

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.

Sustainable equity in general was negatively affected during the quarter by a growing shift towards value equities, with quality underperforming. Position changes during the quarter in the Aubrey Sustainable MPS saw a reduction in quality in favour of sustainable value funds. However, this shift remains an overall headwind, as was the reversal in growth/tech where many sustainable equity funds are strongly positioned. This has been driven by twin concerns over expenditure by hyperscaler's on AI infrastructure, and potential impact of AI on software companies. Clearly there will be winners and losers, but we live in a technologically driven world, and this is likely to be in aggregate a blip rather than wholesale change in advancement and opportunities to invest sustainably in technology companies.

There remains the expectation that the conflict has entered a late stage bargaining phase in which military escalation and diplomacy are no longer opposing dynamics but tools that are shaping leverage and therefore the structure of a potential settlement. Ironically this means as we get closer to a potential settlement there is likely to be military escalation as well.

Trading Activity

Asset allocation changes during the quarter were minimal. February saw three funds, Pictet Global Environmental Opportunities, Liontrust Global Future Global Growth and Lazard Global Sustainable equity, removed due to quality bias/performance concerns. These were replaced with Schroder Global Sustainable Value, BNY Mellon Responsible Global Equity Income and Polar Capital Smart Energy. In late March, Impax Environmental plc was removed following the company issuing a cash tender offer for the entire issued share capital. Allocation was split across other existing holdings within the portfolios.

END OF QUARTER ASSET ALLOCATION (%)

MODEL	EQUITY %	DEFENSIVE EQUITY %	REAL ASSETS %	INFRASTRUCTURE %	FIXED INCOME %	CASH %
SMPS 01	25.00	0.00	0	5.00	48.00	22.00
SMPS 02	40.00	0.00	0.00	5.00	43.00	12.00
SMPS 03	51.00	0.00	0.00	6.00	35.00	8.00
SMPS 04	63.00	0.00	0.00	6.00	25.00	6.00
SMPS 05	74.00	0.00	0.00	6.00	18.00	2.00

Increased Allocation, Decreased allocation

PORTFOLIO PERFORMANCE VS CPI

	Q1 2026 %	6 MONTHS %	1 YEAR %	3 YEARS %	Inception %
SMPS 1	-0.64%	1.54%	6.12%	17.15%	23.57%
SMPS 2	-1.18%	1.16%	6.70%	17.44%	26.27%
SMPS 3	-1.51%	0.95%	7.11%	17.41%	29.08%
SMPS 4	-1.66%	0.96%	7.84%	18.11%	32.69%
SMPS 5	-2.00%	0.75%	8.24%	18.42%	37.07%
UK Consumer Price Index	0.43%	0.57%	3.01%	9.54%	29.12%

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

TOP & BOTTOM HOLDINGS BY CONTRIBUTION

	TOP	BOTTOM
SMPS 01	BNY Global Infrastructure	Aegon Ethical Corporate Bond
SMPS 02	BNY Global Infrastructure	Liontrust Sustainable European Growth
SMPS 03	BNY Global Infrastructure	Nomura Global Sustainable Equity
SMPS 04	BNY Global Infrastructure	Nomura Global Sustainable Equity
SMPS 05	BNY Global Infrastructure	Nomura Global Sustainable Equity

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 is 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