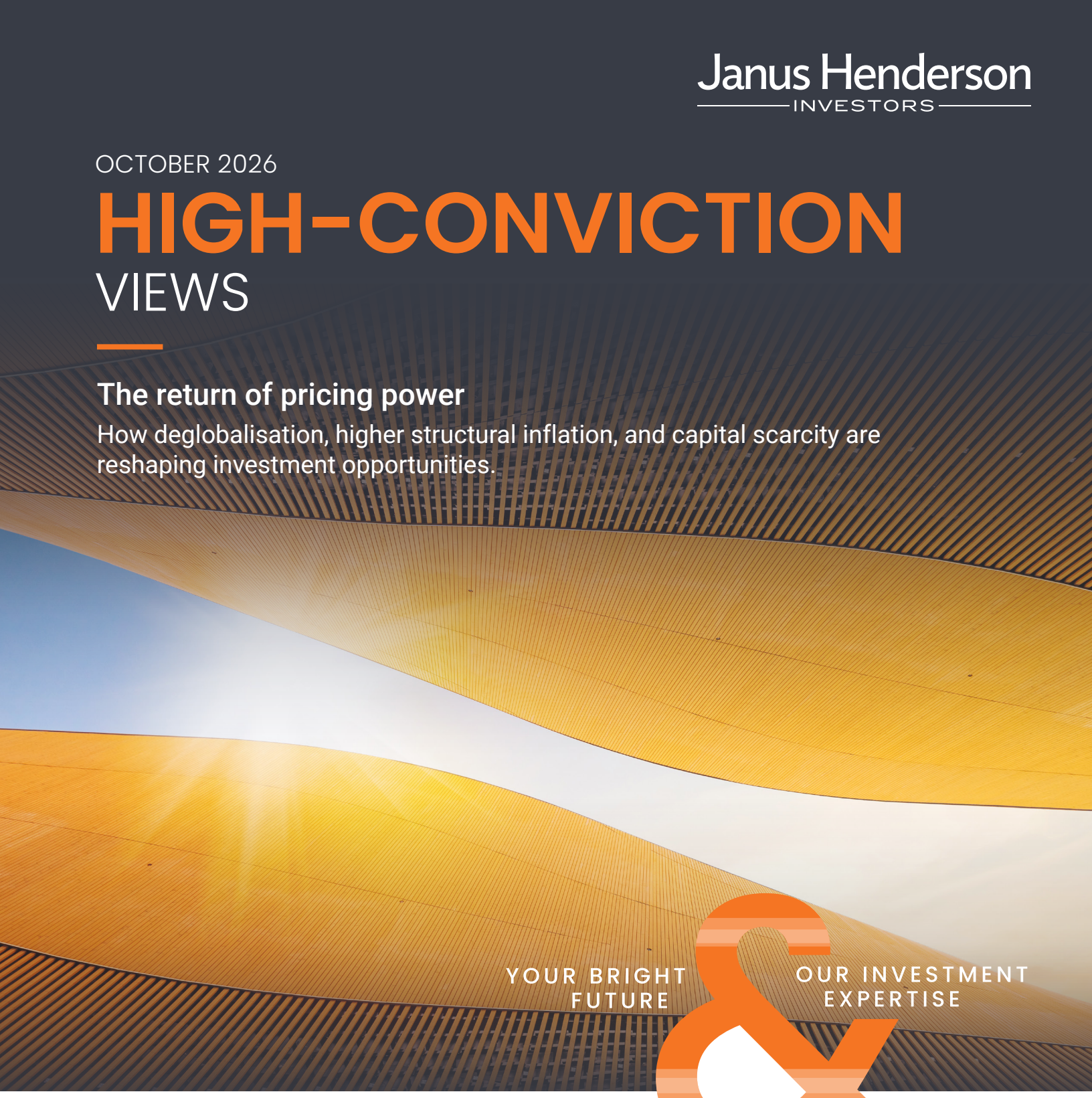
Janus Henderson
INVESTORS

OCTOBER 2026

HIGH-CONVICTION VIEWS

The return of pricing power

How deglobalisation, higher structural inflation, and capital scarcity are reshaping investment opportunities.



As a global active asset manager with investment teams spanning asset classes, styles, and geographies, we view our **diversity of perspective as an inherent strength.** Debate across teams rigorously tests assumptions and, in our view, leads to stronger portfolio positioning and better client outcomes.

HIGH-CONVICTION VIEWS:

The return of pricing power



Richard Bernstein
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Director of Research



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Capabilities in focus:

- Asset-Backed Securities
- Collateralised Loan Obligations
- Equity Income
- Global ex US Equities
- Multi-Asset Macro Models
- Real Assets
- Securitised Income
- Short Duration Income

When insights are shared across investment teams, at times **clear signals can emerge.** Our High-Conviction Views series highlights ideas where alignment across macro, fundamental, and portfolio research points to a potentially compelling opportunity or theme.

Our first report in the series, **The time for short-duration bonds**, argued that deglobalisation, challenging demographics, and deteriorating fiscal positions were likely to produce a more inflationary and volatile environment. We believe the return of corporate pricing power provides further evidence that this inflationary regime change is already under way.

This does not mean inflation will rise in a straight line or remain at crisis levels. Our high-conviction view is more measured, but no less important: The trend rate of inflation over the coming years is likely to be higher than many investors expect, and many portfolios are not structured for it.

The opportunity for investors is in considering a broader investment universe to where the hype currently resides, but with careful evaluation of underlying asset quality.

For income investors, the focus shifts towards resilient borrowers and appropriately compensated interest-rate risk. For growth-equity investors, genuine pricing power becomes an increasingly important source of earnings durability. For alternatives investors, scarce capital and constrained physical capacity may create opportunities across private credit, infrastructure, and real assets.

Key takeaways:

- Globalisation opened markets, increased competition, and limited companies' ability to raise prices. Deglobalisation is reversing some of those forces.
- Corporate pricing intentions suggest pricing power has returned and may now be stronger than during the decades preceding globalisation.
- Higher structural inflation will create winners and losers, rewarding businesses able to raise prices without sacrificing demand, or customer loyalty.
- Heightened focus on fundamentals - particularly cash flow, return on invested capital, balance-sheet resilience, and access to scarce resources - will be critical in assessing a shifting opportunity set.

Globalisation: The hidden central bank

Investors tend to give central banks considerable credit for the 30-plus years of disinflation that preceded the pandemic. We think that is too generous.

Globalisation opened markets and increased competition. To remain price competitive, companies moved production offshore, created increasingly efficient supply chains, and continually sought to lower costs.

Thirty years of globalisation produced 30 years of increasing competition and, in turn, 30 years of disinflation.

That process is now beginning to reverse. Markets are becoming less open, trade barriers are increasing, and companies and governments are prioritising resilience and security over pure economic efficiency. Onshoring, supply-chain duplication, industrial policy, and regional economic silos may make local economies more resilient, but they also tend to make them more expensive.

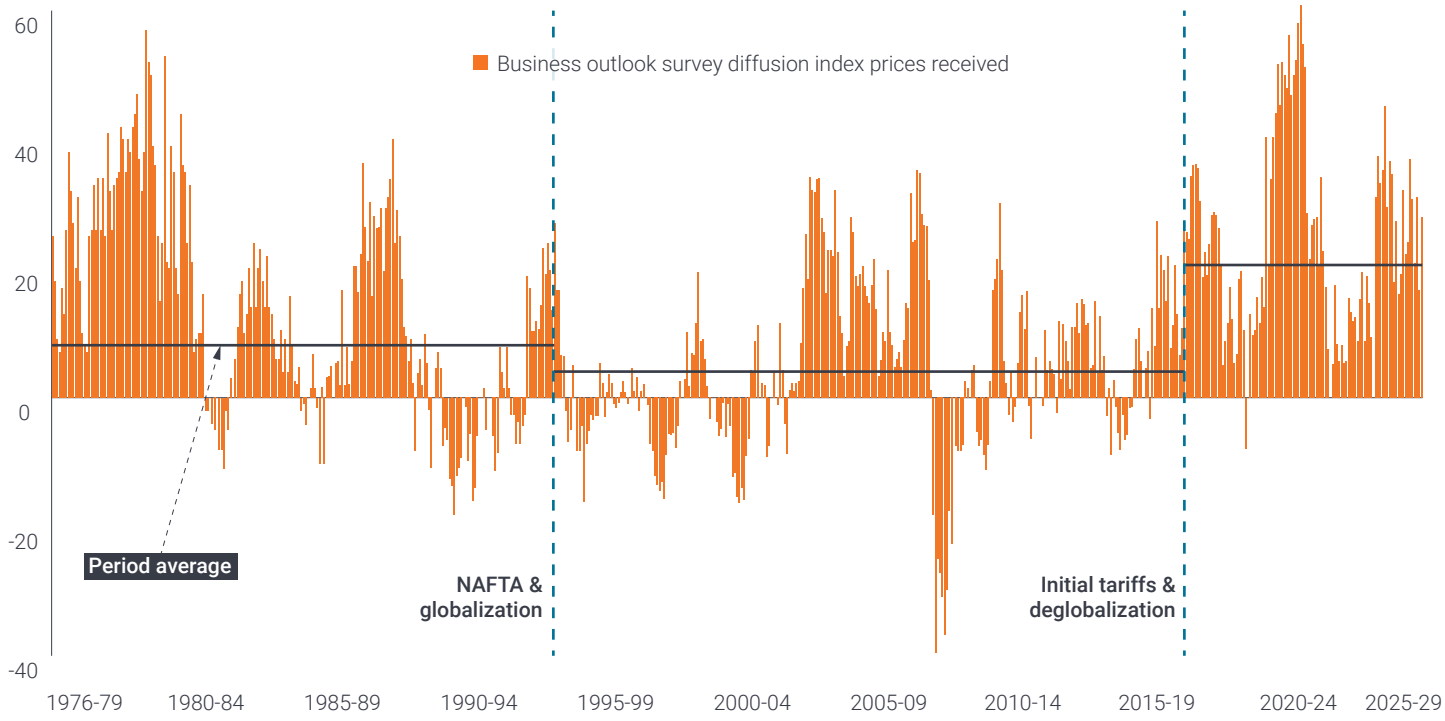
As competition decreases, companies gain greater scope to raise prices. We believe this is moving the global economy into a new inflation paradigm.

Importantly, we are not forecasting runaway inflation or inflation at 5%, 8%, or higher still for perpetuity. The shift is likely to be slow, uneven, and cyclical. But it is also likely to settle above the old 2% "norm" around which many portfolios, valuations, and business models were built. Not all investors have adjusted their thinking accordingly.

> "We are not talking about a straight-line return to runaway inflation. **We are talking about a slow, uneven process that could leave trend inflation higher than many investors expect and many portfolios are structured for.** That is the key point, but it is also what creates such a broad investment opportunity."
>
> **Richard Bernstein**
> Global Head of Macro and Customized Investing

Exhibit 1: From globalisation to deglobalisation

The Philadelphia Fed Manufacturing Business Outlook Survey prices received index, from the opening of global markets through key globalization events to the recent renewed shift in pricing power.



Source: RBA and Janus Henderson Investors, Bloomberg, as at 16 September 2026. NAFTA = North American Free Trade Agreement.

Pricing power returns

The Philadelphia Fed Manufacturing Business Outlook Survey provides roughly 50 years of data on US companies' pricing intentions. Before globalisation (which we arbitrarily define as beginning with the implementation of NAFTA), companies generally believed that they possessed a reasonable degree of pricing power. As globalisation expanded and competition increased, that pricing power became much more constrained.

With the introduction of the 2018 tariffs, the picture began to change, and companies are now reporting a significantly greater ability to raise prices. Indeed, the survey suggests that corporate pricing power today is stronger than it was during the late 1970s and 1980s.

In the context of corporate profits and a company's ability to pass on higher costs to consumers, this provides valuable insight. Not every price increase represents durable pricing power. The real test is whether a business can raise prices while protecting volumes, customer relationships, and margins. A company that passes through a temporary cost increase but subsequently loses market share does not possess the same pricing power as one whose product remains essential after the price has risen.

Equity Research perspective: Identifying genuine pricing power

Sustainable pricing power provides clear evidence of a competitive advantage. The businesses raising prices without losing customers each have a specific moat behind them: qualifications and a degree of customer trust that take years to earn. For example, specialty parts production in aerospace, innovation and high switching costs in semiconductor capital equipment, and brands that cannot be replicated in top-tier luxury.

Elsewhere, much of what looks like pricing power is merely an attempt at cost pass-through on a lag. Surcharges that never convert to list prices and contracts that reprice a year behind costs tend to show up as margin pressure first. Where the advantage is thin, such as in areas of construction equipment and crop chemicals, certain companies are absorbing costs to protect share.

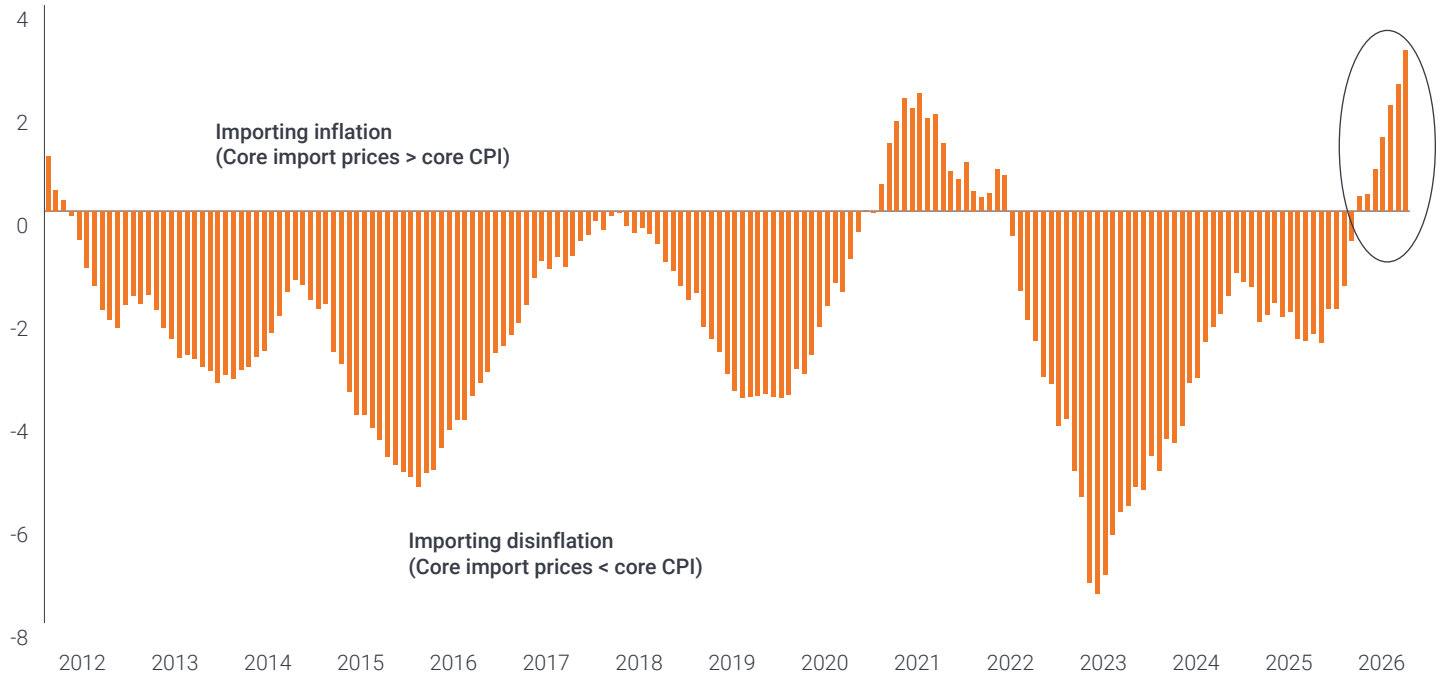
Importing inflation

For much of the globalisation period, US core import prices increased more slowly than domestic core consumer prices. Economists described this as the US "importing disinflation".

Today, core import-price inflation, which excludes food and energy, is outpacing core Consumer Price Index (CPI) inflation in the US. The exclusion of energy suggests that the pressure cannot simply be attributed to conflict in the Middle East, but that a broader shift is taking place in the pricing of internationally traded goods. Inflation is also evident across Europe, Asia Pacific, and Emerging Markets.

Exhibit 2: The US is now importing inflation

Year-on-year core import-price inflation minus core CPI inflation.



Source: RBA and Janus Henderson Investors, Bloomberg Finance L.P., as at September 18, 2026.

Removing the punchbowl

For many years, the US Federal Reserve (Fed) was able to rush to the aid of the financial markets when trouble arose. The Fed willingly and aggressively cut interest rates in response to crisis conditions. It had the flexibility to be generous and not worry about the inflationary consequences because globalization was exerting considerable deflationary forces on the US economy.

However, the US economy has recently experienced historically strong nominal growth, while persistent inflation prompted the Fed to tighten policy. If secular inflationary forces continue, interest rates may remain restrictive for longer than investors currently anticipate. This cycle, like the many before it, could end with the Fed taking the punchbowl away from the party. Although the Fed reducing the economy's liquidity could be a challenging environment for speculation, we believe those restrictive actions will ultimately lead, as they have done in virtually every previous cycle, to more rational allocation of capital within the economy.

When abundant capital creates scarcity

One of the less appreciated characteristics of investment bubbles is that they can be inflationary. However, they do not simply raise asset prices. They can also lead to a gross misallocation of capital within the real economy.

The AI investment boom provides a timely example. AI may eventually prove strongly disinflationary if it delivers substantial productivity improvements. But building the infrastructure needed to produce those gains could be inflationary in the near and medium term.

Capital directed towards AI and data centre construction has risen rapidly. Yet the physical resources – land, power, grid connections, cooling systems, memory, semiconductors, construction capacity, and skilled labour – required to support that investment are finite. Additionally, capital directed towards data centres cannot simultaneously finance housing, grid upgrades, or productive capacity elsewhere.

This creates an opportunity. Capital may be abundant in a narrow group of fashionable investments while remaining scarce across much of the economy. Where capital is genuinely scarce, prospective returns for disciplined providers of that capital may be attractive. This means there can be risks inherent in popular themes, such as the AI build out, while opportunities and diversification can be found in unloved areas of the market and alternative asset classes.

Credit Research perspective: Financing the AI build-out

Capital availability is critical to the AI ecosystem, but the scale of investment and financing required could create significant indigestion in debt markets. Historically, large, high-quality hyperscalers carried relatively little debt, funding capital expenditure primarily through free cash flow. That changed in 2026. Year to date, hyperscalers, together with investment grade-rated Oracle and SpaceX, have issued approximately US$250 billion of bonds – more than 2.3x the amount issued during all of 2025 – with a further US$25 billion expected before year-end. This would take issuance 155% higher year on year. Estimates for 2027 reach US$400 billion.

We expect this supply to overwhelm demand at current spread levels, extending the investment grade technology sector's underperformance into 2027. The concern is supply rather than the underlying quality of these businesses.

With investment grade spreads near historical tights, we favour high-quality issuers while moving selectively down their capital structures. AI-driven power demand supports investment grade utilities and independent power producers, where junior subordinated and hybrid bonds typically offer additional carry over senior unsecured debt.

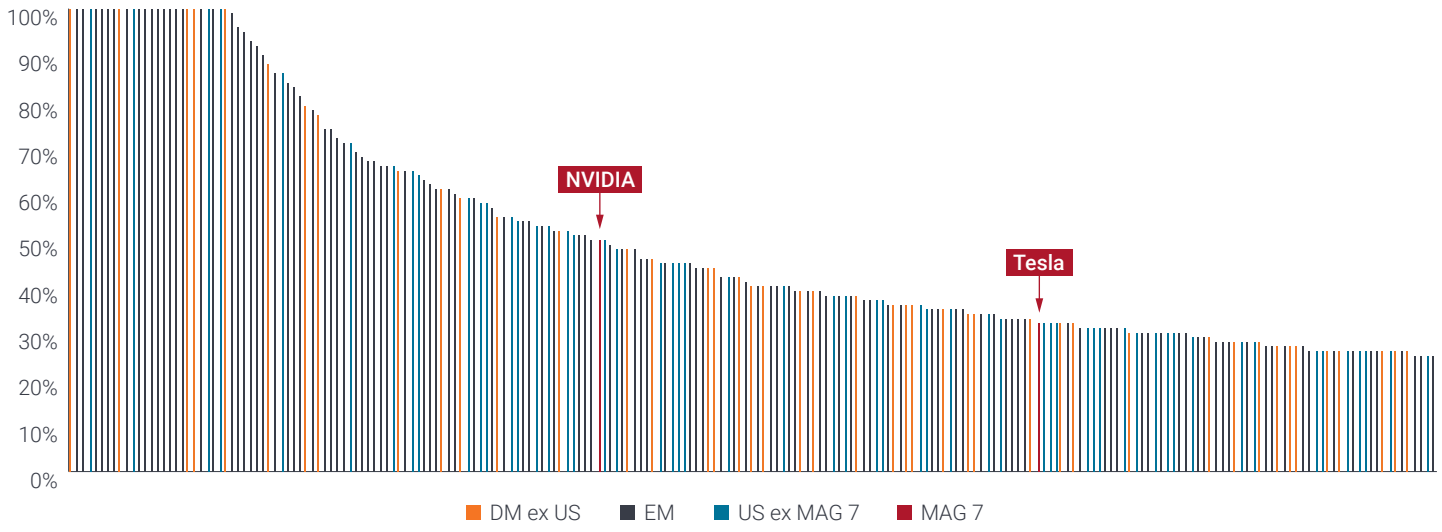
High-performance computing companies and data centres can also offer attractive high yield opportunities, but selectivity is essential. Investors must assess tenant quality, construction and permitting risk, lease structure and assignability, and debt-amortisation schedules – and ensure those risks are appropriately reflected in pricing.

Looking beyond the US

Within equity markets in recent years there has been a marked difference between abundant flows to US large cap equities, notably the Magnificent 7, versus a relative scarcity of flows to regions outside the US. This has resulted in potentially compelling opportunities.

Exhibit 3: Nearly 75% of expected growth leaders are now non-US companies

ACWI long-term 5-year EPS growth estimates >25%



Source: RBA/JHI, Factset, as at September 14, 2026. ACWI = MSCI All Country World Index. EPS=earnings per share.

Non-US stocks have long been cheaper than their US counterparts, but lacked an accompanying compelling growth story. Today, there is one.

There are currently more than 200 companies around the world that have projected long-term earnings growth rates of 25% or more. Interestingly, only two of the Magnificent 7 companies pass that screen, and analysis is forecasting strong secular profits growth for companies in the broader US market, in developed markets, and in emerging markets suggesting a meaningful investment opportunity.

Positioning for the new regime

Facing a period of higher structural inflation changes the questions investors should be asking across asset classes.

For **income investors**, the central question is whether incremental yield adequately compensates for inflation, duration, and refinancing risk. Short-duration and floating-rate assets may remain relevant, but the broader opportunity lies in identifying resilient borrowers with strong cash flows, manageable refinancing needs, and revenues capable of adjusting as higher costs are passed onto consumers. We believe in focusing on high-quality corporate credit as well as dividend-generating equities.

For **growth-equity investors**, the quality of growth matters more in a higher inflation environment. Businesses with mission-critical products, recurring revenues, strong competitive positions, and high returns on invested capital should be better placed to convert pricing power into sustainable real earnings growth. Investors should also look beyond today's narrow market leadership. As noted, a large majority of the companies expected to generate the strongest secular earnings growth are outside the US.

For **alternatives investors**, economic fragmentation and capital scarcity may create opportunities in infrastructure, real assets, asset-backed finance, and specialist private credit. But scarcity alone does not make an investment attractive. Underwriting discipline, entry valuation, covenant protection, liquidity, and manager selection remain essential.

The investment landscape is changing. Investors should not assume the disinflationary structure of the last 30 years will simply reassert itself. If inflation remains higher than expected, the winners are likely to be companies that can sustain pricing power, borrowers that can withstand a higher cost of capital, and investors willing to provide scarce capital where it is most needed.

Definitions

Active investing: An investment management approach where a fund manager aims to outperform a specific index or benchmark through research, analysis and investment selection.

Asset allocation: The allocation of a portfolio across different asset classes, sectors, geographical regions or types of security to meet specific risk, performance or time-horizon objectives.

Asset-backed securities (ABS): Financial securities backed by assets such as loans, credit-card debts or leases, which usually generate income or cash flow over time.

Basis point (bp): One-hundredth of a percentage point. One basis point is equal to 0.01%, while 100 basis points equal 1%.

Capital structure: The amount of debt and/or equity used by a company to fund its operations and finance its assets.

Collateralised loan obligation (CLO): A securitised portfolio of corporate leveraged loans rated below investment grade. The underlying loans are financed through bonds structured into tranches with different risk profiles and payment priorities.

Consumer price index (CPI): A measure that examines the price change of a basket of consumer goods and services over time. It is used to estimate inflation.

Corporate bond: A bond issued by a company. It typically provides investors with periodic interest payments and repayment of the original investment at maturity.

Credit spread: The difference in yield between bonds with similar maturities but different credit quality. Widening spreads generally indicate that credit risk is rising, while narrowing spreads indicate that it is falling.

Downside risk: An estimate of how much a security or portfolio may lose if the market moves against it.

Duration: A measure of a bond's or fixed-income portfolio's sensitivity to changes in interest rates. The longer the duration, the more sensitive its price is to interest-rate movements.

Floating-rate asset: A debt security whose interest payments vary in response to a reference rate rather than remaining fixed throughout the life of the investment.

Front end: The part of the yield curve comprising bonds that mature within the next few years.

Investment grade: A bond issued by a government or company considered to have a relatively low risk of default, as reflected in the rating assigned by a credit-rating agency.

Liquidity: A measure of how easily an asset can be bought or sold in the market. An asset is considered liquid when it can be traded in high volumes without causing a significant movement in its price.

Risk assets: Financial securities that may experience significant price movements and therefore carry a greater degree of risk. Examples include equities, commodities, property and lower-quality bonds.

Risk-free rate: The rate of return on an investment with theoretically zero risk. The benchmark used to represent the risk-free rate varies between countries.

Securitisation: The process of pooling assets and repackaging them into interest-bearing securities. Interest and principal payments from the underlying assets are passed through to investors in the securities.

Security selection: The analysis and selection of individual investments that align with an investor's objectives and tolerance for risk.

Sovereign bond: A bond issued by a government to raise money to finance spending or repay debt.

Volatility: The rate and extent to which the price of a portfolio, security or index moves up and down. Larger price movements indicate higher volatility and investment risk.

Yield: The income generated by a security over a set period, typically expressed as a percentage. For a bond, its simplest calculation is the coupon payment divided by the bond's current price.

Yield curve: A graph plotting the yields of similar-quality bonds against their maturities. It is commonly used as an indicator of investors' expectations about a country's economic direction.

Indices

MSCI World Index: A widely used equity market index comprising large- and mid-cap companies across developed markets, designed to represent the performance of developed market equities globally.

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Past performance does not predict future returns. Investing involves risk, including the possible loss of principal and fluctuation of value.

Actively managed portfolios may fail to produce the intended results. No investment strategy can ensure a profit or eliminate the risk of loss.

Collateralized Loan Obligations (CLOs) are debt securities issued in different tranches, with varying degrees of risk, and backed by an underlying portfolio consisting primarily of below investment grade corporate loans. The return of principal is not guaranteed, and prices may decline if payments are not made timely or credit strength weakens. CLOs are subject to liquidity risk, interest rate risk, credit risk, call risk and the risk of default of the underlying assets.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

Foreign securities are subject to additional risks including currency fluctuations, political and economic uncertainty, increased volatility, lower liquidity and differing financial and information reporting standards, all of which are magnified in emerging markets.

Interest rate movements will affect a fund's share price and yield.

Private credit refers to direct lending or debt financing outside of traditional banking, typically involving non-publicly traded companies, and comes with increased risk including limited liquidity, reliance on the borrower's financial health, and less regulatory oversight compared to traditional bank lending.

Securitized products, such as mortgage- and asset-backed securities, are more sensitive to interest rate changes, have extension and prepayment risk, and are subject to more credit, valuation and liquidity risk than other fixed-income securities.

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