

Sustainable Opportunities Balanced Fund Quarterly Update - Q1 2026

April 2026 - for existing investors only

Sustainable Opportunities Balanced Fund (B-Share) - Q1 2026 - overview

- Over the first quarter of 2026, the Fund declined by -2.57%, compared to the IA Mixed Investment 40%-85% Sector, which returned -1.69%.
- Markets experienced a challenging start to the year, with March proving particularly volatile with a sharp rise in energy prices due to the conflict in the Middle East.
- Since launch (1 March 2010), the Fund has returned +190.79%, ahead of the IA Mixed Investment 40%-85% Sector, which returned +160.61% over the same period.

Fund performance (to 31 March 2026)	3 Months %	1 Year %	5 Year %	Since Launch %
Sustainable Opportunities Balanced Fund - B Acc	-2.57	7.96	14.97	190.79
IA Mixed Investment 40-85% Share Sector	-1.69	11.05	26.96	160.61

Launch Date 01/03/2010. B Accumulation share class performance, inclusive of charges, in GBP with net income reinvested. The performance of other share classes may differ. The share price performance data uses an extended track record based on the Climate Assets Balanced A-Acc (donor share) up until 24 June 2012.

Source: FE fundinfo 31/03/2026. Past performance is not a guide to future performance and future returns are not guaranteed.

Market review

The year began with a setback for global markets following the war in the Middle East. Equity and bond markets both fell modestly over the first quarter. Global equities, as measured by the MSCI AC World Index, declined by 1.4%, while UK government bonds (Gilts) fell by 2.1%.

The clearest impact of the conflict has been in energy markets. The effective closure of the Strait of Hormuz, a key shipping route for around 20% of global oil and gas supplies, has pushed energy prices sharply higher. Brent crude oil rose by around 63% from pre conflict levels, reaching a high of USD120 in early March, before settling into a range of USD100 to USD115. Natural gas prices have also risen strongly, up around 67%.

Comparisons with the energy shock following Russia's invasion of Ukraine in 2022 are understandable. However, today's situation is meaningfully different. While energy prices have risen, the increases are smaller than in 2022, particularly for natural gas. More importantly, the wider economic backdrop has changed. Interest rates are already much higher and closer to neutral levels. The Bank of England (BoE) base rate currently stands at 3.75%, compared with just 0.5% in early 2022. Inflation is also far lower, with UK CPI most recently at 3.0%, versus 6.2% at the start of 2022.

Alongside geopolitics, concerns around artificial intelligence were another notable market theme earlier in the year. In February, several companies across different industries saw share price falls linked to fears about AI disruption. These concerns have since faded into the background but could quickly return if geopolitical tensions ease.

The rise in energy prices has weighed on bond markets, with investors now expecting interest rates to remain higher for longer. Markets currently price the BoE base rate ending the year above 4.25%, a noticeable shift from expectations before the conflict. While inflation concerns have driven this repricing, persistently higher energy prices could also slow economic growth, which would normally support bonds. Historically, central banks have often chosen to look through energy shocks, recognising the need to balance inflation versus growth. They may conclude the need to raise rates to curb higher inflation is roughly offset by the need to lower rates to support growth.

While higher oil prices are typically negative for shares, there have been several past periods when oil prices remained above USD100 per barrel and equities still performed well. The relatively orderly nature of recent market moves suggests investors believe risks could ease quickly if the conflict deescalates.

Fund manager comment

During the first quarter of 2026, the Fund declined by -2.57%, compared to the IA Mixed Investment 40%-85% Sector, which returned -1.69%. The Fund's underperformance was driven by asset allocation, particularly the UK equity underweight.

In the UK, the main detractors were professional services companies Intertek and RELX. Intertek underperformed after reporting organic revenue below consensus, signalling a late year slowdown, and announcing no new share buyback, with capital retained for mergers and acquisitions. With the shares trading at c.35% discount to its 10 year average and well below peers, we see value at current levels, supported by a diverse market exposure and solid dividend yield of 4%. RELX sold off as investors reacted to the launch of a new AI tool by Anthropic aimed at automating legal industry workflows, a market that generates around £900m of revenue for RELX. We think that the market underappreciates that RELX remains well positioned to benefit from AI, supported by its extensive proprietary legal database.

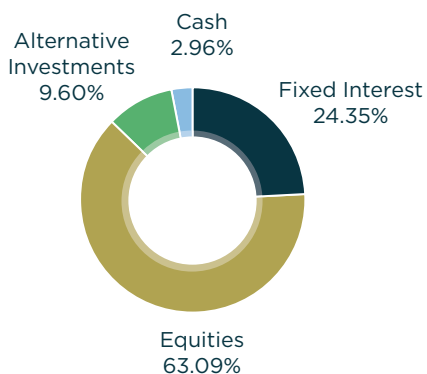
Overseas equity strength was mostly driven by Emerging Markets and Europe. Brazilian water utility SABESP and Dutch semis ASML were the largest contributors to returns. SABESP is benefiting from extreme weather-related spending and a multi-year capex cycle to increase sanitation and water access in the estate of Sao Pablo in Brazil. The company has also successfully implemented several operational efficiencies that have improve its costs. ASML is benefiting from strong AI driven demand and ongoing investment in capacity expansion. Lithography requirements linked to the large scale rollout of data centres are materialising faster than anticipated. SK Hynix, one of the world's largest memory chip producers, announced plans to purchase c. EUR7bn worth of equipment from ASML through 2027 to support mass production of next gen AI memory.

During the period we initiated a new position in London Stock Exchange (United Kingdom) and added to American companies Apple and Visa. We locked in profits by reducing the holdings in Horiba (Japan), Equinix (United Sates), ASML and SABESP.

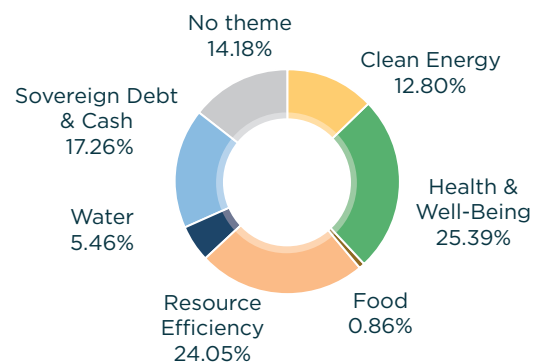
We remain alert to rising risks but continue to see merit in staying invested and diversified. Should volatility ease or fundamentals improve, opportunities may continue to emerge. As ever, maintaining a disciplined investment approach aligned with our long term macro investment themes remains central to navigating the period ahead.

References to specific securities are not recommendations to buy or sell those securities.

Asset allocation



Investment themes



Outlook

Markets have recovered from every major shock in history, including wars, financial crises and pandemics. While periods like this can feel uncomfortable, they are not unusual. In fact, in 15 of the past 25 years, global equity markets have fallen by more than 10% at some point, yet only three of those years ended with losses of that size. Volatility is simply part of investing and the price paid for higher long term returns.

Looking ahead, energy prices and geopolitics will remain important, but earnings expectations are supportive, with global earnings growth forecast at around 15% for 2026, led by technology. With interest rates now closer to neutral, there is no reason to believe this period will be any different from past market recoveries.

The war in Iran has revived debate on energy security and decarbonisation, which means that the regulatory backdrop remains very supportive of green technologies. For instance, the European Commission has published the Industrial Accelerator Act, introducing “Made in Europe” and low carbon requirements. Local content rules will apply across key sectors including steel, cement and net zero technologies.

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