CHETWOOD

INVESTMENT MANAGEMENT

TAILORED DECUMULATION PORTFOLIOS

QUARTER 2 2026 REPORT

Quarter Insights

- The primary concern for investors this quarter was the ongoing conflict in the Middle East. Markets entered Q2 facing the daunting prospect of elevated oil prices and significant uncertainty over global energy supplies following the disruption to shipping through the Strait of Hormuz
- Fears of a prolonged energy shock proved short-lived. A ceasefire agreement helped restore confidence, allowing oil prices to retreat sharply from their highs and supporting a strong recovery in risk assets.
- Equity markets quickly shifted their focus away from geopolitics and back towards corporate earnings, with the global AI investment super-cycle becoming the dominant market theme once again.
- South Korean and Taiwanese equities outperformed as investor enthusiasm for AI infrastructure spending continued to broaden beyond the US.
- The divide between AI spenders and beneficiaries became more apparent, with semiconductor and data centre supply-chain companies outperforming many of the large US tech platforms making the investments.
- Central banks remained cautious as policymakers balanced resilient growth against inflation pressures stemming from higher energy prices.

Market Review

The second quarter of 2026 was dominated by developments in the Middle East and their impact on global energy markets. Following the sharp rise in oil prices during the first quarter, investors entered Q2 focused on whether disruption to energy supplies would prove temporary or develop into a more prolonged challenge for the global economy.

As the quarter progressed, concerns gradually eased as ceasefire negotiations advanced and expectations for a sustained disruption to energy supplies diminished. Oil prices fell significantly from their crisis levels, helping to improve investor sentiment and reduce fears of a prolonged inflation shock. As has often been the case historically, the market impact of geopolitical events proved shorter-lived than many investors initially feared, allowing risk assets to recover strongly.

> *While geopolitical headlines dominated much of the quarter, corporate earnings continued to provide support for risk assets.*

The broadening AI investment cycle remained a particularly important driver of market performance. Capital expenditure plans from major technology companies continued to expand, benefiting semiconductor manufacturers, memory chip producers, electrical equipment companies and data centre infrastructure providers. The strongest earnings upgrades were increasingly concentrated outside the US, particularly in South Korea and Taiwan, which have become critical parts of the global Artificial Intelligence supply chain.

This led to a continued broadening of market leadership. While US equities remained supported by strong earnings growth, some of the largest technology companies lagged behind parts of the wider market as investors focused on the distinction between the companies funding AI infrastructure and those directly benefiting from that spending. Emerging markets and Asia performed particularly well, helped by strong earnings momentum and growing exposure to AI-related industries.

Fixed income markets faced a more challenging backdrop. Government bond yields remained volatile as investors weighed inflation risks from higher energy prices against the potential for slower economic growth. Expectations for interest rate cuts were pushed further into the future as central banks adopted a cautious stance. Credit markets remained broadly resilient, supported by healthy corporate balance sheets and a supportive earnings environment.

The quarter ultimately demonstrated the importance of maintaining a disciplined and diversified investment approach. While geopolitical risks temporarily dominated market sentiment, underlying fundamentals such as earnings growth, technological innovation and global investment spending remained supportive for financial markets.

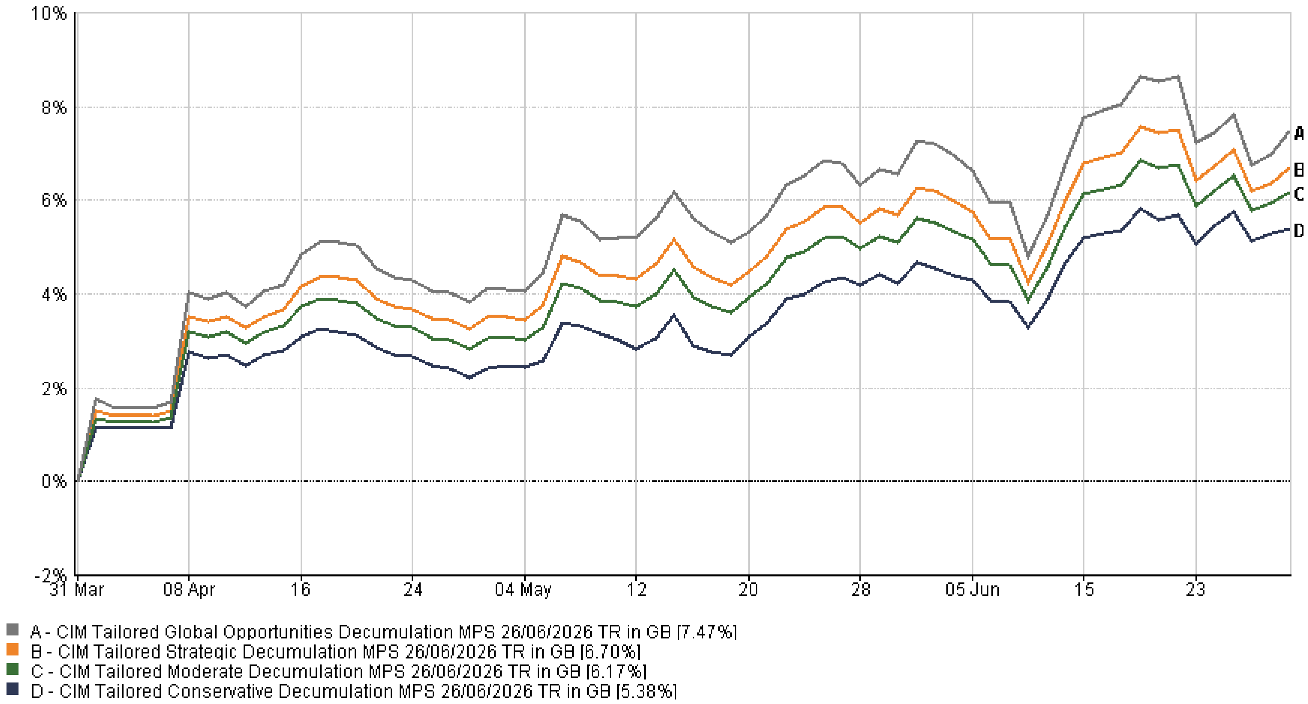
Portfolios performance

Portfolio / Comparator	3 months
CIM Tailored MPS Conservative Decumulation	5.38%
ARC Sterling Cautious PCI	2.31%
CIM Tailored MPS Moderate Decumulation	6.17%
ARC Sterling Balanced Asset PCI	5.49%
CIM Tailored MPS Strategic Decumulation	6.70%
ARC Sterling Steady Growth PCI	7.66%
CIM Tailored MPS Global Decumulation Opportunities	7.47%
ARC Sterling Equity Risk PCI	9.55%

Index Returns[1]	3 months
UK Equities	4.01%
UK Government Bonds (Gilts)	1.99%
All Country World Equities	14.19%
Pacific Equities (ex Japan)	3.02%
Emerging Market Equities	21.78%
US Equities	14.39%
UK Headline Inflation	0.43%

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Performance graph



31/03/2026 - 30/06/2026 Data from FE fundinfo2026

Key Funds and Trades over the Quarter

Top 3 Model Funds	3 months
iShares EURO Total Market Growth Large ETF	20.41% ▲
First Trust Nasdaq Clean Edge Smart Grid Infrastructure ETF	19.61% ▲
Schroder US Equity Income Maximiser	14.01% ▲

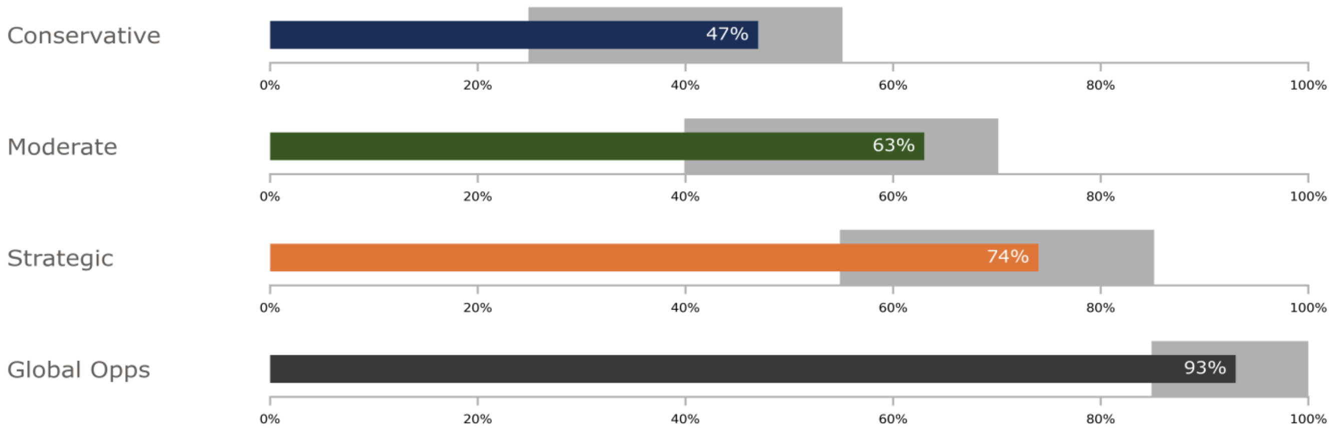
Bottom 3 Model Funds	3 months
HSBC MSCI China ETF	-7.28% ▼
Invesco FTSE EM High Dividend Low Volatility ETF	-3.84% ▼
JPM Global Equity Premium Income Active ETF	-2.12% ▼

Source FE Analytics to 30th June 2026

Key fund	Commentary
iShares EURO Total Market Growth Large ETF	Introduced to the portfolio at the end of Q1, the fund returned 20.4% during the quarter. Strong performance was driven by exposure to innovative European growth companies, particularly ASML, which remains one of the most important suppliers to the global semiconductor industry. The position allows the portfolio to participate in the growing AI infrastructure investment cycle while maintaining broad diversification across sectors.
First Trust Nasdaq Clean Edge Smart Grid Infrastructure ETF	The ETF returned 19.6% over the quarter. Companies involved in electricity networks, transmission equipment and power infrastructure continued to benefit from growing investment in AI-related infrastructure. The rapid expansion of global datacenter capacity is creating substantial demand for grid upgrades and power management solutions, supporting earnings growth across many of the fund's underlying holdings.
SPDR Bloomberg 15+ Year Gilt ETF	The fund produced a return of 2.3% during the quarter. Longer-dated gilts benefited as energy prices fell and inflation concerns moderated. The position continues to provide diversification benefits alongside an attractive income profile. Investor confidence was also supported by assurances from Andy Burnham, the sole candidate for the Labour leadership, that his administration will maintain strict fiscal discipline.
HSBC MSCI Emerging Markets ETF	This fund was introduced at the end of the quarter following the sale of the HSBC MSCI China ETF. The broader emerging market exposure provides greater participation in technology-heavy markets such as Taiwan and South Korea, where semiconductor and memory-chip companies are experiencing exceptional earnings growth. The shift also improves diversification while maintaining exposure to one of our highest-conviction long-term investment themes.

Asset class review

Equity Exposure



Conservative

Ten largest fund holdings (%)

SPDR Bloomberg 15+ Year Gilt	9.3%
M&G Emerging Market Bond	7.6%
TM Gravis UK Infrastructure Income	7.0%
Amundi Global Treasury Bond	6.4%
Invesco UK Gilt 1-5 Year ETF	5.8%
Schroder UK Equity Income Maximiser	5.5%
Vanguard Global Credit Bond Inst Hedged	5.1%
Schroder US Equity Income Maximiser	5.0%
JPM Glb HY Corp Bond Multi-Factor Hdged	4.9%
Amundi IS Prime Japan ETF	4.7%
Assets in top ten holdings	61.3%

Ten largest asset class exposures (%)

Government Bonds	21.6%
North American Equities	13.1%
European Equities	12.0%
Other Alternatives	11.6%
Asia Pacific ex Japan Equities	7.8%
Emerging Market Bonds	7.6%
UK Equities	6.3%
Japan Equities	5.2%
Corporate Bonds	5.1%
High Yield Bonds	4.9%

Moderate

Ten largest fund holdings (%)

Schroder UK Equity Income Maximiser	7.3%
Schroder US Equity Income Maximiser	6.7%
Amundi IS Prime Japan ETF	6.3%
M&G Emerging Market Bond	5.9%
TM Gravis UK Infrastructure Income	5.8%
iShares EURO Total Market Growth Large ETF	5.3%
SPDR S&P Euro Dividend Aristocrats ETF	5.2%
Invesco FTSE EM High Dividend Low Volatility ETF	5.2%
SPDR Bloomberg 15+ Year Gilt	5.0%
iShares S&P 500 Financials Sector ETF	4.8%
Assets in top ten holdings	57.5%

Ten largest asset class exposures (%)

North American Equities	17.6%
European Equities	16.1%
Government Bonds	11.6%
Asia Pacific ex Japan Equities	10.5%
Other Alternatives	9.6%
UK Equities	8.4%
Japan Equities	7.0%
Emerging Market Bonds	5.9%
Corporate Bonds	4.0%
High Yield Bonds	3.8%

Asset class review

Strategic

Ten largest fund holdings (%)

Schroder UK Equity Income Maximiser	8.7%
Schroder US Equity Income Maximiser	7.9%
Amundi IS Prime Japan ETF	7.5%
iShares EURO Total Market Growth Large ETF	6.3%
SPDR S&P Euro Dividend Aristocrats ETF	6.2%
Invesco FTSE EM High Dividend Low Volatility ETF	6.1%
iShares S&P 500 Financials Sector ETF	5.7%
Federated Hermes Asia ex-Japan Equity	5.4%
FT Clean Edge Smart Grid Infrastructure ETF	5.1%
iShares MSCI Europe Industrials Sector ETF	4.4%
Assets in top ten holdings	63.3%

Ten largest asset class exposures (%)

North American Equities	20.8%
European Equities	19.0%
Asia Pacific ex Japan Equities	12.4%
UK Equities	10.0%
Other Alternatives	8.4%
Japan Equities	8.3%
Government Bonds	6.4%
Emerging Market Equities	4.3%
Emerging Market Bonds	3.6%
Corporate Bonds	2.5%

Global Opps

Ten largest fund holdings (%)

Schroder UK Equity Income Maximiser	10.9%
Schroder US Equity Income Maximiser	9.9%
Amundi IS Prime Japan ETF	9.4%
JPM Global Equity Premimum Income	8.9%
iShares EURO Total Market Growth Large ETF	7.8%
SPDR S&P Euro Dividend Aristocrats ETF	7.7%
Invesco FTSE EM High Dividend Low Volatility ETF	7.7%
iShares S&P 500 Financials Sector ETF	7.1%
Federated Hermes Asia ex-Japan Equity	6.8%
FT Clean Edge Smart Grid Infrastructure ETF	6.4%
Assets in top ten holdings	82.6%

Ten largest asset class exposures (%)

North American Equities	26.1%
European Equities	23.8%
Asia Pacific ex Japan Equities	15.5%
UK Equities	12.5%
Japan Equities	10.4%
Emerging Market Equities	5.4%
Other Alternatives	4.4%
Cash	2.0%

Asset Class	Portfolio Views
Fixed Interest	Government bond yields remain attractive by historical standards, particularly in the UK, where elevated yields continue to provide a compelling income profile. While easing energy prices have reduced some inflation concerns, resilient economic activity may limit the scope for significant capital appreciation in the near term. We continue to view corporate bonds less favourably, as credit spreads remain relatively tight.
UK / Europe Equities	We remain particularly constructive on UK equities, supported by attractive valuations, resilient earnings growth and continued shareholder returns through dividends and share buybacks. While higher energy prices resulting from the conflict involving the US, Israel and Iran are likely to weigh more heavily on European economies than the global economy as a whole, we believe much of this risk is already reflected in valuations.
US Equity	We remain broadly positive on US equities, supported by healthy corporate balance sheets and continued earnings growth. However, investors are increasingly scrutinising the substantial capital expenditure commitments of the largest technology companies. We continue to favour a diversified approach.
Japan Equity	Japan is no longer 'cheap' in an absolute sense but remains relatively attractive with good earnings momentum. Corporate reforms continue to improve profitability whilst the recent election may see increased fiscal stimulus.
Asia and Emerging Market Equity	We remain highly constructive on Asia and emerging market equities. Strong earnings momentum, attractive valuations and increasing participation in the global AI infrastructure buildout continue to support the asset class. South Korea and Taiwan have emerged as major beneficiaries of AI-related investment, while broader emerging markets continue to benefit from improving fundamentals and favourable long-term growth trends.
Alternatives	We view alternative investments as valuable diversifiers, particularly as traditional fixed income will face headwinds in a higher inflation environment. We currently favour liquid strategies managed by experienced teams, as well as infrastructure investments that offer some inflation protection.

Outlook

Global growth is expected to moderate during the second half of 2026, but the overall backdrop remains supportive. The disruption to energy markets earlier in the year created a temporary headwind for consumers and businesses, particularly across Europe and parts of Asia. However, with oil prices having retreated significantly from their peak levels and supply concerns easing, investors have increasingly returned their focus to corporate earnings and long-term growth opportunities.

While geopolitical developments remain important, we believe markets have largely moved on from focusing solely on the Middle East conflict.

> *The central investment question has shifted back towards the durability of the AI infrastructure cycle and the broadening earnings growth picture that was already beginning to emerge before the crisis.*

The key issue is no longer whether companies are willing to invest in artificial intelligence, but whether demand from governments, businesses and consumers ultimately justifies the unprecedented levels of capital expenditure currently taking place.

Encouragingly, earnings growth continues to broaden beyond a narrow group of large US technology companies. Some of the strongest earnings revisions globally are now being seen in Asia and emerging markets, particularly among semiconductor manufacturers, memory-chip producers and companies supporting datacentre and infrastructure development. This broadening participation has the potential to create a healthier and more sustainable market environment than one reliant on a handful of market leaders.

Inflation is likely to remain above central bank targets for longer than previously expected, although moderating wage growth and easing energy prices should help contain the risk of a sustained inflationary resurgence. Central banks therefore retain flexibility, but policymakers are likely to remain cautious until there is greater clarity on both inflation and growth.

We remain constructive on the outlook for risk assets. Corporate earnings remain resilient, fiscal spending continues to support economic activity, and the AI investment cycle shows little sign of slowing. While some volatility might be expected, particularly given ongoing geopolitical uncertainty, diversified portfolios remain well positioned to capture opportunities across a broader range of regions, sectors and investment themes.

Thoughts for the quarter ahead...

- Investors will continue to monitor developments in the Middle East and any potential disruption to global energy supplies. While markets have become more comfortable with the current situation, renewed tensions could quickly impact sentiment.
- Attention is increasingly shifting from geopolitics towards corporate earnings. The sustainability of the AI investment cycle and demand for AI-related services will be a major focus for investors.
- The distinction between AI infrastructure spenders and beneficiaries is becoming increasingly important. Markets may continue to favour companies directly benefiting from capital investment over those funding it.
- Inflation remains above target in many developed economies, leaving central banks with limited flexibility to ease policy aggressively in the near term.
- Emerging markets, particularly those exposed to semiconductor manufacturing, technology hardware and critical commodities, continue to benefit from strong structural growth trends.
- Fiscal policy and rising government debt levels remain important long-term considerations, particularly in the US and parts of Europe.

Important information
Chetwood Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Our regulation details are set out in the FCA register: Firm Reference No: 835233 www.fca.org.uk/register. Registered in England and Wales: 11810284. Registered office: St Denys House, 22 East Hill, St. Austell, Cornwall, United Kingdom, PL25 4TR.

This publication is for informational purposes only. The opinions expressed are based on current market conditions and are subject to change. The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security.

Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject Chetwood Investment Management Limited to any registration requirements.

Risk factors should be taken into account and understood including (but not limited to) currency movements, market risk, liquidity risk, concentration risk, inflation risk, performance risk, local market risk and credit risk.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

[1] For the comparative index returns, we have used the total return performances of the following ETF's:

Comparative index	**ETF Name**
UK Equities	ISHARES CORE FTSE 100
US Equities	ISHARES CORE S&P 500
European Equities (ex UK)	ISHARES MSCI EUROPE EX-UK
Emerging Market Equities	ISHARES CORE EM IMI ACC
Japanese Equities	ISHARES CORE MSCI JAPAN
Pacific Equities (ex Japan)	ISHARES CORE MSCI PACIF X-JP
UK Government Bonds (Gilts)	ISHARES CORE UK GILTS
Global Bonds (GBP hedged)	ISHARES CORE GLB AGG GBP-H D
Commodities	ISH DIVERS COMMOD SWAP ETF