Q1 2026

ASTUTE
INVESTMENT MANAGEMENT

Quarterly Commentary.

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Introduction.

Thank you for taking the time to read our Q1 commentary. The start of 2026 has been marked by extreme levels of volatility and uncertainty, most notably led by the US-Israel-Iran conflict. As we move further into the year, we remain focused on our long-term objectives, reacting to change as it happens, but always with a view to achieving the goals that really matter to our investors and their financial plans.

Our CIO letter this quarter focuses on the key message that despite all the unprecedented geopolitical chaos, diversified portfolios are built precisely to weather these storms, and clients should focus on their long-term financial plans rather than short-term market turbulence.

In our Astute Observations section, we explore the wider impacts on supply chains due to the closure of the Strait of Hormuz, which are impactful but not so widely covered in the news headlines.

Our regular Astute Perspective shows our current conviction views, while Astute Positioning covers how those views translate into the portfolios, and what changes we have made in the past three months.

Putting the financial plan at the heart of our process means our investment philosophy is built intentionally to deliver on your long-term objectives, providing a truly integrated approach between advice and investments.

As always, we take a long-term approach to investing our clients' assets, but success is a journey, not a destination, and the short-term views expressed herein are aimed at managing risk and making your investment journey as smooth as possible. By taking a risk-adjusted approach to your investments, we aim to deliver reliable growth in line with our stated risk profiles and provide you and your financial planner with the consistency and security to plan for your long-term financial future.

Thank you for your continued support. If you have any further questions or require any additional information, please do not hesitate to contact your usual financial planner.

Scott Osborne
Chief Investment Officer

Hannah Kennedy
Head of Group Communications

Nathan Chan
Senior Investment Analyst

Strait Talking

Investing is often described as a marathon, not a sprint. This adage is about more than just endurance; it is about the discipline required to prepare for challenges before they arrive. Any runner knows that starting a marathon without preparation is a recipe for disaster. It's hard to be prepared, however, when the race takes a detour through a circus, and you realise all the water stations have been replaced with espresso, which is what the markets feel like with Trump in the White House.

Uncertainty is a constant in finance, but the current level of instability is remarkable. Who would have thought that a "normal" start to the year would involve the Greenland annexation crisis and the "extraction" of President Maduro? This constant barrage of events has, paradoxically, dulled the market's reaction. Like the weary villagers in The Boy Who Cried Wolf, investors are now waiting for the next tweet or press conference rather than reacting to the actual wails from the pasture.

The events in the Middle East are, of course, the latest detour from our normal marathon route. Putting aside the awful human cost of the war, if you can, the defining factor of the current conflict will be its duration. That has been true from day one and is still true as I write today on the news of a shaky ceasefire and negotiations brokered by Pakistan. The real question is what long-term damage could be, or already has been, wrought on the global economy. While the initial market reaction has centred squarely on energy and inflation, there are undoubtedly unforeseen consequences that will ripple out in unexpected ways (see Astute Observations).

Whatever happens, it's hard to envisage an improvement to the global outlook, even taking an optimistic view about a quick resolution. There are almost no "winners" and plenty of bad losers, including anybody who is a net importer of oil & gas, and particularly the US, who has plenty of oil & gas, but for whom this episode is starting to resemble a Suez-sized strategic blunder.

Talking of huge blunders brings us neatly to central banks. Government bonds—traditionally a "safe haven"—have been some of the worst-performing assets this quarter. The fear is that if rising energy prices kick off another inflation spiral, interest rates will have to go up, not down. At one point, markets were pricing in three hikes from the Bank of England this year, a complete 180-degree turn from the two cuts previously expected.

To me, this seems like madness. Central banks feel the need to "talk tough" because of the embarrassment of the recent past, but this is not 2022, when interest rates were still close to zero. There's no post-lockdown pent-up demand. No government stimulus. No job hopping to boost salaries. The economy is fragile, sentiment is weak, unemployment is increasing, and interest rates are still at 3.75%. If hikes are required to suppress inflation from here, then it is because a recession is needed to sufficiently kill demand. If that happens, rates would drop faster and further than before, because that's just what happens in a recession.

I should say this isn't what we expect to happen, for now it seems more likely that the conflict is resolved and the world stumbles on, but the point I want to make is that a recession is not something for investors to fear. Of course, nobody wants to live through one, but they are inevitable eventually, and that means they are already in our expectations. The reason to invest in diversified portfolios is specifically to manage this risk. I'd much prefer the short-term pain and recovery of a certain recession to the continuous limbo of uncertainty we've had the past few weeks.

As a client of Astute, you have a diversified investment strategy built from the bottom up to deliver on your financial plans. So, no matter what the world throws at us, we will just keep running at the steady pace we know we need to. Laser focused on achieving the returns we need to, in order to keep your plan on track. I can't tell you not to worry about the world; it's a worrying place at the moment, but I can tell you not to worry about your portfolio.

S.Osborne

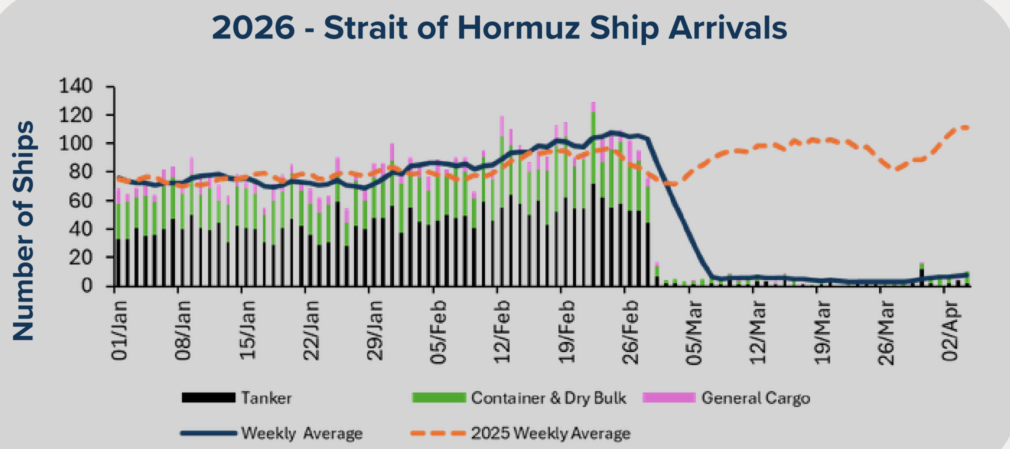
S Osborne, PhD CFA
Chief Investment Officer

Astute Observations.

Supply Chains - Beyond the Barrel

Conflict in the Middle East has naturally focused all eyes on the price of oil and gas. With something like 20% of the world's supply of oil and seaborne natural gas blockaded, it's clearly the main transmission for global volatility. However, the true grit in the gears of the global economy isn't just oil. The Strait of Hormuz is a chokepoint for all sorts of other products, and the more niche the area, the less likely there is to be some alternative supplier waiting to fill the gap.

When oil demand outstrips supply, then prices adjust, but when a small but critical input to a manufacturing process disappears, factories start to shut down. In a world operating on just-in-time supply chains, or in areas where it makes no sense to have stockpiles (like owning fertiliser through the winter months), essential ingredients can soon run out. When physical supply runs out, there is no price at which a commodity can be obtained. Processes simply stop working, creating knock-on effects that can ripple around the world in unforeseen ways. The chart below shows the total number of ships transiting the Strait of Hormuz each day so far this year. The drop off is obvious, as is the gap to "normal" levels from 2025 (dashed line). Looking beyond the oil tankers, there are plenty of other areas being impacted, with some of the more impactful ones highlighted on the right.



Helium
Qatar accounts for nearly one-third of the world's supply of Helium, produced as a byproduct of its natural gas processing, and it's not just for birthday balloons. Helium is essential for supercooling magnets in MRI scanners and other research endeavours. It's also non-negotiable for semiconductor manufacturing, which requires low temperature but also inert atmospheres.

Fertiliser
The Arabian Gulf is the central hub for global agriculture, accounting for 20% of all seaborne fertiliser and as much as 46% of global trade in urea, the world's most widely used nitrogen fertiliser.

Sulphur
A byproduct of regional refining, sulphur is the feedstock for sulfuric acid used to leach critical minerals like lithium, cobalt, and nickel from low-quality ores. Nearly 50% of all global seaborne sulphur transits the Strait.

Aluminium
Abundant energy resources have led to a proliferation of power-hungry aluminium smelting in the region, with the Gulf accounting for 9% of global primary aluminium production.

Methanol
Around a third of global seaborne methanol trade passes through the Strait of Hormuz, creating major disruption for the supply of resins, coatings and plastics, which rely on methanol feedstocks.

Naphtha
Another crucial building block for petrochemical cracking processing (think everything from plastics, synthetic textiles to industrial solvents), 50% of Asia's naphtha is shipped from the Strait of Hormuz.

Sources: IMF PortWatch and World Economic Forum as at 5th April 2026.

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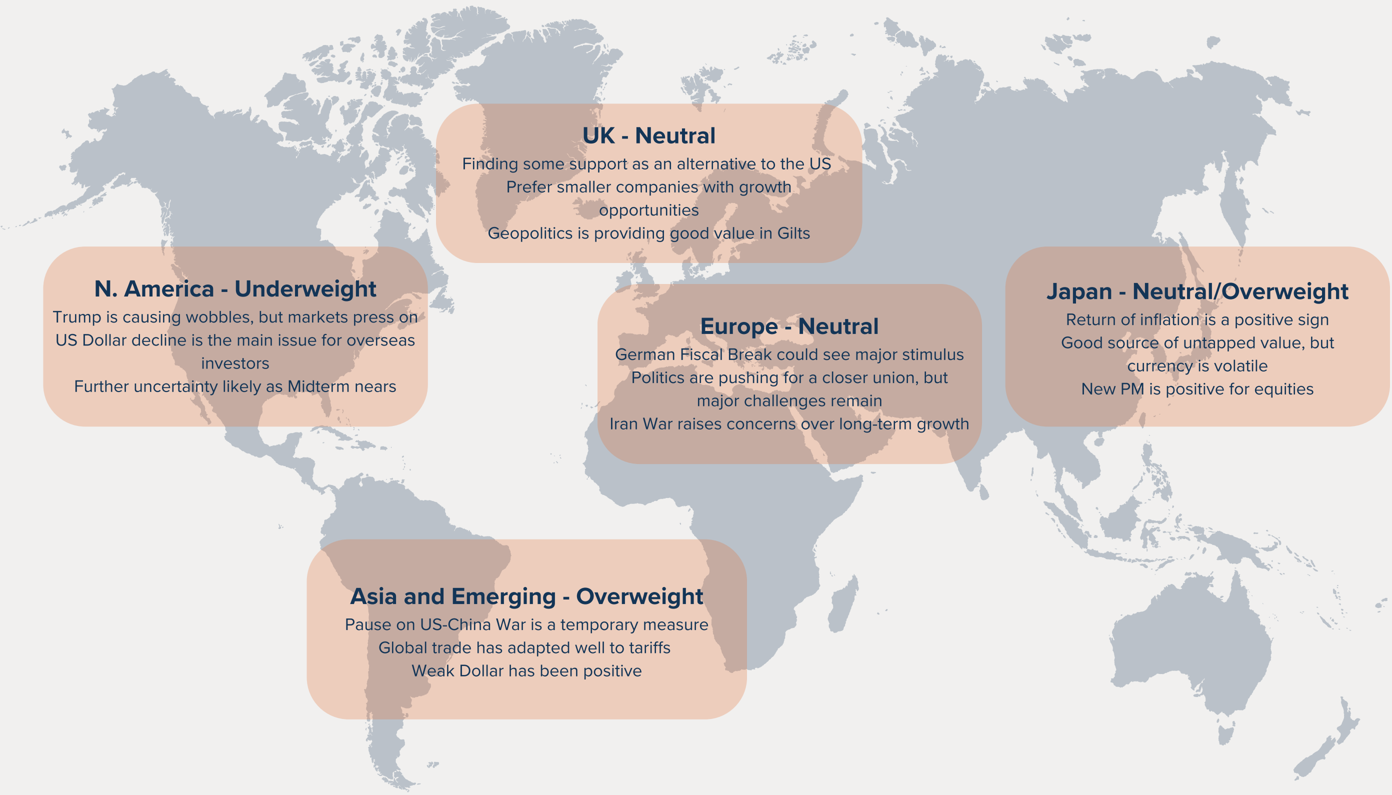
Astute Perspective.



UK - Neutral
Finding some support as an alternative to the US
Prefer smaller companies with growth opportunities
Geopolitics is providing good value in Gilts

N. America - Underweight
Trump is causing wobbles, but markets press on
US Dollar decline is the main issue for overseas investors
Further uncertainty likely as Midterm nears

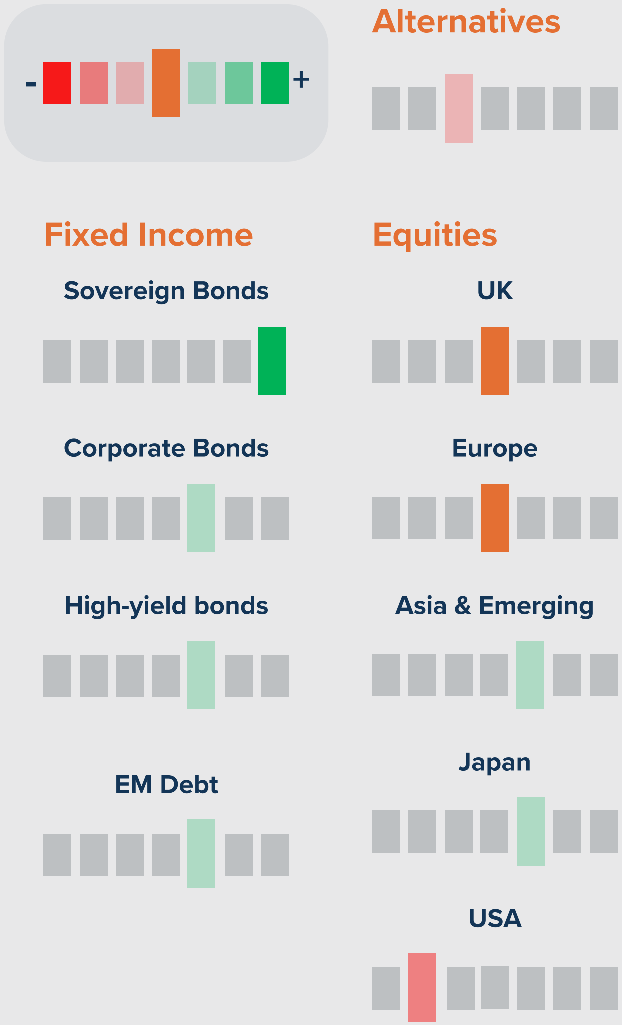
Europe - Neutral
German Fiscal Break could see major stimulus
Politics are pushing for a closer union, but major challenges remain
Iran War raises concerns over long-term growth

Japan - Neutral/Overweight
Return of inflation is a positive sign
Good source of untapped value, but currency is volatile
New PM is positive for equities

Asia and Emerging - Overweight
Pause on US-China War is a temporary measure
Global trade has adapted well to tariffs
Weak Dollar has been positive

Asset Class Views

A key pillar of our investment process is driven by our asset class views, something which we keep under review. The scale below shows how we currently feel about each asset class, which is reflected in our underlying investments.



Astute Positioning.

The first quarter of 2026 has been dominated by an extraordinary level of geopolitical upheaval and market volatility. The year began with a “Fast and Furious” start as the US administration sought to reshape global order, ranging from the dramatic capture of Maduro in Caracas to unconventional sovereign claims over Greenland. While markets initially appeared desensitised to this, the landscape shifted violently in March with the sudden escalation of the war between the US, Israel, and Iran. This triggered a massive energy shock, sending Brent Crude oil prices surging above $100 per barrel and raising concerns of a global stagflationary crisis as the Strait of Hormuz - responsible for a significant amount of the global oil and gas supply - was, and remains closed.

Against this “fog of war”, we maintained strict market discipline. During January and February, we purposefully stood still on trades, as the high level of macro uncertainty made it difficult for us to generate any strong conviction necessary for new tactical positioning. However, the spike in yields during March, driven by renewed oil-led inflation fears, presented a strategic opportunity for us to monetise the heightened levels of volatility while further de-risking the portfolio from traditional equity risk. Consequently, the start of March saw a rotation within our alternatives bucket.

Following the maturity of our European banking-linked structured product and the sale of two existing structured products linked to the UK and Japanese markets, we reinvested the proceeds into two new structured products linked to the UK 10YR government yield. These products both offer double-digit annual returns provided the yield remains below the thresholds of 4.75% and 4.95%. We strongly believe that these levels offer exceptional protection, even as yields have pushed higher, as longer-term rates will struggle to remain at such restrictive levels given the weak UK economic backdrop.

As the Iran conflict continued to develop, we further reduced aggregate risk taking, specifically the smaller to mid-sized companies that tend to suffer most during these off-risk periods. We trimmed our exposure to L&G UK Mid Cap in favour of long-end Gilts and the JPM UK Equity Core ETF, which allowed us to maintain core UK exposure whilst adopting a more defensive posture. In Europe, we rotated from Premier Miton European into the iShares MSCI European Min Vol ETF to better insulate the portfolio from broader market swings. These trades mean we can afford a little more patience without sacrificing returns in a landscape where traditional hedges, like gold, have struggled and valuations across many asset classes offer limited value.

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While the conflict in the Middle East is likely to continue to dominate the headlines, we remain attentive to the other risks present in areas like private credit and the obvious underlying threat of AI disruption. Rapid displacement of jobs as workers are replaced by AI agents is a looming risk, which could represent a material downside risk to the significant parts of the global economy. In this irrational world, where traditional asset relationships are being turned upside down, we believe our focus on liquid, defensive strategies and the ability to leverage our advantage in accessing structured products will be essential to generating consistent risk-adjusted returns.

Fund Activity

New Purchase

Structured Products	Con / Bal / Gro
UK GILT 5.375% 31/01/2056	Gro

Top Up

UK GILT 5.375% 31/01/2056	Con / Bal
iShares Edge MSCI Eurp Min Vol	Con / Bal / Gro
JPM UK Equity Core ETF	Gro

Trim

L&G UK Mid Cap Index	Con / Bal / Gro
Premier Miton European Opps	Con / Bal / Gro

Sold

Structured Products	Con / Bal / Gro

Con = Conservative, Bal = Balanced, Gro = Growth

Sources: Astute Investment Management as at 31/03/2026. Past performance is not a reliable indicator of future results.

VT Astute Conservative.

The Conservative fund delivered a return of approximately -2.5% for the first quarter of 2026, which underperformed both the IA sector and the CPI objective. Performance was primarily hindered by a significant negative contribution from Government bonds (-1.13%) and North American equities (-0.64%). Conversely, the fund saw modest positive contributions from its allocations to Japan (+0.04%) and Asia & Emerging Markets (+0.06%), which helped mitigate the broader market decline.

The struggle within the fixed income sector, specifically government bonds, was driven by a violent shift in the market landscape during March, following the escalation of conflict between the US and Iran. This geopolitical crisis triggered a massive energy shock, leading to upward revisions in inflation forecasts. Consequently, bond yields rose sharply in response, causing values to fall in long-duration assets that had previously expected a more dovish path from central banks.

The fund's top performers during this challenging quarter were the M&G Global Emerging Markets and Lazard Japanese Strategic Equity. These positions performed well as investors increasingly diversified away from the US dollar and sought value in regions showing structural resilience. Japanese equities, in particular, benefited from a surge in domestic sentiment following the landslide election victory of Prime Minister Takaichi, who is focused on delivering growth and normalising inflation expectations within the domestic market.

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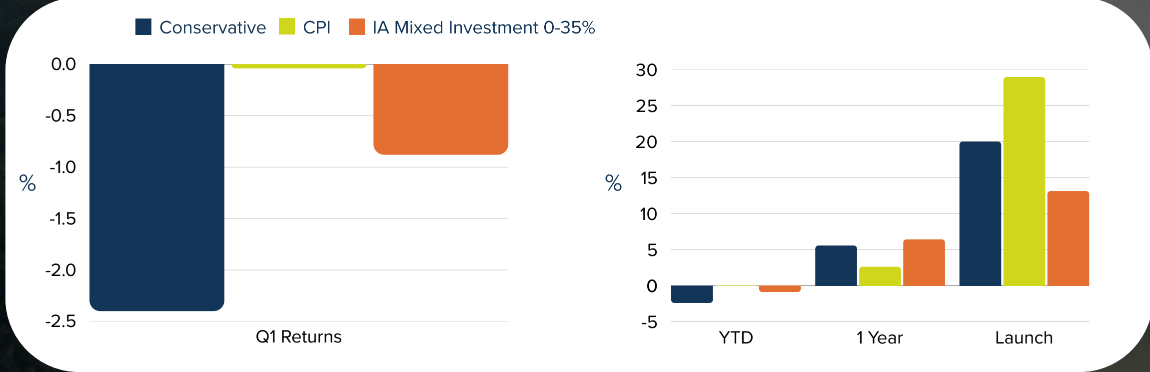
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	3.44%	0.90%	0.00%
Government	28.50%	-2.75%	-1.13%
Credit	25.69%	-0.56%	-0.46%
UK	3.79%	-0.97%	-0.05%
N. America	11.26%	-4.66%	-0.64%
Europe	2.79%	-1.89%	-0.08%
Japan	2.11%	3.22%	+0.04%
Asia & Emerging	4.21%	2.52%	+0.06%
Thematic	1.03%	0.38%	-0.01%
Alternatives	17.17%	1.37%	-0.13%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
M&G Global Emerging Markets	2.10%	+3.93%	+0.05%
Lazard Japanese Strategic Equity	1.58%	+2.98%	+0.04%
Man Dynamic Income	3.49%	+0.84%	+0.03%
L&G S&P 500 US Equal Weight	2.78%	+1.18%	+0.03%
Blackrock Liquidity Fund	3.45%	+0.89%	+0.03%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/03/2026. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 31/03/2026. 1 year data is for the period 31/03/2025 to 31/03/2026. Contribution to return may not sum to the total return due to rounding and averaging.

VT Astute Balanced.

The Balanced fund returned approximately -3.0% during the quarter, underperforming both the IA sector and its CPI objective. The primary detractors from performance were North American equities, which contributed -1.31% to the total return, and Government bonds, which detracted -0.77%. These losses were partially offset by positive contributions from Japanese equities (+0.16%) and Asia & Emerging Markets (+0.11%).

The decline in North American equities and government bonds was symptomatic of geopolitical instability with the sudden impairment of the Strait of Hormuz. This created a global stagflationary shock, as the closure of this critical chokepoint raised fears of demand destruction and higher-for-longer interest rates. Furthermore, the "AI-driven" momentum of 2025 faced a reality check as investors questioned the high valuations of hyperscalers amidst rising energy costs and potential supply chain bottlenecks.

Leading the performance table were Lazard Japanese Strategic Equity and M&G Global Emerging Markets. These positions, alongside our other equity holdings, performed well as investors increasingly diversified away from the US dollar and sought value in regions showing structural resilience. Japanese companies thrived as the region saw increased risk appetite and a structural shift toward domestic markets following Takaichi's election win.

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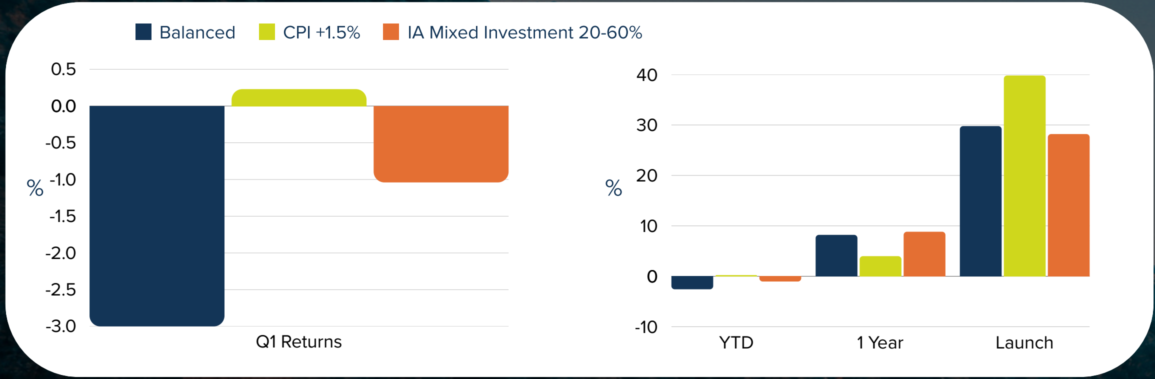
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	3.09%	0.90%	0.00%
Government	16.95%	-3.01%	-0.77%
Credit	13.84%	-0.35%	-0.24%
UK	7.72%	0.01%	-0.06%
N. America	22.12%	-4.65%	-1.31%
Europe	5.29%	-2.02%	-0.18%
Japan	5.35%	4.06%	+0.16%
Asia & Emerging	9.06%	2.54%	+0.11%
Thematic	1.52%	0.38%	-0.01%
Alternatives	15.05%	-0.51%	-0.26%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
Lazard Japanese Strategic Equity	3.71%	+2.98%	+0.11%
M&G Global Emerging Markets	3.70%	+3.93%	+0.10%
M&G Japan Smaller Companies	1.64%	+5.65%	+0.08%
L&G UK Index	2.62%	+2.67%	+0.06%
JPM UK Equity Core ETF	2.13%	+3.20%	+0.06%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/03/2026. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 31/03/2026. 1 year data is for the period 31/03/2025 to 31/03/2026. Contribution to return may not sum to the total return due to rounding and averaging.

VT Astute Growth.

The Growth fund recorded a return of approximately -3.0% for the quarter, underperforming both its CPI objective and the IA Sector Average. The fund's heavy equity focus meant it was particularly exposed to the downturn in US equities (-2.13%), with additional negative contributions from Europe (-0.35%). Small positive returns from Japan (+0.16%) and Asia & Emerging Markets (+0.14%) provided only a slight buffer against the broader equity market sell-off.

The significant underperformance in equities was driven by "AI pessimism" and the transition from the AI "infrastructure phase" to a more uncertain "adoption phase". Fears mounted that rapid job displacement by AI agents could represent a material downside risk to the global economy. Furthermore, European markets struggled as the continent suffered greatly from the energy crisis due to its heavy reliance on imported gas and oil.

The top-performing funds were M&G Japan Smaller Companies and Lazard Japanese Strategic Equity. Japanese companies thrived as the region saw increased risk appetite and a structural shift toward domestic markets, following Takaichi's election win. The success of Japanese smaller companies was further supported by the commitment from the Japanese administration to maximise growth while keeping future spending in check.

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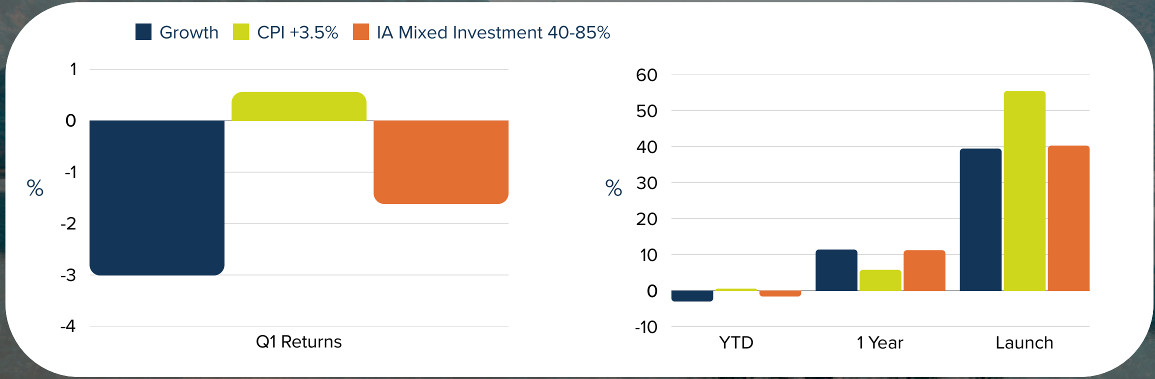
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	1.87%	0.90%	0.00%
Government	5.21%	-3.16%	-0.27%
Credit	1.47%	0.41%	-0.02%
UK	11.74%	-0.92%	-0.22%
N. America	34.58%	-4.77%	-2.13%
Europe	9.58%	-2.19%	-0.35%
Japan	7.32%	3.59%	+0.16%
Asia & Emerging	12.91%	2.39%	+0.14%
Thematic	3.53%	0.38%	-0.03%
Alternatives	11.79%	-0.92%	-0.28%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
M&G Japan Smaller Companies	2.71%	+5.65%	+0.13%
Lazard Japanese Strategic Equity	4.60%	+2.98%	+0.12%
M&G Global Emerging Markets	4.20%	+3.93%	+0.11%
L&G S&P 500 Equal Weight	7.01%	+1.18%	+0.08%
JPM UK Equity Core ETF	3.28%	+3.20%	+0.08%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/03/2026. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 31/03/2026. 1 year data is for the period 31/03/2025 to 31/03/2026. Contribution to return may not sum to the total return due to rounding and averaging.

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