

## RELATIVE RISK:



Risk level 1 does not mean risk free, it means the lower risk option for the relative time horizon. For more information, please refer to the risk section on page two of the document.

### HOW YOU'RE DOING:

Markets enjoyed a strong run in late 2025 and early 2026, but equities and bonds fell following the US-led attack on Iran and markets gave back some gains towards the end of the rebalance period.

Until the start of US military action, this had been a very positive period for investors. Japanese markets hit record levels as positive sentiment from corporate governance reforms was amplified by hopes that a big election win for new prime minister Sanae Takaichi will bring further market stimulus. Emerging markets also performed very well as a weaker US dollar and huge AI-driven spending drove a rally in Asia's tech supply chain, especially in Taiwan and Korea.

US equities lagged due to concerns over the scale of investment in AI and the potential for cheap AI-driven services to disrupt many industries. UK equities made big gains as investors favoured value companies and European stocks enjoyed broad gains.

The Federal Reserve cut rates three times in late 2025 but slower economic growth means expectations of further cuts are low in the short term. The Bank of England cut rates more gradually but indications that the UK will slow the pace of gilt sales in 2026 helped support gilt prices. Corporate bonds lagged UK government bonds slightly but the yield premium to gilts remained tight by historical standards amid strong demand for investment-grade bonds.

The portfolio's gains were led by very strong returns from UK and Japanese equities. Broad exposure to emerging markets as well as European and US value stocks also added to performance. Exposure to large US companies, skewed heavily toward mega-cap tech, lagged other equity markets. Investment in corporate and government bonds, as well as absolute return strategies, made positive returns, lifting the portfolio's overall value.

### PERFORMANCE OVERVIEW:

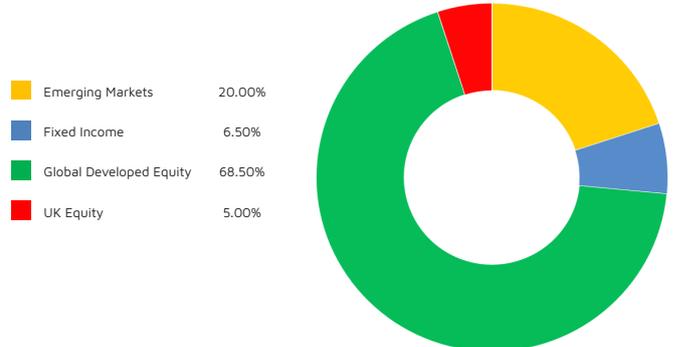


**Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.**

### PORTFOLIO POST REBALANCING:

Name	Weighting
HSBC American Index	20.00%
L&G US Index Trust	9.50%
HSBC European Index	9.00%
Artemis SmartGARP Global Emerging Markets Equity	9.00%
BNY Mellon US Equity Income	5.00%
Invesco Global Emerging Markets (UK)	5.00%
CT Japan	4.00%
Vanguard Japan Stock Index	4.00%
M&G North American Dividend	4.00%
Natixis Harris Associates US Value Equity	4.00%
Vanguard Emerging Markets Stock Index	4.00%
Man Sterling Corporate Bond Fund	3.50%
BlackRock Continental European Income	3.00%
Man Income Fund	3.00%
WS Lightman European	3.00%
Man Japan Core Alpha	3.00%
Capital Group UK - Global High Income Opportunities	3.00%
Pictet Indian Equities	2.00%
Fidelity Index UK	2.00%

### NEW ASSET CLASS BREAKDOWN:

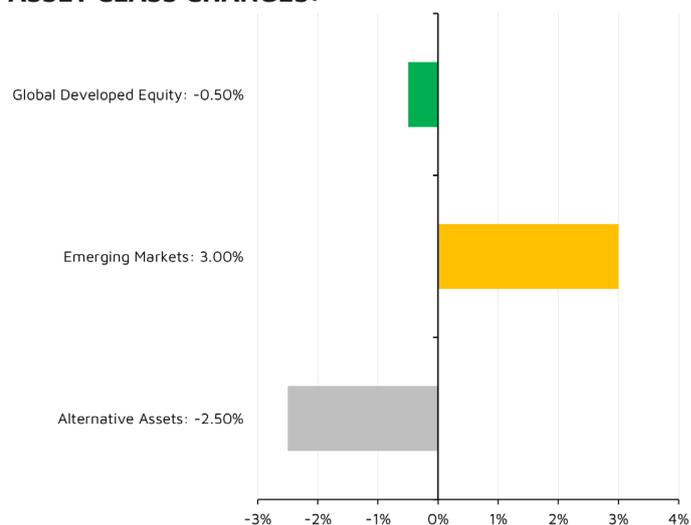


## SUMMARY OF PORTFOLIO CHANGES:

The Federal Reserve cut interest rates by 0.75% in the second half of 2025 and president Trump has nominated a new chair to take the helm in May, so further reductions appear likely later this year if inflation continues to ease. Meanwhile, AI investment is accelerating. The largest cloud computing firms like Amazon, Microsoft and Google have committed over \$600 billion in capital expenditure this year - underscoring the scale of infrastructure required to bring AI into mainstream use. This investment will drive activity in other sectors. The portfolio has been repositioned to take advantage of improving global growth conditions.

Emerging market equities have been increased as company earnings are improving, economic policy in these regions is broadly supportive, and share prices look attractive. We have also added to Japanese equities, where ongoing corporate reform and higher standards of company management continue to create investment opportunities. To fund these additions, we have reduced US equity holdings, not from a negative view of the US, but to achieve a more balanced geographic exposure. Exposure to US equities has been changed as we address the narrow market leadership of high-growth technology stocks by reducing exposure to this sector. Investment in value and quality stocks should diversify exposure while allow the portfolio to benefit from US earnings growth. We have removed our allocation to absolute return strategies to reflect the more positive outlook for equity markets and exposure to corporate bonds has been widened to include a small allocation to high yield and emerging market debt.

## ASSET CLASS CHANGES:



## PORTFOLIO CHANGES

### BUY

▶ L&G US Index Trust	9.50%
Artemis SmartGARP Global Emerging Markets Equity	1.00%
BNY Mellon US Equity Income	1.00%
Invesco Global Emerging Markets (UK)	1.00%
▶ M&G North American Dividend	4.00%
▶ Natixis Harris Associates US Value Equity	4.00%
▶ Vanguard Emerging Markets Stock Index	4.00%
Man Japan Core Alpha	1.00%
▶ Capital Group UK - Global High Income Opportunities	3.00%
▶ Fidelity Index UK	2.00%

### SELL

Man Sterling Corporate Bond Fund	-1.00%
◀ HSBC S&P 500 Equal Weight Equity Index	-20.00%
◀ iShares Emerging Markets Equity Index (UK)	-3.00%
◀ Janus Henderson Absolute Return	-2.50%
◀ Royal London Short Duration Credit	-2.00%
◀ Royal London Sustainable Leaders Trust	-2.00%

## KEY:

- ▶ New fund to the portfolio
- ◀ Sell completely out of fund

If blank add or subtract from existing holding

Weightings refer to portfolio holdings not individual fund holdings

## WHAT IT COSTS:

**Financial Instruments OCF:** 0.43%

**Financial Instruments Transactional Costs:** 0.14%

**Investment Services:** 0.19%

**Total Cost of Investment:** 0.76%

**Change in Portfolio Expense:** 0.04%

The Financial Instruments OCF refers to the underlying costs of managing the funds. Transactional costs refers to additional costs which this does not capture such as trading fees, investment research and foreign exchange fees. It also includes implicit costs that can have an impact on performance but are not charged directly to the end investor. The Investments Services charge is the cost of managing the portfolio. Other charges may apply that cannot be factored into this report, for instance platform charges and adviser charges. **The charges represent the current maximum charges, for the exact charges please refer to the Platform Portfolio Charges Document and Platform Fund Charges Document.**

## FUNDS IN:

### ■ L&G US Index Trust

**Portfolio Holding:** 9.50%    **OCF:** 0.05%    **Transactional Costs:** 0.01%

This fund tracks the FTSE USA Index, which is comprised of the largest companies listed in the US. The fund tracks the index using a method called optimisation, where the fund invests in a selected basket of shares to closely mirror the performance of the index, which means the fund owns all the companies that make up the index. To supplement fund returns and compensate for the trading costs involved with direct ownership of the securities, the fund manager engages in stock lending. This is a common process in long-term investing, where a select third party borrows a limited amount of the passive fund's holdings, in exchange for a fee. Profits from stock lending reduce the effect of management fees and help to minimise overall tracking difference to the index.

### ■ M&G North American Dividend

**Portfolio Holding:** 4.00%    **OCF:** 0.55%    **Transactional Costs:** 0.11%

This fund focuses on a dividend growth strategy rather than dividend yield, where the team believes that investing in companies that grow its dividends can successfully add value in the long run. Dividend and growth investing have often been considered opposite ends of the spectrum, but the team believes that there is a sweet spot in the middle where investors can capture both. The fund has been added to bring exposure to US equities without increasing exposure to high growth technology stocks.

### ■ Natixis Harris Associates US Value Equity

**Portfolio Holding:** 4.00%    **OCF:** 0.51%    **Transactional Costs:** 0.14%

The fund is a high conviction US equity fund which targets companies trading at significant discounts to intrinsic value. It targets companies with strong cash generation, robust balance sheets and long-term recovery potential. The fund typically invests in out of favour large-cap businesses where the team sees a clear path to value realisation and the managers take a long-term view. The fund has been added to bring a better balance to US equity exposure as investment in growth companies is cut back.

## FUNDS OUT:

### ■ HSBC S&P 500 Equal Weight Equity Index

**Previous Holding:** 20.00%    **OCF:** 0.08%    **Transactional Costs:** 0.00%

This UK-domiciled index fund tracks the S&P 500 Equal Weight Thermal Coal Screened Index. The fund incorporates an equal weight index methodology, giving investors exposure to each company in the S&P 500 at approximately 0.2% weight per holding, regardless of market capitalisation. A primary benefit of the fund is its ability to mitigate concentration risks associated with US mega-cap stocks by offering greater diversification. The fund has been removed to ensure we continue to meet the strict liquidity requirements for our portfolios.

### ■ iShares Emerging Markets Equity Index (UK)

**Previous Holding:** 3.00%    **OCF:** 0.20%    **Transactional Costs:** 0.04%

This fund provides passive exposure to emerging markets by tracking the FTSE Emerging Index. It has been chosen due to its low costs and its ability to replicate the index as closely as possible. The fund has been removed as we remove as a stronger dollar, potential US trade tariffs and weaker growth in China have dimmed the outlook for emerging market equities.

### ■ Janus Henderson Absolute Return

**Previous Holding:** 2.50%    **OCF:** 1.08%    **Transactional Costs:** 0.39%

This fund offers an option for investing in equity markets while limiting risk. The managers operate by trying to assess whether a particular stock is too cheap or too expensive and taking a corresponding long (where they think the price will go up) or short (where they think the price will go down) position. They do not make a judgement on the UK economy, concentrating purely on the companies themselves. The fund has a 20 per cent performance fee above the Bank of England base rate, subject to a high water mark. Due to the improved economic situation the fund has been removed from the portfolio as part of a reduction in exposure to absolute return strategies as the portfolio becomes less defensive.

## FUNDS IN:

### ■ Vanguard Emerging Markets Stock Index

**Portfolio Holding:** 4.00%    **OCF:** 0.23%    **Transactional Costs:** 0.10%

This index fund replicates the performance of the MSCI Emerging Markets index by direct ownership of the underlying securities, using a process known as optimisation. This method is especially useful when full ownership is not feasible, such as when the index contains infrequently traded securities, or is too broad in coverage. To supplement fund returns and compensate for the trading costs involved with direct ownership of the securities, the fund manager engages in stock lending. The fund is added as part of the significant increase in exposure to emerging markets.

### ■ Capital Group UK - Global High Income Opportunities

**Portfolio Holding:** 3.00%    **OCF:** 0.67%    **Transactional Costs:** 0.13%

This fund invests in higher-risk global bond markets with the potential for greater return and income generation but heightened volatility. The portfolio is a blend of lower-quality 'high yield' credit (predominantly issued by US companies) and emerging market sovereign bonds, plus a smaller allocation to emerging market corporate bonds. It will adjust the proportionate EM/high yield allocation regularly based on the macroeconomic outlook. However, the key driver of outperformance remains the analysts' assessments of borrowers' financial data at a 'bottom-up' level, critical in these types of market. The EM analysts are specialised by regional coverage to aid broad geographic analysis. The fund has been added to broaden exposure to corporate bonds.

### ■ Fidelity Index UK

**Portfolio Holding:** 2.00%    **OCF:** 0.06%    **Transactional Costs:** 0.02%

This fund provides passive low-cost exposure to UK markets. The fund has been chosen for its exceptionally low charges and its ability to replicate the FTSE All-Share Index extremely accurately. The fund achieves this by holding all the larger shares and a representative selection of the smaller companies; this reduces costs and liquidity risks while not impacting its ability to match the index. The fund has been added to broaden investment in UK equities and complement the existing UK exposure.

## FUNDS OUT:

### ■ Royal London Short Duration Credit

**Previous Holding:** 2.00%    **OCF:** 0.35%    **Transactional Costs:** 0.00%

This fund mainly invests mainly in British government bonds with shorter maturities as they offer reduced interest rate risk. The managers use their internal modelling to identify which bonds are considered under- or over-valued and are therefore buying opportunities. The managers also monitor supply and demand to identify mispricing. The fund can also invest minor portions of the portfolio into high-quality corporate bonds, foreign government bonds and inflation-linked gilts.

### ■ Royal London Sustainable Leaders Trust

**Previous Holding:** 2.00%    **OCF:** 0.76%    **Transactional Costs:** 0.13%

This fund focuses on investing in companies that have strong environmental, social and governance (ESG) qualities and offer potential for growth, as well as being relatively undervalued by the market. The team applies its rigorous, qualitative positive screening to identify companies that are actively seeking out better ways of producing goods and services for the benefit of society. The fund is distinguishable from its ethical peers, who focus predominantly on negative screening, in that the manager goes a step further and screens all 'ethical' companies to isolate those that are actively engaging in sustainable areas as well as those that operate in socially neutral areas, such as alcohol production, but which utilise responsible methods of production. The fund has been removed as we reduce exposure to UK equities.

# About FE Investments

**FE Investments Portfolios:** Our portfolios are a total investment solution designed to help advisers achieve their clients' investment objectives. Our investment team has produced a range of optimised portfolios that aim to maximise overall diversification between fund strategies.

Our approach to portfolio diversification is built on a deep analysis of the relationships between fund strategies. By taking this approach, we aim to find the best possible mix of funds that maximises the overall diversification of the portfolio. This strategy helps to reduce the total risk and allows greater market exposure for the same level of risk. Our portfolios are designed to offer growth and natural income models to cater to different investment objectives.

At FE Investments, we utilise an actuary to create an optimal asset allocation and risk reference that serves as a guide for portfolio construction. This approach allows us to create a portfolio that is designed to meet the specific needs of our clients, while also allowing us to find additional sources of diversification where we can.

We pride ourselves on our approach to portfolio diversification and investment management. Our portfolios are built using an approach developed internally by our investment team, which has been validated by Cass Business School. Our aim is to provide advisers with a range of optimised portfolios that are designed to help their clients achieve their investment objectives.

**FE Investments Approved List:** Our recommended list of funds undergoes initial quantitative screens using proven metrics such as Crown Ratings, Alpha Manager Ratings, and Group Award to remove behavioural biases and improve sell discipline.

The list is then subject to a qualitative overlay from a dedicated team of fund analysts who identify risks not seen in quantitative data, ensuring that every fund on the list is thoroughly vetted. The aim of the FE Investments Approved List is to create a truly diversified list of funds across investment styles, giving investors peace of mind knowing their portfolio is well-positioned for success.

## Awards & Ratings For FE Investments



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