

**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. European and US value stocks also added to performance. Exposure to large US companies, skewed heavily toward mega-cap tech, lagged other equity markets. UK government bonds made a strong contribution, while corporate bonds, absolute return strategies and money market holdings also made positive returns, lifting the portfolio's overall value.

**PERFORMANCE OVERVIEW:**

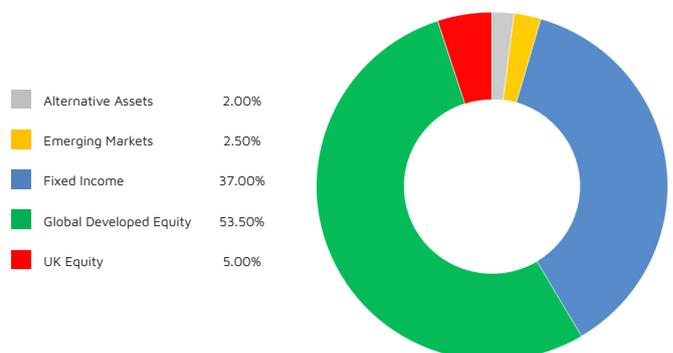


**Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.**

**PORTFOLIO POST REBALANCING:**

Name	Weighting
HSBC American Index	19.00%
Man Sterling Corporate Bond Fund	11.00%
Vanguard Japan Stock Index	8.50%
HSBC European Index	8.00%
Nomura Global Dynamic Bond	6.50%
Royal London Short Duration Credit	6.00%
BNY Mellon US Equity Income	5.00%
Vanguard UK Short-Term Investment Grade Bond Index	4.00%
L&G US Index Trust	4.00%
Royal London Short Duration Gilts	3.50%
iShares UK Gilts All Stocks Index	3.00%
BlackRock Continental European Income	3.00%
Man Income Fund	3.00%
Capital Group UK - Global High Income Opportunities	3.00%
M&G North American Dividend	3.00%
Natixis Harris Associates US Value Equity	3.00%
Vanguard Emerging Markets Stock Index	2.50%
Janus Henderson Absolute Return	2.00%
Fidelity Index UK	2.00%

**NEW ASSET CLASS BREAKDOWN:**

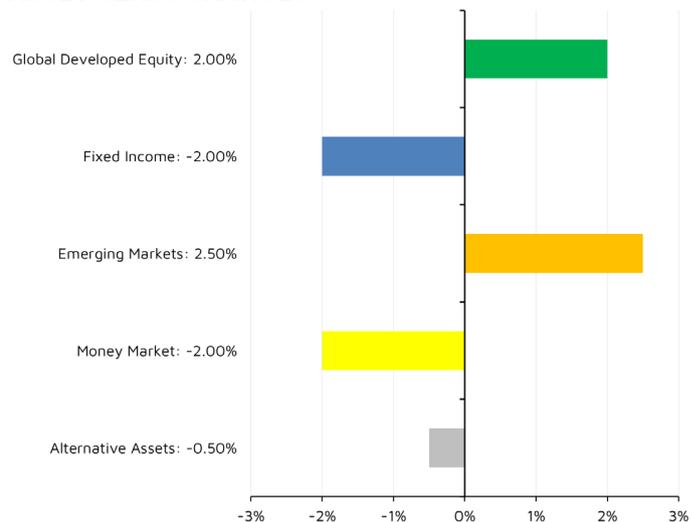


## SUMMARY OF PORTFOLIO CHANGES:

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 introduced, alongside increases to European and Japanese holdings. Together, these reflect stronger confidence in global growth and the range of opportunities available outside the US. Exposure to US equities has been changed to bring a better balance to investments in this market 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. To fund these additions, we have reduced government bonds and absolute return strategies, and removed the allocation to the money market. Within bonds, we have shifted from UK government debt towards corporate bonds, where the income on offer better compensates investors for the risk. Corporate bond exposure has been widened to include a small allocation to high yield and emerging market debt.

## ASSET CLASS CHANGES:



## PORTFOLIO CHANGES

### BUY

HSBC American Index	3.00%
Vanguard Japan Stock Index	1.00%
HSBC European Index	1.00%
Nomura Global Dynamic Bond	1.50%
BNY Mellon US Equity Income	1.00%
▶ L&G US Index Trust	4.00%
Royal London Short Duration Gilts	1.50%
▶ Capital Group UK - Global High Income Opportunities	3.00%
▶ M&G North American Dividend	3.00%
▶ Natixis Harris Associates US Value Equity	3.00%
▶ Vanguard Emerging Markets Stock Index	2.50%
▶ Fidelity Index UK	2.00%

### SELL

Vanguard UK Short-Term Investment Grade Bond Index	-2.00%
iShares UK Gilts All Stocks Index	-6.00%
Janus Henderson Absolute Return	-0.50%
◀ HSBC S&P 500 Equal Weight Equity Index	-12.00%
◀ GQG Partners U.S. Equity	-2.00%
◀ Royal London Short Term Money Market	-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:** 0.35%

**Financial Instruments Transactional Costs:** 0.12%

**Investment Services:** 0.19%

**Total Cost of Investment:** 0.66%

**Change in Portfolio Expense:** 0.00%

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:** 4.00%    **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.

### ■ 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.

### ■ M&G North American Dividend

**Portfolio Holding:** 3.00%    **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.

## FUNDS OUT:

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

**Previous Holding:** 12.00%    **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.

### ■ GQG Partners U.S. Equity

**Previous Holding:** 2.00%    **OCF:** 0.55%    **Transactional Costs:** 2.23%

This fund aims for long-term capital growth by investing in high-quality and attractively-priced companies exhibiting competitive advantages. The fund was included due to the ability of its managers to react quickly to changing conditions. It has since become deeply defensive and has not moved from this position despite underlying condition and so the fund is removed as the portfolio has become less defensive.

### ■ Royal London Short Term Money Market

**Previous Holding:** 2.00%    **OCF:** 0.10%    **Transactional Costs:** 0.00%

Cash is the safest and most defensive asset class available for use in the portfolios. Although the fund will offer little in terms of absolute performance it will provide substantial protection to the portfolio should there be a large market sell-off. It therefore makes it ideal for a portfolio of this risk level and time horizon, and allows higher risk investments elsewhere in the portfolio that over time will drive returns. The fund invests in short-term debt issued by companies with a term of 60 days or less.

## FUNDS IN:

### ■ Natixis Harris Associates US Value Equity

**Portfolio Holding:** 3.00%    **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.

### ■ Vanguard Emerging Markets Stock Index

**Portfolio Holding:** 2.50%    **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.

### ■ 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 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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