

Sustainable Opportunities Balanced Fund Quarterly Update - Q3 2026

October 2026 - for existing investors only

Fund Objective: The aim of this multi-asset Balanced Fund is to provide capital growth and income, net of fees, over the longer term (rolling 5-year periods) and to support the development of sustainable societies by pursuing five environmental and social investment themes: Clean Energy, Food, Health & Well-Being, Resource Efficiency and Water. The Fund aims to ensure that at least 70% of the Scheme Property is invested in Sustainable Assets (79% as of 30 September 2026). At least 50% of the revenue generating activity of each company must be aligned with one or more of the Sustainable Development Goals (SDGs) for a company to be considered a Sustainable Asset. Sovereign debt instruments are recognised as Sustainable Assets when the issuing country meets certain criteria within the most recent Sustainable Development Solutions Network (SDSN) Sustainable Development Report.

Sustainable Opportunities Balanced Fund (B-Share) - Q3 2026 - overview

- Over the third quarter of 2026, the Fund returned +1.26%, ahead of the IA Mixed Investment 40%-85% Sector, which returned +0.74%.
- Investor confidence was supported by easing concerns over Middle East energy disruption, resilient corporate earnings and continued strength in AI-related technology stocks.
- Since launch (1 March 2010), the Fund has returned +230.20%, outperforming the IA Mixed Investment 40%-85% Sector, which returned +187.39% over the same period.

Fund performance (to 30 September 2026)	3 Months %	1 Year %	3 Year %	5 Year %	Since Launch %
Sustainable Opportunities Balanced Fund - B Acc	1.26	14.30	32.18	20.89	230.20
IA Mixed Investment 40-85% Share Sector	0.74	12.00	39.42	31.67	187.39

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 30/09/2026. Past performance is not a guide to future performance and future returns are not guaranteed. The IA Mixed Investment 40-85% shares peer group is a risk-based peer group that is designed to provide a reflection of the returns an investor can expect for a given risk appetite. It is used for performance comparison purposes only.

Market review

The last three months have seen global stock markets edge higher against a largely negative news backdrop. Rising government bond yields, the ongoing conflict in the Middle East and higher inflation are well-known headwinds for equities, but impressive corporate earnings and resilient economic data seem to be outweighing these risks for now. The MSCI All Country World Index returned 1.5% on the quarter taking the year-to-date (YTD) return to 14.5%, (both returns total and in sterling).

Several factors have driven government bond yields to multi-year highs; the US/Iran conflict and resultant rise in energy prices, growing concerns around the sustainability of current, and future expected, government debt levels and large-scale bond issuance from artificial intelligence (AI) hyperscalers. Significantly higher expectations for central bank interest rates have not helped either.

Although the Middle East conflict pushed Brent crude oil up 34.8% (in US dollar terms) last quarter, stocks showed little sensitivity to this, instead edging higher due to rising earnings and economic resilience. Whilst the macro backdrop has become more challenging for stocks, business performance has been impressive. In Q2 large-cap US stocks posted the fastest earnings growth rate (52%) in five years, more than double the expected figure three months ago (23%). The UK and Europe also beat forecasts with results surprising to the upside.

There was also significant divergence beneath headline equity market returns. US large-cap stocks continued to perform relatively well, supported by technology and AI-related companies, while smaller companies and more interest-rate-sensitive areas of the market struggled as borrowing costs rose. Energy was another notable beneficiary as higher oil prices improved the earnings outlook for the sector.

It is not just at the company level where performance has exceeded expectations, as economic growth at a country level has proven surprisingly resilient. The UK was the fastest-growing G7 economy in the first half of 2026, with GDP growing 0.6% in Q1 and 0.5% in Q2. Globally, economic growth has beaten forecasts, but this is more down to the bar being lowered due to significant expected headwinds rather than surging levels of economic activity.

Looking ahead, investors face a delicate balance. Economic and corporate fundamentals remain supportive, but higher bond yields, persistent inflation and geopolitical uncertainty could create further volatility. The resilience of corporate earnings will therefore remain important, particularly if interest rates stay higher for longer.

Fund manager comment

The Fund delivered a positive return over the quarter and ranked in the second quartile within its peer group, the IA Mixed Investment 40%-85%, outperforming by +0.52%.

The largest regional contributor to returns was North America, while Europe was the largest detractor. Companies providing the technology behind AI systems, including chip designers and cloud services providers, continue to benefit from significant investment in data centres, computing power and supporting infrastructure.

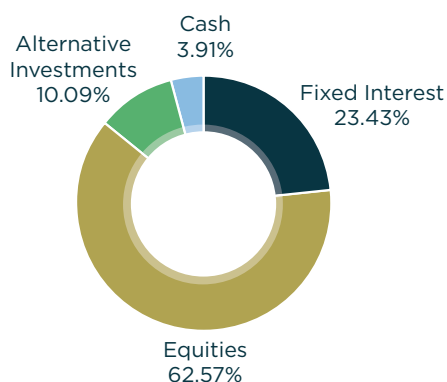
At the holding level, the top three contributors during the quarter were the US companies **Microsoft**, **Thermo Fisher** and **NVIDIA**.

- Microsoft reported strong results, with revenue growing 18% and Microsoft Cloud revenue rising 27%, driven by continued demand for cloud and AI services. Azure's annual revenue surpassed US\$100bn for the first time. Investor confidence was further supported by growing adoption of AI products, including Microsoft 365 Copilot, reinforcing the company's position as a key beneficiary of increasing enterprise investment in AI infrastructure and applications.
- Thermo Fisher performed strongly as improving customer activity across its end markets supported better than expected results. Momentum was particularly encouraging among pharmaceutical and biotechnology customers, while new product launches continued to strengthen the company's offering. Management raised its full-year revenue and earnings guidance, reinforcing confidence in an improving demand environment and the company's ability to continue gaining market share.
- NVIDIA benefited from continued strong demand for AI computing infrastructure, with quarterly revenue more than doubling year-on-year to US\$96.2bn. Data centre revenue was particularly strong, reflecting continued investment by hyperscale cloud providers and other customers in computing capacity. Investor sentiment was further supported by a strong outlook, with the company guiding to US\$108bn of revenue for the following quarter, reinforcing expectations that significant investment in AI infrastructure will continue.

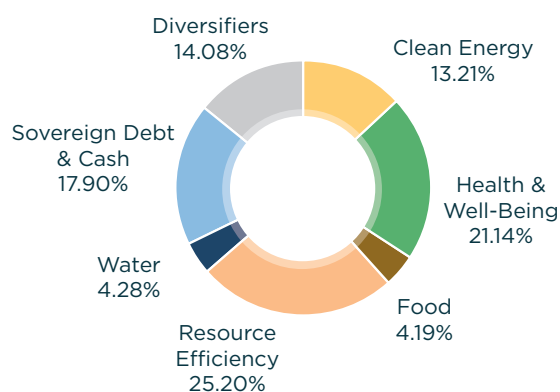
During the quarter, we sold Segro and locked in profits on our holding in Intertek. We reinvested the proceeds in UK companies Spirax and Persimmon. Spirax offers resilient growth, high margins and structural exposure to attractive end markets, including biopharma and semiconductors. We like Persimmon's vertically integrated model and its disciplined approach to land buying.

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

Asset allocation



Investment themes



Source: Ethical Screening and Quilter Cheviot, as at 30 September 2026.

Outlook

While an oil price around US\$100 a barrel is not positive for global economic growth, it is manageable and not especially prohibitive. In the near term, high levels of capex spending and fiscal stimulus are supporting stock markets and economies, but potential risks are posed by the longer-term sustainability of these drivers.

Bonds have fallen this year but the high yield levels on offer do offer some protection against larger losses. With sentiment already weak, even a modest improvement in inflation or fiscal or monetary policy expectations could support a recovery. There is also the expected diversification benefit of fixed income should we get an economic shock. US midterm elections are the main scheduled event for investors in the upcoming quarter, with the UK Budget expected to be more important for financial planning purposes.

We continue to believe that diversification remains the best way to manage risk. Tactical asset allocation and security selection can help navigate high probability smaller risks but high impact, low probability events, or unforeseeable risks, are best managed through multi-asset diversification.

Quilter Cheviot

- Quilter Cheviot Limited has 14 offices across the UK, Jersey and Ireland, and manages over £35.2 billion in assets on behalf of more than 44,000 clients (as at 30 June 2026).



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