

Q2 2026



# Quarterly Commentary.

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# Introduction.

Thank you for taking the time to read our Q2 commentary. This quarter saw a significant transition from the extreme geopolitical volatility that plagued us at the start of the year towards a tentative normalisation of market conditions. 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, challenges the traditional finance models of running weighted averages of all possible outcomes to generate the most optimal return seeking portfolio, as this chase for alpha can often times overshadow the importance of delivering consistent and reliable outcomes for clients' cashflow plans.

In our Astute Observations section, we explore the inner workings of UK Government Bonds and their prominent role acting as the UK risk-free rate and a diversifier against other assets.

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.



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# From Wall Charts to Wall Street...

In recent weeks, I've spent a good portion of my morning cup of tea staring at the World Cup wall chart in our office kitchen. It is diligently updated (by somebody who got better teams than I did in the sweep) and I can happily plot improbable routes for different teams by tracing my finger along the branches of the chart. Obviously, the World Cup has a limited number of permutations and as more results come in, the harder it is to pretend that Cape Verde can mount a semi-final push. However, until we reach this point where something becomes impossible, the probability is never zero. Football really could be coming home... unless it's not (you may already know by the time you're reading this).

In the real world, the bracket works the other way, i.e. starting with a single decision that widens into endless amounts of permutations, with branches only occasionally being trimmed by binary events like elections. This means everything remains possible even if it seems incredibly improbable. It is this gnawing potential of the improbable that can lead to the suspension of disbelief and asset price bubbles. Until the future required to justify that bubble becomes impossible. Until reality re-asserts itself. People will keep tracing their finger across that wall chart and markets will keep making new highs.

For example, take the SpaceX IPO that occurred in June. Investors are basically pricing in flawless execution for decades into the future. It's an undeniable technological success, but when investment banks are publishing notes calling it the "apex of civilizational ambition"<sup>1</sup>, with price targets over 100x current profits, you know reality has a lot of catching up to do.

Worryingly, these monster valuations are also creating a feedback loop into actual company profits. In the first quarter of this year, US company earnings were spectacular with an AI powered growth rate of 28%<sup>2</sup>. However, hiding in plain sight is the fact that a huge chunk of the "profit" was simply Google, Amazon and Nvidia, marking up the paper values of their stakes in other AI companies, mainly Anthropic. Stripping out these accounting adjustments, and that roaring 28% earnings growth drops to a pedestrian 16%<sup>2</sup>. What we're witnessing here is a circular engine: high prices allow markups, which boosts earnings, which justify high prices...you get the idea.

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Counter to these gloomy bubble dynamics, underlying economic momentum seems surprisingly resilient. The Iran War has been resolved (again) or at least that's what the oil price is signalling and inflation concerns are fading as a result. Central Banks can worry less about the primary inflation shock from energy and begin to focus on potential spillovers into other areas, crucially wages and core inflation. We may dodge the bullet of higher interest rates, but even so, as we're only half way through this year, there remains a multitude of potential pathways on the wall chart that could help or derail this scenario.

Luckily for me, my job as CIO of Astute is not to say which path is correct and position for that outcome (I'd probably bet on France winning the World Cup if you forced me). My job is to keep clients' financial plans on track. That means providing as much security, in as many different scenarios as possible, regardless of how probable or improbable they are deemed to be. This focus on stable returns is born out of experience. Financial planners understand a simple truth that most asset managers ignore: clients are real people, and individual outcomes really matter. One lucky investor who outperforms their plan and one unlucky investor whose plan is ruined is not the same as two investors who get average returns and plans that work. Even if the average returns in both scenarios are identical.

It's the discipline to think about clients as individuals, rather than as an abstract "average investor", that drives us to be cautious when markets are overvalued, as they almost certainly are today. For the same reasons, we can't afford to "sit this one out" when we have no insight into how far the market can run. What we can do is seek reliable returns to build the foundation of security for a cashflow plan, even if in the short term they may seem underwhelming (see Astute Observations for why we like UK government bonds so much at the moment).

This philosophy drives our everyday decision-making and makes us better investors. Diligent, disciplined, diversified, and focused on achieving what our investors really want... peace of mind.



**S Osborne, PhD CFA**  
**Chief Investment Officer**

Sources: <sup>1</sup>Deutsche Bank and <sup>2</sup>Arcadian Asset as at 30<sup>th</sup> June 2026.



# Astute Observations.

## Gilty Pleasure

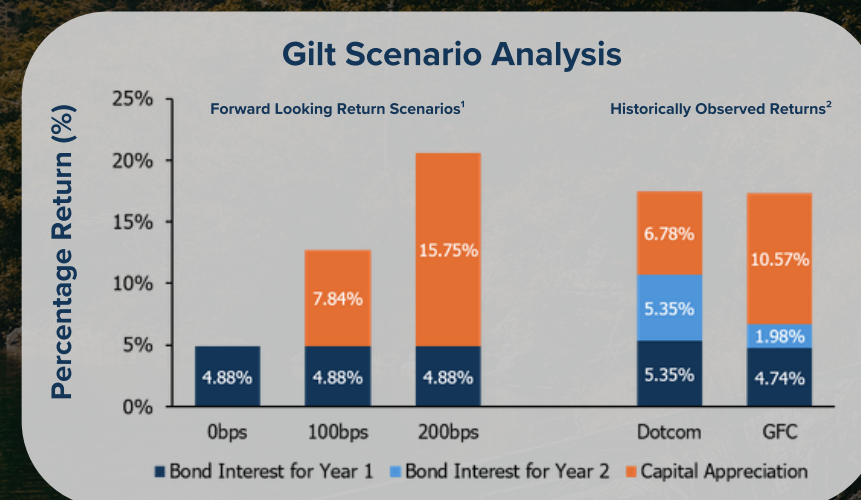
One of the most basic principles underpinning all types of markets is the concept of a “risk-free” rate of return, something that all other investments can be measured against to establish relative value. As an informed investor, I should demand at least the risk-free rate of return and probably some additional amount on top in order to accept a higher degree of risk. This additional compensation is sometimes called a “spread”, but conceptually is just simply the price of risk.

Now, one could argue about what “risk-free” truly means, but the guarantee of getting your money back seems like a good place to start. That’s why assets backed by the full faith and credit of a sovereign state are widely considered the go-to risk-free investment. With US Treasury Bonds being the prime example given their currency and economic dominance, any potential investment can be priced relative to what is achievable by lending your money to the US Government. For the UK or Sterling-based investors, the equivalent would be UK Government Bonds, also known as Gilts, since you are basically guaranteed to get your money back.

At the time of writing, the price of risk in the UK for a 10 Year Government Bond is 4.75% (see chart on the right). That’s to say, if you lend £100 to the UK Government for 10 years, you can earn around £4.88 each year for the next 10 years before receiving your principal of £100 back. The difference between this risk-free rate and the actual Bank of England base rate (currently 3.75%) is the aggregation of all the uncertainty of what might happen over the course of those 10 years, e.g. messy inflation expectations, large swings in investor behaviour or choppy debt supply/demand.

On the face of it, that means as a Gilt investor you could comfortably beat inflation for the next 10 years quite easily, assuming it’s adequately controlled by the Bank of England. This is one of the principal reasons of why we are overweight these types of investments within the Astute portfolios. Even if the Bank of England does fail to control inflation and thus miss its inflation target, there’s still a reasonable yield cushion, as markets are already demanding a lot of additional compensation.

An additional benefit comes if future expectations shift downwards. The chart below shows the potential total return (income plus capital) on a UK 10 Year Gilt if yields were to move down by 1% (100bps) or 2% (200bps). This forward-looking projection demonstrates that as the expectations of the future changes, the capital element (orange), i.e. the price of the bond will rise in order to reflect this as the bond’s coupon (blue) is fixed. Also shown are equivalent moves from previous crises, the dotcom bubble occurring over 2 years and the GFC over one and a bit. This is why fixed income is such a valuable diversifier, the bond interest adds up every year regardless, and if the future starts to look bleak there is potential for a capital boost when it is needed most.



<sup>1</sup>Forward-Looking Return Scenarios are modelled using the 4.75% Treasury Gilt 2036 (ISIN: GB00BWBR1N39). Calculations assume an initial purchase at par and a parallel downward shift in the yield curve over 1-year. <sup>2</sup>Historical total returns are calculated using actual 10-year UK Gilt index performance tracked over August 2000 to September 2002 (Dotcom Bubble) & October 2007 to February 2009 (Global Financial Crisis). Capital returns reflect the mark-to-market bond prices following yield movements. Income returns reflect the compounding of baseline coupons on each bond.





# Astute Perspective.

## 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.



### Alternatives



### Fixed Income

#### Sovereign Bonds



#### Corporate Bonds



#### High-yield bonds



#### EM Debt



### Equities

#### UK



#### Europe



#### Asia & Emerging



#### Japan



#### USA



#### 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

#### UK - Neutral

Finding some support as an alternative to the US  
Prefer smaller companies with growth opportunities  
Short term volatility likely as UK seeks new PM

#### Europe - Neutral/Overweight

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



# Astute Positioning.

The second quarter of 2026 represented a significant transition from the extreme geopolitical volatility that plagued us at the start of the year towards a tentative normalisation of market conditions. While the full reopening of the Strait of Hormuz is still somewhat in question, the closest we've been so far to the implementation of an actual peace deal in June led to a sharp retracement in Brent Crude Oil prices towards \$70 per barrel. This shift immediately helped to alleviate stagflationary fears, however we remain mindful that Central Banks will likely favour a more hawkish approach until it's clear that any second-order effects have truly diminished.

Our primary activity in April focused on exiting our position in the Blackrock European Absolute Alpha fund following a series of disruptive management changes, including the departure of Stefan Gries, who was the remaining founder of the strategy. Although a new manager was appointed from Janus Henderson, we believe the rapid succession of leadership departures, despite the new manager's strong track record and wealth of experience in the European equity space, warranted a full exit while we re-evaluate the strategy and perhaps other appropriate options.

Simultaneously, we capitalised on a strong rally in UK mid-caps during the start of the period to trim our exposure in favour of JPM UK Equity Core and the L&G UK Index tracker. This rotation helps to us to adopt a more defensive posture given our cautious approach to valuations amid heightened global uncertainty and AI momentum. Also, given the building political risks in the UK, we felt this move was particularly prudent as increased concerns about potential shifts in public spending/fiscal easing, if the UK were to see new leadership, was clearly weighing on investor sentiment.

During May, we purposefully stood still on trades as we felt the portfolio was sufficiently positioned to strongly navigate the prevailing risks and opportunities in the market. While the conflict in the Middle East remained at a stalemate and inflation worries continued to apply upward pressure on global yields, we chose to maintain our existing tactical views while we wait for a clearer macroeconomic trajectory.

As the quarter ended, we executed one final trade in our US equity allocation by selling Baillie Gifford in favour of core S&P 500 exposure. This decision was driven primarily by the increased volatility in the fund's return profile, which has led to larger than expected drawdowns at times. While this is somewhat to be expected when investing in smaller to mid cap names, and the team haven't necessarily lost confidence in the manager's

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ability to deliver alpha, it was concluded that the strategy's concentrated high-alpha approach was no longer consistent with our objective of generating stable returns.

Looking ahead into the final half of the year, we remain attentive and vigilant to the evolving roles of Central Banks and Governments in driving market prices in this heavily macro-led environment. The developments in AI infrastructure and capex spending will also, of course, remain in focus as a significant source of volatility. In this uncertain landscape, we continue to favour defensive strategies across the board in particularly structured products, where we can look to capitalise on the increased levels of volatility as we build conviction in traditional growth opportunities.

## Fund Activity

### New Purchase

|                       |           |                        |                 |
|-----------------------|-----------|------------------------|-----------------|
| Xtrackers S&P 500 ETF | Bal / Gro | JPM UK Equity Core ETF | Con / Bal / Gro |
|                       |           | L&G UK Index           | Con / Bal / Gro |
|                       |           |                        |                 |

### Top Up

### Trim

|                      |                 |                                   |           |
|----------------------|-----------------|-----------------------------------|-----------|
| L&G UK Mid Cap Index | Con / Bal / Gro | Blackrock European Absolute Alpha | Con / Bal |
|                      |                 | Baillie Gifford American          | Bal / Gro |
|                      |                 |                                   |           |
|                      |                 |                                   |           |

### Sold

Con = Conservative, Bal = Balanced, Gro = Growth

Sources: Astute Investment Management as at 30/06/2026. Past performance is not a reliable indicator of future results.



# VT Astute Conservative.

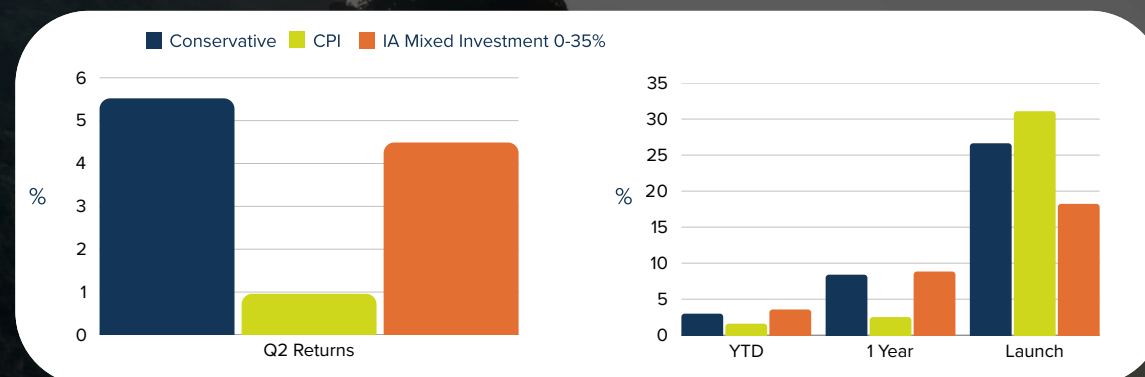
The Conservative fund delivered a return of +5.5% in the second quarter of 2026, outperforming both the IA sector average and its CPI objective. This strong performance was primarily driven by our long-duration Gilts, which performed well as global yields fell in response to a softening of global risks following the Middle East peace deal. Furthermore, equity beta was significantly boosted by sustained AI momentum and robust corporate earnings, which helped to drive alpha in our smaller-cap managers.

Market returns over the period reflected a broader shift towards normality, as the reopening of the Strait of Hormuz eased Brent Crude back down to around \$70 per barrel. This decline in energy-led inflation fears, alongside a renewed wave in AI, supported the strong performance across US and European equities. Additionally, as investor expectations readjusted the number of rate hikes for this year, sovereigns and credit all performed extremely well.

The fund's top performers were mostly all trackers across the US as large capex spending commitments from the majority of the Magnificent Seven and strong corporate profits boosted equity beta. Polar Capital Emerging Market Stars also contributed strongly with a return of +24.78%, benefiting from improved sentiment across developing regions, a slightly weaker dollar and the higher oil prices.

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## Performance



## Asset Classes

| Asset Classes      | Avg Weight | Return | Contribution to Portfolio Return |
|--------------------|------------|--------|----------------------------------|
| Cash & Equivalents | 8.29%      | 0.98%  | +0.10%                           |
| Government         | 28.80%     | 2.50%  | +0.71%                           |
| Credit             | 25.86%     | 2.92%  | +0.81%                           |
| UK                 | 3.29%      | 7.29%  | +0.20%                           |
| N. America         | 11.90%     | 14.61% | +1.62%                           |
| Europe             | 2.85%      | 12.36% | +0.32%                           |
| Japan              | 2.16%      | 12.49% | +0.28%                           |
| Asia & Emerging    | 4.24%      | 16.17% | +0.70%                           |
| Thematic           | 1.00%      | 4.52%  | +0.04%                           |
| Alternatives       | 11.61%     | 3.95%  | +0.55%                           |

## Top Funds

| Fund Name                      | Avg Weight | Return  | Contribution to Portfolio Return |
|--------------------------------|------------|---------|----------------------------------|
| Invesco S&P 500 ETF GBP Hedged | 6.33%      | +14.79% | +0.65%                           |
| L&G US Equity ETF              | 2.71%      | +14.68% | +0.30%                           |
| iShares Core UK Gilts ETF      | 9.99%      | +1.99%  | +0.29%                           |
| L&G S&P 500 US Equal Weight    | 2.87%      | +10.57% | +0.28%                           |
| Polar Capital EM Market Stars  | 2.12%      | +24.78% | +0.24%                           |

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 30/06/2026. 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 30/06/2026. 1 year data is for the period 30/06/2025 to 30/06/2026. Contribution to return may not sum to the total return due to rounding and averaging.



# VT Astute Balanced.

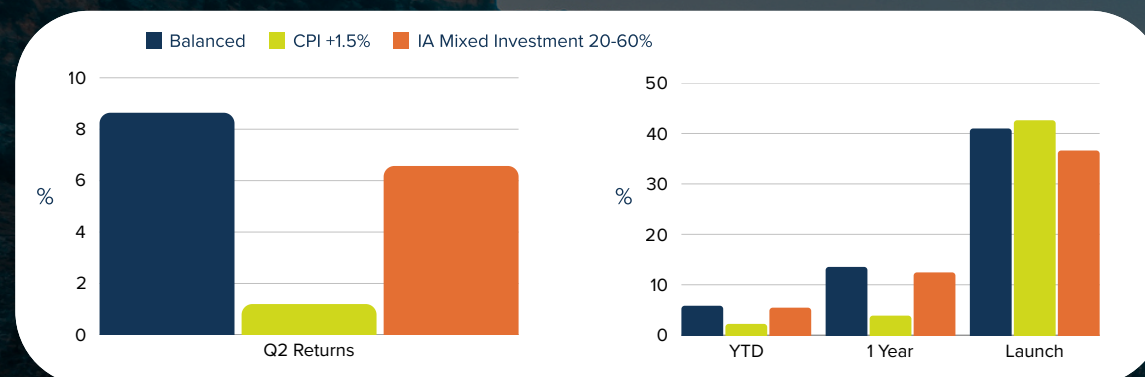
The Balanced fund posted a return of +8.0% during the quarter, comfortably outperforming the IA sector average and its CPI+1.5% target. Performance was bolstered by our long-end gilt exposure, which rallied as global yields declined due to a softening of geopolitical tensions. General equity beta also contributed majorly, fuelled by the positive earnings data and the physical AI infrastructure boom, providing a good space for our smaller-cap managers to generate alpha.

Market returns over the period reflected a broader shift towards normality, as the reopening of the Strait of Hormuz eased Brent Crude back down to around \$70 per barrel. This retreat in energy-driven inflation concerns, combined with renewed enthusiasm around AI, underpinned the strong performance seen across US and European equities. Elsewhere, as investors continued to pare back expectations for further rate hikes from global central banks, fixed income rallied strongly as yields declined significantly from its peak.

Leading the performance tables were our US equity trackers, which were supported substantially by the large capex commitments from the likes of Amazon, Alphabet and Microsoft as they chase to secure enough power for their AI models. Polar Capital Emerging Market Stars also contributed strongly, benefiting from a slightly weaker dollar and the higher oil prices. Finally, Premier Miton European Opps also rose after a series of significant recoveries in their top technology names, which were unfairly discounted earlier.

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## Performance



## Asset Classes

| Asset Classes      | Avg Weight | Return | Contribution to Portfolio Return |
|--------------------|------------|--------|----------------------------------|
| Cash & Equivalents | 6.20%      | 0.98%  | +0.13%                           |
| Government         | 17.31%     | 2.84%  | +0.52%                           |
| Credit             | 13.83%     | 3.00%  | +0.52%                           |
| UK                 | 7.03%      | 7.11%  | +0.47%                           |
| N. America         | 22.60%     | 14.43% | +3.00%                           |
| Europe             | 5.39%      | 15.83% | +0.75%                           |
| Japan              | 5.19%      | 13.60% | +0.68%                           |
| Asia & Emerging    | 9.09%      | 17.11% | +1.53%                           |
| Thematic           | 1.49%      | 4.52%  | +0.07%                           |
| Alternatives       | 11.35%     | 3.72%  | +0.46%                           |

## Top Funds

| Fund Name                      | Avg Weight | Return  | Contribution to Portfolio Return |
|--------------------------------|------------|---------|----------------------------------|
| Invesco S&P 500 ETF GBP Hedged | 16.41%     | +14.89% | +1.73%                           |
| L&G US Equity ETF              | 8.19%      | +14.68% | +0.92%                           |
| L&G S&P 500 US Equal Weight    | 7.02%      | +10.57% | +0.75%                           |
| Polar Capital EM Market Stars  | 5.57%      | +24.78% | +0.70%                           |
| Premier Miton European Opps    | 3.95%      | +34.30% | +0.58%                           |

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 30/06/2026. 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 30/06/2026. 1 year data is for the period 30/06/2025 to 30/06/2026. Contribution to return may not sum to the total return due to rounding and averaging.



# VT Astute Growth.

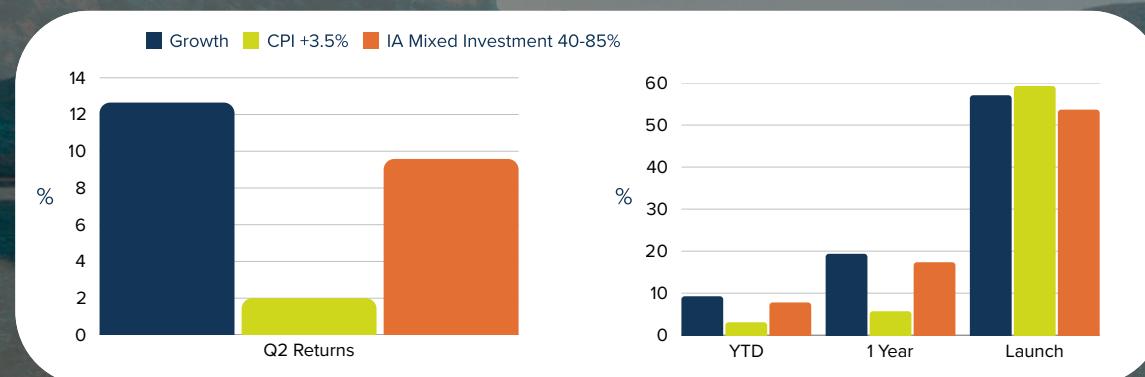
The Growth fund delivered a strong return of +12% for the quarter, significantly outperforming both its CPI+2.5% objective and the IA sector average. This outperformance was driven primarily by our higher equity beta managers, who were supported by the continuous appetite for AI and resilient corporate earnings. Tactical decisions around our equities, such as holding long-end gilts and selling our defensive alternative manager, also contributed positively.

Market returns over the period reflected a broader shift towards normality, as easing tensions in the Middle East allowed shipping through the Strait of Hormuz to recover, pulling Brent Crude back into the low \$70s per barrel from its peaks above \$100. This retreat in energy prices helped ease the market's worst inflation fears, and combined with a renewed wave of enthusiasm for AI stocks, underpinned strong returns across US and European equities. Meanwhile, investors scaling back their expectations for further rate hikes this year provided a tailwind for both sovereigns and credit.

The top-performing funds were M&G Japan Smaller Companies and Lazard Japanese Strategic Equity, which thrived as Governor Ueda continued to normalise policy on a gradual basis. M&G Global Emerging Markets provided a significant boost by focusing on energy-exporting nations and regional fundamental recovery. Additionally, JPM UK Equity Core and L&G S&P 500 Equal Weight also added positively as global risks softens amid a peace deal in the Middle East.

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## Performance



## Asset Classes

| Asset Classes      | Avg Weight | Return | Contribution to Portfolio Return |
|--------------------|------------|--------|----------------------------------|
| Cash & Equivalents | 1.96%      | 0.98%  | +0.07%                           |
| Government         | 5.29%      | 3.49%  | +0.23%                           |
| Credit             | 1.44%      | 3.35%  | +0.08%                           |
| UK                 | 10.75%     | 7.57%  | +0.91%                           |
| N. America         | 34.60%     | 14.44% | +4.81%                           |
| Europe             | 9.91%      | 17.70% | +1.58%                           |
| Japan              | 7.48%      | 13.98% | +1.01%                           |
| Asia & Emerging    | 13.32%     | 18.34% | +2.37%                           |
| Thematic           | 3.41%      | 4.52%  | +0.20%                           |
| Alternatives       | 10.77%     | 5.99%  | +0.60%                           |

## 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 30/06/2026. 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 30/06/2026. 1 year data is for the period 30/06/2025 to 30/06/2026. Contribution to return may not sum to the total return due to rounding and averaging.





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