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**CHARLES
STANLEY** ▲
Wealth Managers

Tailored Discretionary Managed Portfolios

Q1 2026 Update



Market Commentary – Q1 2026

After a period of rangebound trading, global markets were jolted in March by the US–Israeli attacks on Iran and the fallout across the wider region. Oil prices surged as supply through the Strait of Hormuz was disrupted, and risk aversion rippled through financial markets worldwide.

The severity of the market impact varied sharply by region. The FTSE 100 fell but was supported by heavyweight oil and mining groups that benefit from higher spot prices, while continental indices adopted a more defensive stance. Europe entered March 2026 already grappling with a fragile inflation-growth balance. The continent remains directly exposed to liquified natural gas (LNG) flows from Qatar, which paused production temporarily after Iranian drone strikes on its facilities – further straining an energy market still recovering from the 2022 supply shock.

The US market saw heightened volatility, though the country remains less dependent on imported energy than Asia or Europe. Even so, rising oil prices risk slowing growth, lifting inflation and complicating the Federal Reserve’s timetable for interest rate cuts.

Asia experienced the most acute equity shock due to its heavy reliance on Middle Eastern energy. Japan, one of the world’s largest importers of oil routed through the Strait of Hormuz, saw investors price in a hit to manufacturing margins, consumer spending and energy security. Mainland China proved more insulated than its regional peers. Markets viewed the situation largely through a policy lens: expectations of additional fiscal support from Beijing helped offset energy related concerns. China still faces a dual challenge – dependence on Gulf LNG and increasing supply chain risks if shipping delays worsen – though the country is believed to hold significant oil stockpiles.

The conflict has also become the dominant force shaping global fixed-income markets. Government bond yields have moved sharply, with traders rapidly reassessing the trajectory of central bank policy. UK and European bonds were among the hardest hit.

Nowhere have expectations shifted faster than in the UK, where the war has upended the prior consensus that the Bank of England would continue cutting rates in 2026. Government borrowing costs surged to their highest level since the 2008 financial crisis, with 10-year gilt yields rising above 5% as investors priced in renewed inflation pressure from the oil shock. Markets now predict rate hikes in 2026 though, at Charles Stanley, we do not believe the Bank of England will be able to raise interest rates this year given the fragility of the domestic economy. The UK is uniquely exposed due to its reliance on imported energy and its sensitivity to global commodity driven inflation.

In the US, bond yields have moved sharply higher as traders reconsider the inflationary consequences of the conflict. This marks a significant shift in sentiment. Before hostilities erupted, markets broadly assumed the Federal Reserve would ease policy to support a softening labour market. The inflation shock from rising energy prices has instead revived discussion of tighter policy.

The fourth quarter earnings season delivered a mixed but broadly resilient picture, with companies on both sides of the Atlantic navigating slowing economic momentum, lingering cost pressures and heightened geopolitical uncertainty. Across sectors, revenue growth held up, but margins softened as wage costs and inflation related expenses continued to weigh.

Technology and communications remained standout performers, supported by investment in AI infrastructure and cloud services. Consumer facing companies reported more uneven results as discretionary spending cooled. Industrial and energy groups highlighted the impact of moderating global demand and volatile commodity prices, though many pointed to improving order books heading into 2026. Overall, corporate guidance was cautious but not pessimistic.

Ultimately, market outcomes this year will hinge on developments in the Middle East. The endgame in this geopolitical wildcard remains highly uncertain, and the escalation seen throughout March has materially raised global risk levels.

	TDM 1	TDM 2	TDM 3	TDM 4
Fixed Income	50%	34%	16%	6%
Government Bond	11%	10%	7%	2%
Inflation Linked Bond	7%	3%	3%	2%
Investment Grade Bond	22%	14%	2%	0%
High Yield Bond	5%	5%	2%	2%
Emerging Market Bond	5%	2%	2%	0%
Equity	27%	45%	64%	75%
North America	14%	23%	30%	39%
Japan	3%	4%	5%	4%
Europe	3%	4%	4%	5%
UK	2%	2%	4%	3%
Asia Pacific ex-Japan	4%	7%	12%	14%
Global Emerging Market	1%	3%	6%	6%
Global Equity / Thematics	0%	2%	3%	4%
Alternatives	14%	16%	19%	18%
Property	2%	3%	4%	5%
Absolute Return / Multi Asset	3%	3%	3%	2%
Infrastructure	7%	7%	8%	7%
Commodities	2%	3%	3%	3%
Cash & Equivalent	10%	5%	2%	1%

Portfolio Positioning

Following our annual Strategic Asset Allocation review, we have rebalanced portfolios to reflect updated long-term capital market assumptions and our current investment views.

This year's recalibration includes a modest shift from fixed income to equities, driven by compressed credit spreads and lower forward-looking bond returns. We have introduced Emerging Market Debt as a strategic holding, recognising improved fundamentals and attractive real yields, while reducing investment-grade credit where spreads have tightened considerably.

Within equities, we have increased exposure to North America, reflecting its growing share of global markets, and to Emerging Markets, supported by compelling valuations and stronger return forecasts. Allocations to the UK, Europe, and Japan have been reduced following strong 2025 performance driven primarily by valuation expansion. We have also increased our position in global small-cap equities, which we believe are well-positioned to benefit from broadening economic momentum and attractive valuations.

These changes promote diversification while aligning portfolios with both our five-year strategic framework and near-term market opportunities.

More information regarding these changes can be found in the latest rebalance rationale document.

Figure 1: Rolling Quarterly Performance



Source: Bloomberg, gross performance figures. Past Performance is not a reliable indicator of future returns. As at 31 March 2026.

Tailored Lower: -0.8%; Tailored Medium Low: -0.7%; Tailored Medium High: -1.0%; Tailored Higher: -1.2%

Quarterly Performance

Portfolios delivered mixed returns over the quarter, with lower-risk strategies proving more resilient in challenging market conditions.

Market conditions were exceptionally difficult throughout the quarter, dominated by the outbreak of the US-Iran conflict which disrupted global energy supplies and triggered significant volatility across asset classes.

Equity markets experienced sharp declines, particularly in March, with global stocks recording their worst monthly performance in over 17 years. This weighed heavily on higher-equity portfolios. Markets rallied strongly at quarter-end on optimism that the conflict could be resolved, though this was insufficient to offset earlier losses.

Bond markets faced pressure as central banks adopted a more hawkish stance in response to inflation concerns stemming from the energy shock, with rate hike expectations increasing across major economies.

Despite heightened geopolitical uncertainty and significant volatility, losses in higher-risk strategies remained contained given the severity of the quarter's challenges.

Tailored Discretionary Medium High Risk (DT6)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	20.5	4.3	1.0
Government Bond	8.4	3.3	0.3
Inflation Linked Bond	3.1	3.7	0.1
Investment Grade Bond	4.9	4.6	0.3
High Yield Bond	4.1	7.1	0.3
Emerging Market Bond	0.1	-1.9	0.0
Equity	64.9	19.7	12.6
North America	31.0	16.5	5.1
Japan	7.1	25.1	1.8
Europe	5.1	15.3	0.8
UK	6.4	6.2	0.6
Asia Pacific ex-Japan	8.9	20.7	1.6
Global Emerging Market	6.3	45.7	2.6
Global Equity / Thematics	0.1	0.1	0.0
Alternatives	12.4	12.9	1.6
Property	3.9	10.4	0.4
Absolute Return / Multi Asset	0.1	0.6	0.0
Infrastructure	6.3	13.4	0.8
Commodities	0.1	1.0	0.0
Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	2.1	1.7	0.0

Table 2. Source: Bloomberg, gross performance figures as of 31 March 2026. Figures subject to rounding.

Performance Attribution

Table 2 shows the attribution of the medium-high (DT 6) risk portfolio over the last 12 months.

The medium high risk portfolio delivered a strong return over the past year, driven primarily by robust equity performance across all regions.

Equities were the dominant driver of performance, with gains across all major markets. North America remained the largest contributor due to portfolio positioning, supported by resilient corporate earnings. Global Emerging Markets was the standout performer, reflecting strong economic momentum and market leadership. Japan also posted particularly strong results and added meaningfully to performance. Asia Pacific ex-Japan delivered solid gains, while Europe and the UK contributed positively.

Notable direct equity performance came from Micron (+281%) and Alphabet (+83%) – accounting for 2% of overall portfolio performance – on the back of AI-driven upswings for both.

Fixed income provided a steady contribution, with stabilising bond markets supporting returns. High Yield Bonds led the way within the fixed income allocation, while Investment Grade Bonds, Inflation Linked Bonds, and Government Bonds also contributed positively. Among alternatives, Infrastructure delivered a solid uplift, reflecting its stable income characteristics while Property returns were also positive.

Overall, contributions were broad-based, with equity strength complemented by steady support from fixed income and alternatives.



Performance Attribution – Other Risk Profiles last 12 months

Tailored Discretionary Lower Risk (DT4)	Average Weight (%)	Total Return (%)	Contribution to Return (%)	Tailored Discretionary Medium Low Risk (DT5)	Average Weight (%)	Total Return (%)	Contribution to Return (%)	Tailored Discretionary Higher Risk (DT7)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	51.0	4.3	2.3	Fixed Income	33.8	4.4	1.6	Fixed Income	7.1	4.6	0.4
Government Bond	14.1	3.4	0.5	Government Bond	11.2	3.4	0.4	Government Bond	3.6	3.7	0.2
Inflation Linked Bond	4.6	3.7	0.2	Inflation Linked Bond	2.9	3.7	0.1	Inflation Linked Bond	1.8	3.7	0.1
Investment Grade Bond	26.4	4.4	1.2	Investment Grade Bond	14.7	4.7	0.7	Investment Grade Bond	0.0	0.0	0.0
High Yield Bond	5.7	7.1	0.4	High Yield Bond	4.9	7.1	0.4	High Yield Bond	1.8	7.1	0.1
Emerging Market Bond	0.2	-1.9	-0.1	Emerging Market Bond	0.1	-1.9	0.0	Emerging Market Bond	0.0	0.0	0.0
Equity	29.3	18.0	5.2	Equity	47.4	19.7	9.2	Equity	78.5	20.3	16.0
North America	15.2	16.4	2.6	North America	24.3	16.6	4.2	North America	40.7	16.8	7.2
Japan	4.1	25.1	1.0	Japan	5.1	25.0	1.3	Japan	7.0	25.1	1.8
Europe	3.7	18.3	0.7	Europe	5.1	16.0	0.8	Europe	6.9	17.0	1.3
UK	3.3	7.2	0.3	UK	4.8	6.8	0.6	UK	6.0	7.9	0.8
Asia Pacific ex-Japan	2.1	20.0	0.3	Asia Pacific ex-Japan	4.8	27.1	1.2	Asia Pacific ex-Japan	9.6	18.5	1.5
Global Emerging Market	1.1	42.7	0.4	Global Emerging Market	3.2	42.7	1.2	Global Emerging Market	8.2	45.3	3.5
Global Equity / Thematics	0.0	0.0	0.0	Global Equity / Thematics	0.1	0.1	0.0	Global Equity / Thematics	0.2	0.1	0.0
Alternatives	9.3	13.4	1.2	Alternatives	11.6	13.3	1.5	Alternatives	13.1	13.2	1.7
Property	2.1	10.8	0.2	Property	3.1	10.6	0.3	Property	4.7	11.1	0.6
Absolute Return / Multi Asset	0.2	0.6	0.0	Absolute Return / Multi Asset	0.1	0.6	0.0	Absolute Return / Multi Asset	0.1	0.6	0.0
Infrastructure	5.9	13.4	0.8	Infrastructure	6.5	13.4	0.9	Infrastructure	6.3	13.6	0.8
Commodities	0.1	1.0	0.0	Commodities	0.1	1.0	0.0	Commodities	0.1	1.0	0.0
Private Equity / Debt	0.0	0.0	0.0	Private Equity / Debt	0.0	0.0	0.0	Private Equity / Debt	0.0	0.0	0.0
Cash & Equivalent	10.4	3.8	0.4	Cash & Equivalent	7.3	3.5	0.3	Cash & Equivalent	1.2	0.3	0.0

Source: Bloomberg, gross performance figures as of 31 March 2026. Figures subject to rounding.

Top and Bottom Contributors – 12 months to 31 March 2026

Tailored Lower Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Micron Technology	0.4	281.4	0.6	L&G Pacific Index	0.1	-5.0	-0.1
	iShares Core S&P500	4.1	14.7	0.6	Accenture	0.2	-36.4	-0.1
	L&G US Index	3.8	14.8	0.6	Ninety One EMD	0.3	-1.9	-0.1

Tailored Medium Low Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Micron Technology	0.6	281.4	1.0	Accenture	0.3	-36.4	-0.2
	iShares Core S&P500	6.1	14.7	0.9	Novo Nordisk	0.2	-45.1	-0.1
	L&G US Index	5.2	14.8	0.8	S&P Global	0.4	-17.4	-0.1

Tailored Medium High Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Templeton Emerging Markets	5.2	48.6	2.1	Goldman Sachs India	0.8	-16.3	-0.2
	Micron Technology	0.7	281.4	1.3	Accenture	0.4	-36.4	-0.2
	iShares Core S&P500	8.2	14.7	1.2	Fidelity Asia Pacific ex Japan	0.2	-2.8	-0.2

Tailored Higher Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Templeton Emerging Markets	6.5	48.6	2.8	Goldman Sachs India	1.1	-16.3	-0.3
	Micron Technology	1.0	281.4	1.8	Accenture	0.5	-36.4	-0.2
	iShares Core S&P500	9.4	14.7	1.5	Novo Nordisk	0.4	-45.1	-0.2

Source: Bloomberg, gross performance figures as of 31 March 2026. Figures subject to rounding.



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