

## QUARTERLY REVIEW AND TRADING UPDATE

The first two months of the new year saw a continuation of positive markets across a broad range of assets. Equities, bonds, infrastructure and commodities were all positively impacted by a relatively benign economic outlook, potential for interest rate cuts, and expectations of earnings growth from equity markets.

The Gulf conflict rapidly reversed this during March, largely due to the impact on global energy. Supply side shocks of this nature tend to affect asset classes across the spectrum, and this was the case in March.

Even though this event may ultimately be disinflationary due to the negative impact on growth, in the short term it will increase inflation. Despite higher volatility and uncertainty, equity markets in general have almost behaved better than fixed income, where the impact of higher inflation affects the short end of the curve, even though longer term any downward pressure on growth and therefore interest rates may be a positive.

As the impact on inflation is now, there has been more of an effect on shorter dated fixed income, where most of our position is held. However, with shorter dated bonds, unless an issuer defaults, bonds will still redeem at par, and we therefore see this as a short-term event which supports the attraction and return profile of shorter dated debt over the medium term.

The lurid nature of headlines decrying (yet again) the demise of fixed income as an asset class are of course largely nonsense. The peak to trough fall for the sterling corporate bond index across March was around 3%, leaving the index down by around 1.6% over the quarter. Despite headwinds for shorter dated investments, our positions by and large held up well; for example, Royal London Short Duration Credit, which is one of our key holdings, is actually up 0.6% YTD (to April 12<sup>th</sup>).

Equity markets saw continued drift towards a balanced approach between USA and rest of world, between large and small cap and a move away from quality towards value. Although the Gulf conflict represents something of a short term bump in the road, the repositioning of the portfolios towards these trends, where we have a broadly 50/50 split between USA and RoW equities, and this quarter saw an increase in value and small cap shares within the portfolios, as well as maintaining a good allocation to infrastructure, will we believe drive performance over the medium term.

### Trading Activity

Changes during the quarter included a repositioning of U.S. equity, with USA Quality factor and Premier Miton US Opportunities replaced with USA Value factor and De Lisle American. Vanguard FTSE 250 was also sold, following a good run for the UK market last year and greater emphasis on large cap within the UK equity allocation. Value factor was also increased by adding to the existing holding in M&G Global Dividend, whilst a new position in Vanguard global small cap ETF was initiated. Overall, there three investments were sold out of the portfolio and three new positions added.

## END OF QUARTER ASSET ALLOCATION (%)

MODEL	EQUITY %	DEFENSIVE EQUITY %	REAL ASSETS %	INFRASTRUCTURE %	FIXED INCOME %	CASH %
MPS 01	16.50	10.00	1.00	2.50	68.00	2.00
MPS 02	27.00	15.00	1.50	3.00	51.50	2.00
MPS 03	35.50	17.50	2.00	5.00	38.00	2.00
MPS 04	45.50	17.50	2.00	5.00	28.00	2.00
MPS 05	57.00	17.50	2.00	5.00	16.50	2.00

Increased Allocation, Decreased allocation

### PORTFOLIO PERFORMANCE VS CPI

	Q1 2026 %	6 MONTHS %	1 YEAR %	3 YEARS %	Inception %
<b>MPS 1</b>	-0.39%	1.41%	5.87%	19.62%	44.56%
<b>MPS 2</b>	-0.36%	1.74%	6.77%	20.84%	56.59%
<b>MPS 3</b>	-0.22%	2.12%	7.80%	22.20%	62.08%
<b>MPS 4</b>	-0.34%	2.18%	8.66%	24.01%	67.58%
<b>MPS 5</b>	-0.44%	2.27%	9.33%	25.58%	74.23%
<b>UK Consumer Price Index</b>	0.43%	0.57%	3.01%	9.54%	38.58%

Source: Aubrey Capital/FE Analytics/CPI shows latest data available

### TOP & BOTTOM HOLDINGS BY CONTRIBUTION

	TOP	BOTTOM
<b>MPS 01</b>	BNY Mellon Global Infrastructure	iShares UK Corporate Bond
<b>MPS 02</b>	BNY Mellon Global Infrastructure	iShares S&P 500 ETF
<b>MPS 03</b>	BNY Mellon Global Infrastructure	iShares S&P 500 ETF
<b>MPS 04</b>	BNY Mellon Global Infrastructure	iShares S&P 500 ETF
<b>MPS 05</b>	BNY Mellon Global Infrastructure	iShares S&P 500 ETF

### INVESTMENT OUTLOOK

The outlook across asset classes is largely dependent on whether negotiation will lead to a settlement in the Gulf conflict during April. The quicker a resolution is achieved the lower the longer-term impact may be. However, a short-term increase in inflation as a result of the conflict is likely to put interest rate cuts on hold until later in the year and puts more emphasis on whether earnings growth has survived the impact of the conflict. Areas such as shorter dated corporate debt, Asian equities, value and small cap which have been in some cases hardest hit during March continue to offer the greatest medium-term upside across global assets.

The conflict is likely to accelerate the use of real assets, for example infrastructure, within portfolios and a value and growth barbell, given that AI will most likely to impact the quality side of markets.

*This document has been issued by Aubrey Capital Management Limited which is authorised and regulated in the UK by the Financial Conduct Authority. It has been prepared solely for information purposes for intermediaries, does not in any way constitute advice and is not a solicitation, or an offer to buy or sell any security. The information on which the document is based has been obtained from sources that we believe to be reliable, and in good faith, but we have not independently verified such information and no representation or warranty, express or implied, is made as to their accuracy. All expressions of opinion are subject to change without notice. Please note that the prices of shares and income from them can fall as well as rise and you may not get back the amount originally invested. This can be as a result of market movements and also of variations in the exchange rates between currencies. Past performance is not a guide to future returns and may not be repeated.*

*Aubrey Capital Management Limited accepts no liability or responsibility for any consequential loss of any kind arising out of the use of this document or any part of its contents. The use of this document should not be regarded as a substitute for the exercise by the recipient of her own judgement.*

All data Aubrey Capital/FE Analytics/Bloomberg