

Quarterly investment report

April 2026





Introduction

Welcome to our latest quarterly report.

Once again, markets have become very volatile as a result of geopolitical events, originating in the US.

This time last year, we had seen a sharp drop in stock markets following Donald Trump's "Liberation Day" announcements regarding trade tariffs.

Today, markets are swinging up and down based on the US action against Iran, and on Trump's announcements about the conflict. As we've observed many times before, he seems to change his mind on things quite frequently! Sometimes he gives the impression the conflict is all but over, other times it appears to be escalating. This makes managing portfolios quite difficult, since we've seen wild swings as a result.

In particular, we've seen oil and gas prices go up sharply. This makes people worry about a resurgence in inflation, and this brings concerns that interest rates might need to go up to keep a lid on prices, rather than rates being cut as had been expected before the conflict.

It makes people worry about a repeat of 2022, when equities and bonds fell together as a result of higher inflation and steep increases in interest rates.

However, as we outlined in the Pulse last month (equilibrium.link/The-Pulse-March-2026), things are very different now. Interest rates are already relatively high, unlike in 2022

Table one:

Portfolio	10-year total return %	10-year % p.a.
Cautious	51.01	4.21
Balanced	60.11	4.82
Adventurous	79.11	6.00
Competitor mixed investment fund (balanced)*	54.92	4.47
Competitor discretionary portfolio (balanced)**	53.41	4.37
UK Inflation (CPI)	39.82	3.41
Cash (Bank of England base rate)	20.10	1.85

*UT Mixed Investment 20-60% Shares. ** ARC Sterling Balanced Index.

Source: FE Analytics 31/03/2016 to 31/03/2026. Green numbers denote the outperformance of the competitor fund.. All portfolios based on IFSL Equilibrium fund and discretionary model performance prior to fund launch.

when they were close to zero. Underlying economic data, including on inflation, was quite strong coming into the conflict.

In addition, we have positioned our portfolios relatively cautiously of late, after a very strong run for stock markets. This means that, although we have seen some small falls since the beginning of February, our core portfolios have all fallen less than the typical mixed investment fund.

Our approach has led to strong long-term returns as can be seen in **Table one**. This shows that all the portfolios have produced returns over the last decade well ahead of inflation and cash, with Balanced and Adventurous outperforming other similar investment portfolios. As we've noted before, when we consider what has happened in that decade (Brexit, a pandemic, a cost-of-living crisis, trade wars, etc.), we think it's remarkable that returns have remained so strong and this shows the virtue of investing, even through turbulent times.



The economy

On this page, we look at some key economic indicators and how they have changed over the last five years, focusing on the UK and the US, which have the most significant impact on portfolios.

	UK	US	Equilibrium view
Inflation % p.a. (Consumer Prices Index)			<p>Prior to the Iran conflict, inflation seemed to be going in the right direction here in the UK. Whilst it was still above the 2% target, it seemed likely to dip below it later this year after the government reduced levies on energy bills.</p> <p>With the recent increase in oil and gas prices, inflation looks likely to be somewhat higher than expected, but this largely depends on how long the conflict lasts. We do not see inflation going anywhere near as high as in 2022, but it could remain higher than 2% for longer.</p>
Economic growth % p.a.			<p>Economic growth around the world looked decent prior to the conflict, with many forward-looking indicators pointing to an increase in activity. However, a sustained increase in oil prices might reduce this growth. The key word here is "sustained" – if the price settles down then the global economy could still do reasonably well.</p> <p>One reason for better growth has been a recent pick-up in productivity. If sustained (or perhaps even improved if artificial intelligence lives up to the hype) this would lead to more sustainable economic growth longer term.</p>
Interest rates %			<p>In 2022 and 2023, interest rates in the UK climbed by 5% from 0.25% to 5.25% in response to double-digit inflation. This had a big impact on investments, particularly on bonds.</p> <p>Prior to the conflict the market was expecting the Bank of England to cut rates. Now, it seems they will hold for the time being whilst they assess the impact. However, even if inflation increases in 2026 and rates have to go up, the impact should not be nearly as significant as during that period as rates are already at 3.75% today.</p>



Markets

The table below shows the returns of some of the major asset classes over the last 10 years. It is colour coded with the darker green showing the better performers in each calendar year, the darker the red, the worse the performer. Yellow shows mid-range returns..

	Asset class	2016 %	2017 %	2018 %	2019 %	2020 %	2021 %	2022 %	2023 %	2024 %	2025 %	2026 %
Equity markets	UK	19.07	11.95	-8.73	17.32	-11.55	18.44	4.70	7.93	9.66	25.82	6.07
	Europe ex UK	18.62	15.84	-9.87	19.99	7.49	16.73	-7.62	14.83	1.94	26.18	-0.30
	US (S&P 500)	32.67	10.62	0.96	25.65	14.12	29.34	-8.25	18.58	26.73	9.34	-2.12
	Japan	23.00	15.23	-8.67	14.21	9.14	1.69	-4.54	12.83	9.59	16.69	7.62
	Emerging Markets	32.63	25.40	-9.27	13.86	14.65	-1.64	-10.02	3.63	9.43	24.33	4.60
Fixed interest	Corporate Bonds	9.08	5.10	-2.23	9.52	7.93	-2.04	-16.62	9.55	2.53	7.01	-1.29
	High-Yield Corp Bonds	9.87	6.48	-3.48	11.45	5.09	3.90	-11.09	11.49	9.04	7.67	-0.49
	Gilts	10.10	1.83	0.57	6.90	8.27	-5.16	-23.83	3.69	-3.32	5.03	-1.22
Real assets	UK Real Estate	-8.36	9.86	-17.37	34.89	-13.19	34.65	-34.88	15.75	-15.15	0.53	-7.40
	Global Infrastructure	34.88	6.75	5.24	21.39	-3.73	18.93	6.08	-4.15	11.78	10.29	12.94

We like to include this chart for a couple of reasons. Of course, it gives you an idea of which asset classes are working well, and which aren't. But it also shows why diversification and regular portfolio rebalancing is so important. Often the best performing asset class one year is amongst the worst the following year – this is particularly clear for UK Real Estate, which has often been one of the worst performers in recent times, but in several calendar years has been amongst the best.

This year so far has seen real estate fall again, as investors worried about rising interest rates. The best performer has been infrastructure, which may benefit from rising energy prices. Of late we've tended to hold infrastructure in the portfolios which we think does a better job of providing diversification and inflation protection than real estate.

Also notable is that the US has been the second worst performing of all these assets in 2026. This comes after it also underperformed the other equity markets shown above in 2025. This has been a turnaround from most of the last decade, where the US has often outperformed.



Portfolios

The tables below show our portfolios over various time periods, compared to other funds with similar objectives and risk tolerances.

Calendar year returns over 10 years relative to other funds to 2 April 2026

Portfolio	2026%	2025%	2024%	2023%	2022%	2021%	2020%	2019%	2018%	2017%	2016**%
Cautious	0.23	8.15	6.18	4.91	-9.62	6.51	3.60	12.37	-3.60	8.58	7.76
Balanced	-0.22	8.99	7.14	6.50	-10.93	7.73	4.31	13.79	-4.12	9.75	8.93
Adventurous	-0.83	10.46	9.08	8.69	-14.54	9.58	6.98	16.61	-5.60	12.79	12.44
IA Mixed Investment 20-60% Shares	0.18	10.18	6.07	6.81	-9.47	7.20	3.51	11.84	-5.10	7.16	10.32
Global Equity	-2.21	12.37	12.76	10.63	-18.37	11.10	13.36	20.99	-8.40	19.08	18.06
IA Flexible Investment	0.04	12.05	9.41	7.08	-8.98	11.30	6.70	15.66	-6.72	11.21	13.82
Defensive	-0.19	5.48	5.31	2.93	-9.21	1.93	7.39	6.29	0.01	4.95	4.64
IA Mixed Investment 0-35% Shares	-0.14	7.84	4.42	5.97	-10.87	2.84	3.90	8.70	-3.35	4.84	8.47

Various time periods to 2 April 2026

Portfolio	3 months %	6 months %	1 year %	3 years %	5 years %	10 years %
Cautious	0.08	1.72	8.76	18.98	14.39	52.22
Balanced	-0.44	1.35	10.43	21.63	16.71	61.48
Adventurous	-1.10	1.20	12.46	26.99	18.20	81.04
IA Mixed Investment 20-60% Shares	-0.26	2.17	12.07	22.48	19.59	56.95
Inflation (UK Consumer Prices Index)	0.00	0.57	2.64	8.69	28.06	39.82
Global Equity	-2.67	0.76	18.55	33.79	19.97	118.88
IA Flexible Investment	-0.74	2.01	18.08	29.18	28.77	94.76
Defensive	-0.09	0.86	4.76	13.13	6.07	30.57
IA Mixed Investment 0-35% Shares	-0.40	1.54	8.07	16.54	9.61	33.63
Cash (Bank of England Base Rate)	0.87	1.86	4.01	14.62	17.55	20.11

Source: Financial Express, total return in sterling to 02/04/2026. Green numbers denote outperformance of the sector. All portfolios are based on IFSL Equilibrium fund and discretionary model performance prior to launch. Defensive and Global Equity long-term returns based on back-tested portfolio. The portfolios moved to the sectors shown as of August 2024.



Portfolios

The tables below show our portfolios over various time periods, compared to wealth manager portfolios that have similar objectives and risk tolerances, as calculated by Asset Risk Consultants (ARC). Green numbers denote outperformance of the sector.

Calendar year returns over 10 years relative to wealth manager portfolios to 31 March 2026

Portfolio	2025%	2024%	2023%	2022%	2021%	2020%	2019%	2018%	2017%	2016%	2015%
Cautious	-0.54	8.15	6.18	4.91	-9.62	6.51	3.60	12.37	-3.60	8.58	7.76
Cautious Wealth Manager Portfolios	-0.34	6.58	4.37	4.43	-7.60	4.23	4.20	8.05	-3.63	4.48	5.52
Balanced	-1.03	8.99	7.14	6.50	-10.93	7.73	4.31	13.79	-4.12	9.75	8.93
Adventurous	-1.87	10.46	9.08	8.69	-14.54	9.58	6.98	16.61	-5.60	12.79	12.44
Balanced Wealth Manager Portfolios	-0.50	8.68	6.81	5.98	-9.14	7.64	4.31	11.73	-5.10	6.69	8.64
Global Equity	-3.96	12.37	12.76	10.63	-18.37	11.10	13.36	20.99	-8.40	19.08	18.06
Equity Wealth Manager Portfolios	-0.91	9.48	9.80	8.10	-11.40	12.31	5.82	18.04	-6.50	11.39	13.73

Various time periods to 31 March 2026

Portfolio	3 months %	6 months %	1 year %	3 years %	5 years %	10 years %
Cautious	-0.54	1.49	6.68	18.82	14.11	51.01
Cautious Wealth Manager Portfolios	0.31	2.29	6.84	15.02	11.19	33.49
Balanced	-1.03	1.28	7.61	21.41	16.36	60.11
Adventurous	-1.87	1.14	8.56	26.33	17.84	79.11
Balanced Wealth Manager Portfolios	-0.80	1.91	9.04	20.01	18.55	52.95
Global Equity	-3.96	0.42	11.19	31.65	19.00	114.80
Equity Wealth Manager Portfolios	-2.62	0.33	10.34	23.99	24.00	87.64

Over the long term, our portfolios have largely outperformed the typical wealth manager, with our more adventurous portfolios also outperforming their sectors. Recently, our more cautious portfolios were somewhat lagging their sectors earlier this year when stock markets were rising sharply, due to our more cautious approach and lower equity weightings. However, since the end of February, as markets have fallen back, this approach has paid off, with portfolios falling less than the sector.

Source: Financial Express, total return in sterling to 31/03/2026. Green numbers denote outperformance of the relevant ARC index (ARC Sterling Cautious, ARC Sterling Balanced, and ARC Sterling Equity Risk PCI). All portfolios are based on IFSL Equilibrium fund and discretionary model performance prior to launch. Global Equity long-term returns based on back-tested portfolio. Note, that there is no relevant ARC index for Defensive.



Drivers of performance

Table two shows the performance of each of our core asset class portfolios over the past 12 months, along with the current asset allocation of the Balanced portfolio and its allocation a year ago. We have made similar changes in other portfolios to a greater or lesser extent.

Table two: Calendar year returns

Asset class	1-year return %*	Current allocation %	Allocation 1 year ago %	Change in allocation %	Commentary
Cash and money market	n/a	2	2	█ █	Over the past year, we've held fixed interest exposure relatively steady. We have had a bias towards short-dated bonds. These have comparable yields to longer dated bonds but are typically less risky. Shorter dated loans are generally less likely to see defaults and less sensitive to changes in interest rate expectations. This has helped returns of late when some bonds have fallen as markets factor in rate hikes instead of the expected cuts.
Fixed interest	4.8	39	40	↓ -1	
Real assets	21.8	4	2	↑ +2	In real assets, we have held purely infrastructure via a position in US utilities for most of the period and not held any real estate. This is because we felt it would prove resilient going into any downturn and provide an element of inflation protection as utility firms can often pass on price rises to consumers. We also felt it could benefit from rising electricity demand linked to artificial intelligence. This has performed well and been resilient since the start of the Iran conflict.
Defined returns	16.1	16	14	↑ +2	Over the last year, we have opted to simply reinvest each time a defined return product kick out. A recent product has a headline potential return of 13.35% p.a. We have also added a new product which will return close to 9.4% p.a. even if the markets go down over the term (see page 9 for more details). We think these are attractive potential returns with much less uncertainty than holding stock markets directly.
Alternatives	4.1	7	11	↓ -4	We reduced alternative exposure over the period, adding to real assets initially, and more recently buying the defensive defined returns product (see above). We felt this could return potentially more than alternatives, with more visibility. We continue to hold some absolute return funds to diversify the portfolio at a time when equity and bonds have become more correlated.
Equity	28.7	33	31	↑ +2	Equity exposure has remained relatively steady over the year. Within this, we have reduced UK exposure after a good run. We have added to Europe and Japan which we think are attractively priced, and where we can use structured products to achieve a geared return on the market. Within the US, we have tilted away from the mega-cap tech stocks into medium-sized companies, as well as some low-cost actively managed US funds.

Source: LSEG Datastream. *Source: Financial Express, the 12-month total return of relevant Equilibrium asset class portfolio from 05/04/2025 to 02/04/2026, gross of fees. Equity is based on the Balanced Equity mix. Real Assets assumes 50% real estate, 50% infrastructure, although in reality we have switched from one to another during the period. Allocations may not add up to 100% due to rounding etc.



Commentary

The conflict in Iran has had a big impact in several ways. Clearly it has a significant human impact, which we should not forget. However, we are of course paid to manage investment portfolios, and so we will focus on the financial impact.

One of the biggest effects of the crisis from a financial perspective has been on expectations for interest rates.

As of the end of February, markets were pricing in perhaps two 0.25% rate cuts here in the UK during 2026.

At one point on 22 March, as it looked like the conflict might deepen, markets had flipped completely and were now pricing in four 0.25% rate hikes during the next 12 months. Since then, markets have moderated a little and as I write today, two hikes are now priced in (Source: LSEG Workspace 31 March 2026).

This represents a significant turnaround and has had a big impact on various asset classes. If the cost of borrowing goes up, it will increase costs for companies and potentially reduce their profit margins (although this does largely depend on the sector).

It also makes cash look more attractive relative to other asset classes. For example, at the end of February, the UK 10-year gilt yield was around 4.3% p.a. This is the return you will get if you lend money to the UK government for 10 years. Compared to cash rates at 3.75% (which at the time were expected to be cut by 0.25% in March), this represented a reasonable pick up in return.

However, as expectations changed to price in interest rates being hiked to 4.25% or even higher, this yield no longer looked so attractive relative to cash. The yield needed to go up, and the only way for that to happen is for the price of gilts to fall (given the inverse relationship between price and yields). At one point, the yield reached as high as 5.1%, before dropping back after hints from Trump that the conflict was near the end.

The reason for higher expected rates is because the conflict is likely to push up inflation. The focus has mainly been on oil and gas, but there could also be a knock on to things like fertiliser and food prices. Whilst the impact will be lessened if the conflict is resolved in the near future, it will not just go away but will take some time to normalise. For example, if there is even a short-term disruption to fertiliser, this could have a longer-term impact on food prices if crops cannot be fertilised or planted at the right time.

Higher energy prices are also likely to reduce economic growth, but the impact should only be significant if prices remain high for some time. Given the concerns, we have seen equities and bonds fall at the same time since the start of March. There are some similarities to this time last year, when markets fell in response to President Trump's trade tariffs although, so far, the falls in market have not yet been as steep.

The synchronised drop in bonds and equities poses a problem for many investors, who often simply hold those two asset classes and expect their portfolio to be well diversified. Most of the time this is fine, but at times of high inflation the two assets can become very correlated and move up and down together, as we saw in 2022.

We prefer to be much more diversified, and some of the other assets we hold have held up well. For example, in our core portfolios (Cautious, Balanced and Adventurous) we hold a position in utilities, which tend to have stable profits almost no matter the economic environment, and which can actually benefit from rising energy prices.

We also hold inflation-linked bonds, and short-dated bonds which aren't nearly as sensitive to changes in interest rates as longer dated fixed interest investments. Again, these have held up well and, in some cases, gained in value.

We also have some "insurance policies" in the portfolios. This includes a "put option" – a contract that gains in value if the stock markets fall, which should reduce the losses. This is already starting to cushion the blow but really should start to kick in if the S&P 500 falls by more than 10%. At the time of writing, it is about 6% below its 2026 peak.

We also bought a small position in a broad commodities fund as the conflict began, which should help cushion against further rises in energy or food prices. This has made a small gain since we bought it.

All of these positions mean our core portfolios have all fallen by less than the typical mixed investment fund since the conflict began, with our Balanced portfolio being down 2.8% since 27 February, compared to the typical fund which is down 3.8% over the same period (Source: FE Analytics, 27/2/26 to 2/4/26. Sector means IA Mixed Investment 20-60% Shares).

It is also worth pointing out that this kind of volatility is normal, and prior to the end of February the portfolios had been going up strongly. For example, Balanced is still up 10.43% over 12 months despite the recent drop (Source: FE Analytics, 5/4/25 to 2/4/26).



Volatility = opportunity

The recent volatility presents opportunities to buy attractive assets at reasonable prices.

In particular, we have purchased several structured products of late. These are a type of investment linked to an asset class, such as equities or bonds, for a fixed term. They usually provide some additional benefits, which typically might include some element of capital protection if the market goes down over the term (often 5 or 6 years).

Depending on the type of product, the return can either be “geared” (we get a multiple of the asset class return) or can be “fixed” at the outset. Both have their places in the portfolios.

The typical “fixed” return product we use is called a defined return product. We have used these for a number of years so many of our longstanding clients are very familiar with the products.

A typical product might be based on the FTSE 100 and S&P 500 indexes. If these markets are the same or higher on certain dates (usually the anniversary of the product being created, or sometimes at 6 monthly intervals rather than 12 months), then the product ends on that date and provides a pre-defined level of return.

Defensive in nature

We have also recently been able to create a much more defensive version of this type of product.

This one will pay a 9.4% p.a. return, even if the market goes down by 5% over the next 12 months. The kickout level drops by 5% a year, so if it doesn't kick out in year one it rolls on to the second anniversary and will pay us a return of 18.8% if the market is down by 10% or less on the second anniversary of launch.

The product can run for a maximum of 5 years, and at that point would pay the return even if the market was 25% down. Again, we think this gives us a very high probability of achieving this return in all but the direst of markets.

Finally, we have also recently invested in a new type of product, this time based on fixed interest rather than equity.

The most recent of these products we purchased has a potential return of 13.4% p.a (simple rather than compound growth). To get this, we only need markets to go sideways rather than to go up. If they go down, then the product simply rolls on to the next kick out date 6 months later. The markets could go nowhere for five years, and we could still get a double-digit annualised return.

We think this is very attractive, as it provides a relatively high level of certainty around the returns we might achieve. One possible drawback is that the returns are capped, and so if markets rise sharply, we will receive relatively less. As noted last quarter, over the past year or so this has detracted from relative returns as stock markets rose strongly. We would have been better holding more directly in equity over that period; however, the return we've achieved from defined returns has still been excellent and aligns with our values of trying to achieve returns at the lowest possible risk. Or, to put it another way, with the highest degree of certainty.

This is called a “range accrual” product. It is based on the 10-year gilt and will pay a coupon of 7.4% p.a, provided the gilt yield is between 0% and 6.5% when the coupon is due (it is paid quarterly). It can last for 5 years and at the end we will get back our initial investment.

At the time of purchase, the yield on the gilt was 4.9%. The 7.4% potential return of this product is very attractive by comparison and should behave in a similar way to holding gilts directly. It provides more diversification benefits compared to defined returns products, which are more correlated to equity.

The main risk for this product is if yields go above 6.5%. If that happens, we lose our coupons but only for the period when yields are above that range. They would resume if the yield dropped back below 6.5% again.

Even in 2022 when interest rates were 5.25% (compared to the 3.75% today), the gilt yield barely got above 5%, so we think the risk is relatively low.



Again, we think this is an attractive return, with a relatively high likelihood of getting the return.

On balance, we think the market is overstating the chance of rate hikes here in the UK. If so, we think the gilt yield could go down rather than up. We therefore wanted to add to gilts at these higher yields and have done so partly by buying a gilt fund directly (which we think can make a capital gain if yields fall) and partly by buying this product.

One downside of this product is that the issuer (Goldman Sachs) can choose to end the product early if it is in their interests to do so. This would be more likely if the gilt yield dropped substantially which means Goldmans could make more profit by selling their gilt

holdings. However, they can only do so after 12 months has passed and only at one of the quarterly payment dates.

With all these products we are essentially lending money to an investment bank. If for some reason they run into trouble, we could lose some or all of the investment. We are therefore taking more credit risk than by buying a gilt directly and lending our money directly to the government. However, we see the risk of default as being quite remote as we are very selective about which banks we use. In addition, even in past financial crises most investors have still got their money back from similar products.

Ticking all the boxes

The other benefit of such products is their costs. They don't have a management fee attached to them unlike a fund, and so the returns we should get are those stated at the outset. That doesn't mean the banks don't make a profit (they do), but that the rates they give us already factor in their profit margin.

When buying investments, we look at several factors:

- Potential return
- Confidence or likelihood of achieving that return
- Risk – what is the risk of losing money, how much, and over what period?
- Cost (which could detract from the performance)

In our view, some of the structured products produce a high potential return, about which we have a fairly high degree of confidence, and we think there is relatively low risk of loss over the term of the product. We like it when a potential investment ticks most or preferably all of these boxes!

The future is inherently uncertain, and in the financial world it is never more so than when markets are being moved by a single factor.

As we've observed in the past, if we could predict what Donald Trump was going to do, investing would be a whole lot easier! He is a man who can move markets essentially on a whim, but unfortunately even those around him find it difficult to know what he will do next!

Hopefully there is a relatively speedy resolution to the Iran conflict and the fundamentals around investments will reassert themselves. For now, we must remain very vigilant, but assets such as those described above can help bring back a degree of predictability in this uncertain world.

Risk warnings and notes

Past performance is never a guide to future performance. Investments will fall as well as rise.

Any performance targets shown are what we believe are realistic long-term returns. They are never guaranteed.

None of the information in this document constitutes a recommendation. Please contact your adviser before taking any action.

Unless stated otherwise:

- All performance statistics are from Financial Express Analytics on a bid-bid basis with income reinvested.
- All performance data is to 2 April 2026.
- Model portfolio performance is stated after a 0.5% investment management fee with no adjustment for financial planning or platform charges.

- Your own performance may vary from that shown due to dividend pay dates, transaction dates, contributions and withdrawals.
- Actual performance may also differ slightly due to constraints over how we can reflect fees and discounts from fund managers. These are assumed not to change over the whole investment period. In reality, discount levels change as we change the funds in which we invest.
- Individual sector portfolios are shown with no charges taken off or fund manager discounts applied.

For details of your own portfolio performance, please refer to your half-yearly statement from the wrap platform in which you are invested. We will also provide personalised performance information at your regular reviews.

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