CHETWOOD
INVESTMENT MANAGEMENT

INDEX PORTFOLIOS

QUARTER 1 2026 REPORT

Quarter Insights

- Markets were dominated by geopolitical developments, most notably the US-Israel military action against Iran and the subsequent response. The escalation materially increased global uncertainty and weighed heavily on risk assets toward quarter-end.
- Earlier in the period, a US-led operation resulted in the removal of Venezuelan President Maduro, adding to geopolitical volatility.
- Oil prices surged to their highest level since 2022 following the closure of the Strait of Hormuz, fuelling renewed inflation fears and prompting investors to reassess the outlook for interest rates.
- The US Supreme Court ruled against the use of the International Economic Emergency Powers Act to justify the "reciprocal" tariffs announced in 2025. The US administration responded by implementing a flat 10% tariff on all imports.
- UK equities proved relatively resilient. The FTSE 100 passed the 10,000 level for the first time.
- In contrast, US mega-cap technology stocks underperformed as investors questioned the scale, timing, and returns of rapidly rising AI-related capital expenditure.

Market Review

The first quarter of 2026 was eventful for markets. Global equities began the year on a positive footing, supported by economic growth indicators that surprised to the upside and inflation readings that remained moderate. Sentiment, however, deteriorated sharply toward the end of the quarter as geopolitical tensions escalated following a US-Israel military campaign against Iran and the subsequent response. The closure of the Strait of Hormuz, a critical artery for global energy supply, drove a sharp rise in oil prices and weighed on risk assets into March.

Geopolitical risks were elevated throughout the period. Early in the quarter, markets were unsettled by a US-led operation that resulted in the removal of Venezuelan President Maduro, alongside renewed threats from President Trump to impose tariffs on certain European countries over opposition to his Greenland proposals. These tensions eased temporarily following meetings between President Trump and NATO leaders at Davos, where a broad framework for future cooperation was outlined.

Rising energy prices shifted market focus toward inflation risks rather than slowing growth.

> *Equities and bonds sold off globally as investors reassessed the path of monetary policy and unwound several popular pre-conflict trades.*

Risk-sensitive assets weakened, while the US dollar strengthened amid a broader flight to safety.

For a second consecutive quarter, US equities underperformed markets outside the US, extending a trend seen through much of 2025. US technology stocks in particular had a challenging start to the year. Despite strong fourth-quarter earnings, investors increasingly scrutinised whether rising AI-related capital expenditure could deliver sufficient returns and whether new AI capabilities might disrupt the software as a service (SaaS) model. The early quarter rotation away from mega-cap technology supported global value stocks, which rose 3.2%, while growth stocks fell 5.6%.

Emerging markets were supported earlier in the quarter by positive AI sentiment, particularly for the companies that benefit in Taiwan and Korea. Later, risk-off conditions and Asia's high exposure to energy imports weighed on performance. Nevertheless, emerging markets outperformed developed markets, helped by strength in Latin America linked to higher energy prices.

Japanese equities benefited from yen weakness and a decisive election victory for the ruling Liberal Democratic Party, reinforcing expectations for growth-supportive policy. European equities ex UK fell amid higher gas prices and increased geopolitical uncertainty. UK equities proved resilient. The FTSE All Share rose 2.4%, supported by its commodity exposure and a weaker sterling.

In fixed income, government bond markets were volatile as higher energy prices fuelled inflation concerns. UK gilts were among the weakest performers, as the energy shock left the UK particularly vulnerable, given its reliance on natural gas.

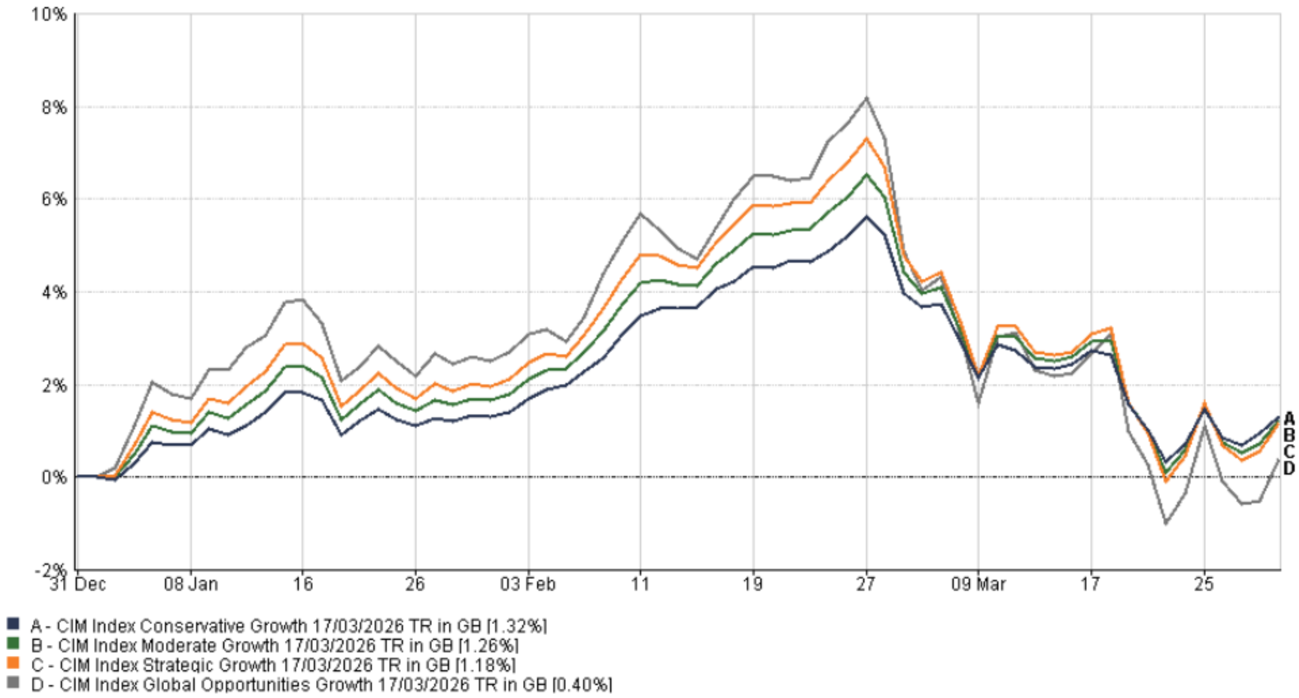
Portfolios performance

Portfolio / Comparator	3 months
CIM Index Conservative Growth Portfolio	1.32%
ARC Sterling Cautious PCI	-0.34%
CIM Index Moderate Growth Portfolio	1.26%
ARC Sterling Balanced Asset PCI	-0.50%
CIM Index Strategic Growth Portfolio	1.18%
ARC Sterling Steady Growth PCI	-0.65%
CIM Index Global Growth Opportunities Portfolio	0.40%
ARC Sterling Equity Risk PCI	-0.91%

Index Returns[1]	3 months
UK Equities	3.41%
UK Government Bonds (Gilts)	-1.87%
All Country World Equities	-1.23%
Pacific Equities (ex Japan)	4.96%
Emerging Market Equities	1.78%
US Equities	-1.54%
UK Headline Inflation	0.43%

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Performance graph



31/12/2025 - 31/03/2026 Data from FE fundinfo2026

Key Funds and Trades over the Quarter

Top 3 Model Funds	3 months
L&G Global Infrastructure Index	10.27% ▲
Amundi Prime Japan	3.28% ▲
Amundi Core UK Equity All Cap ETF	2.84% ▲

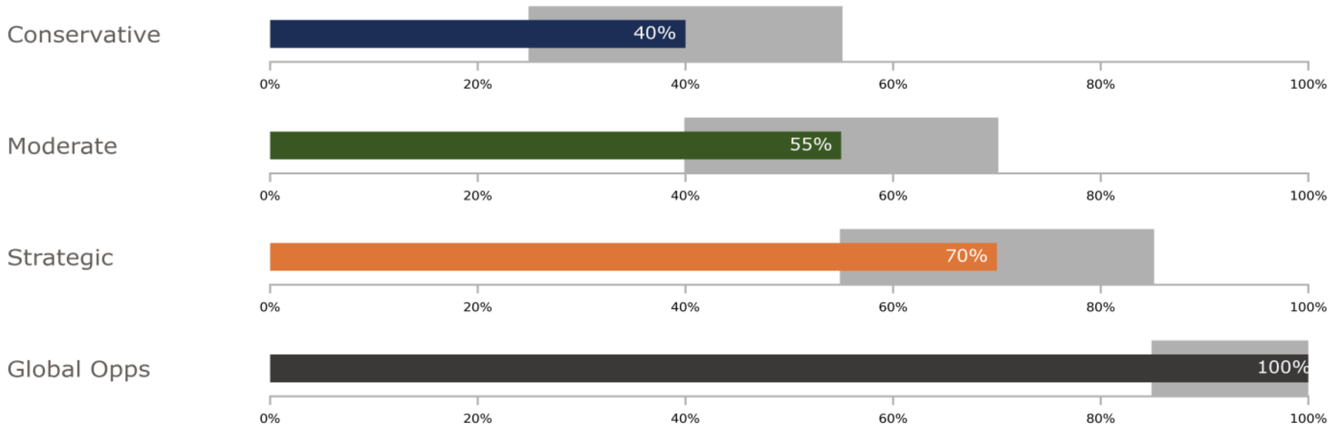
Bottom 3 Model Funds	3 months
HSBC European Index	-2.52% ▼
L&G Global Equity ETF	-1.91% ▼
Vanguard S&P 500 ETF	-1.54% ▼

Source FE Analytics to 31st March 2026

Key fund	Commentary
L&G Global Infrastructure Index	This fund passively tracks the FTSE Global Core Infrastructure Index, giving diversified exposure to assets such as toll roads, utilities, power generation, and real estate, many of which have inflation-linked revenues. The fund gained 10% over the quarter, helped by expectations of rising inflation due to higher energy prices. We continue to believe the holding offers an attractive combination of income, inflation protection and portfolio diversification.
Amundi Core UK Equity All Cap ETF	This passively managed fund tracks the FTSE All-Share Index, which is weighted by market capitalisation and therefore dominated by large UK-listed companies. UK large-cap stocks outperformed mid- and small-cap peers during the quarter, supported by the index's significant exposure to energy and materials. Top holdings such as BP, Shell and Rio Tinto benefited from rising commodity prices, helping UK equities deliver positive relative performance.
HSBC MSCI Emerging Markets ETF	This passively managed ETF provides broad exposure to emerging market equities. The fund delivered a solid return over the quarter, outperforming developed markets during a period of heightened volatility. Emerging markets benefited from higher exposure to energy and materials, more attractive valuations, and relatively resilient domestic growth dynamics. Maintaining exposure to emerging markets helps diversify portfolios during periods when developed market equities, particularly US markets, come under pressure, supporting overall portfolio resilience.
Amundi Global Treasury Bond ETF	This passively managed fund was introduced to the portfolio towards the end of 2025 to provide pure exposure to government bonds, reducing corporate credit risk at a time when credit spreads appeared tight. The allocation proved helpful during the quarter, as widening credit spreads following events in Iran weighed on corporate bonds, while sovereign debt was more resilient and provided effective portfolio diversification.

Asset class review

Equity Exposure



Conservative

Ten largest fund holdings (%)

L&G Global Infrastructure Index	14.0%
Amundi Global Treasury Bond	12.3%
Amundi Core FTSE Actuaries UK Gilts 0-5Y	11.7%
iShares Global Corp Bond UCITS ETF	10.1%
iShares Glb HY Corp Bond Hdged	9.9%
Amundi Core UK Equity All Cap ETF	7.4%
Vanguard S&P 500 UCITS ETF	7.0%
Amundi IS Prime Japan ETF	6.8%
L&G Global Equity ETF	6.6%
HSBC European Index	6.1%
Assets in top ten holdings	91.9%

Ten largest asset class exposures (%)

Government Bonds	24.0%
Other Alternatives	14.0%
North American Equities	11.7%
Corporate Bonds	10.1%
High Yield Bonds	9.9%
UK Equities	7.7%
Japan Equities	7.3%
European Equities	7.1%
Asia Pacific ex Japan Equities	4.7%
Cash	2.0%

Moderate

Ten largest fund holdings (%)

L&G Global Infrastructure Index	12.0%
Amundi Core UK Equity All Cap ETF	10.4%
Vanguard S&P 500 UCITS ETF	9.8%
Amundi IS Prime Japan ETF	9.5%
L&G Global Equity ETF	9.2%
HSBC European Index	8.6%
HSBC MSCI Emerging Markets ETF	8.5%
iShares Global Corp Bond UCITS ETF	8.1%
iShares Glb HY Corp Bond Hdged	7.9%
Amundi Global Treasury Bond	7.2%
Assets in top ten holdings	91.2%

Ten largest asset class exposures (%)

North American Equities	16.3%
Government Bonds	14.0%
Other Alternatives	12.0%
UK Equities	10.8%
Japan Equities	10.2%
European Equities	9.9%
Corporate Bonds	8.1%
High Yield Bonds	7.9%
Asia Pacific ex Japan Equities	6.5%
Emerging Market Equities	2.2%

Asset class review

Strategic

Ten largest fund holdings (%)

Amundi Core UK Equity All Cap ETF	13.0%
Vanguard S&P 500 UCITS ETF	12.3%
Amundi IS Prime Japan ETF	11.9%
L&G Global Equity ETF	11.5%
HSBC European Index	10.7%
HSBC MSCI Emerging Markets ETF	10.7%
L&G Global Infrastructure Index	10.0%
iShares Global Corp Bond UCITS ETF	5.1%
iShares Glb HY Corp Bond Hdged	4.9%
Amundi Global Treasury Bond	4.1%
Assets in top ten holdings	94.2%

Ten largest asset class exposures (%)

North American Equities	20.4%
UK Equities	13.5%
Japan Equities	12.7%
European Equities	12.4%
Other Alternatives	10.0%
Asia Pacific ex Japan Equities	8.2%
Government Bonds	8.0%
Corporate Bonds	5.1%
High Yield Bonds	4.9%
Emerging Market Equities	2.7%

Global Opps

Ten largest fund holdings (%)

Amundi Core UK Equity All Cap ETF	18.1%
Vanguard S&P 500 UCITS ETF	17.2%
Amundi IS Prime Japan ETF	16.7%
L&G Global Equity ETF	16.1%
HSBC European Index	15.0%
HSBC MSCI Emerging Markets ETF	15.0%
Assets in top ten holdings	98.1%

Ten largest asset class exposures (%)

North American Equities	28.6%
UK Equities	18.9%
Japan Equities	17.8%
European Equities	17.4%
Asia Pacific ex Japan Equities	11.4%
Emerging Market Equities	3.8%
Cash	2.0%

Asset Class	Portfolio Views
Fixed Interest	Despite the potential for increasing inflation, we hold a broadly positive view on government bonds due to the relatively high yields and attractive income profile, with a focus on attractively priced UK assets. We deem corporate bonds a little less attractive due to current tight credit spreads.
UK Equities	We remain constructive on UK equities, supported by rising dividends, share buybacks, and increased M&A activity. Despite strong performance in 2025 and the first quarter of 2026, valuations remain relatively attractive, especially for small and mid-sized companies.
US Equity	We are constructive on US equities, supported by resilient economic activity, strong corporate balance sheets, and robust earnings growth. Recent reporting seasons have reinforced the view that US companies continue to deliver solid profit momentum, aided by productivity gains and supportive fiscal conditions.
Japan Equity	Japanese equities remain attractive, although no longer objectively 'cheap' following a period of strong performance. They are supported by pro-growth government policy, corporate reforms, and improving capital efficiency. Significant fiscal stimulus and continued buybacks should support earnings growth.
Asia and Emerging Market Equity	We remain positive on Asia and emerging market equities, supported by attractive valuations and improving fundamentals. While sensitivity to commodity prices and geopolitical risks remains a consideration, exposure to long-term structural themes such as semiconductors and AI infrastructure supports the outlook
Alternatives	We view alternative investments as valuable diversifiers, particularly as traditional fixed income will face headwinds in a higher inflation environment. We currently favour liquid strategies managed by experienced teams, as well as infrastructure investments that offer some inflation protection.

Outlook

Looking ahead to the second quarter, the key development for markets remains the situation in the Middle East and its impact on energy prices. At quarter-end, the Strait of Hormuz remained closed, with negotiations ongoing. Our view is that further progress toward a resolution would likely ease oil prices and reduce inflation pressures, giving the US Federal Reserve and other central banks greater flexibility on interest-rate policy. Conversely, a prolonged disruption would allow higher energy costs to feed more fully into the economy, potentially weighing on consumer spending and business investment while keeping inflation elevated.

The relationship between oil prices, inflation, and central-bank policy was the defining theme of the quarter and remains central to the outlook. Higher energy prices drove a sharp shift in interest-rate expectations, and upcoming US inflation data for April and May will be the first to fully reflect the recent rise in fuel costs. While headline inflation is likely to move back above 3% across developed economies, this would still be modest by the standards of 2022.

Importantly, market indicators suggest longer-term inflation expectations remain well anchored, suggesting limited risk of second-round effects for now.

Market weakness during the quarter has been driven primarily by uncertainty rather than by a deterioration in fundamentals. Corporate earnings expectations remain positive, and profit margins are still healthy. The sell-off has largely reflected positioning and sentiment, with investors reducing exposure to previous market leaders amid heightened volatility. History suggests that geopolitical shocks often follow a similar pattern: an initial decline, a period of stabilisation, and then recovery as uncertainty clears.

While the outlook remains highly uncertain, our base case is for some degree of de-escalation, given the strong political and economic incentives on all sides to limit the duration of the conflict.

> *That said, investors must be prepared for continued volatility.*

Diversification remains critical, particularly against both upside inflation risks and downside growth risks.

Periods like this can be uncomfortable, but they are not unusual in long-term investing. Staying disciplined, diversified, and focused on long-term objectives remains the most effective response to short-term uncertainty.

Thoughts for the quarter ahead...

- Developments in the Middle East will remain the dominant near-term market driver. The duration of disruption to oil supply, particularly via the Strait of Hormuz, will shape inflation and policy outcomes.
- Upcoming US and UK inflation releases will be closely watched, as they will reflect the full impact of higher energy prices and influence interest-rate expectations.
- Markets are also focused on the US Senate vote to ratify Kevin Warsh as the next Federal Reserve Chair. Despite a historically hawkish record, expectations lean toward a more accommodative approach if conditions allow.
- We believe recent market weakness reflects uncertainty and positioning rather than a deterioration in fundamentals, with earnings growth expectations and profit margins remaining broadly supportive.
- We will scrutinise Q1 earnings for evidence that higher energy costs are feeding through to margins, with particular focus on US hyperscalers and returns on AI-related capex.
- Recent performance has reinforced the value of diversification. We remain focused on prudent risk management while selectively positioning portfolios to capture opportunities.

Important information
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Risk factors should be taken into account and understood including (but not limited to) currency movements, market risk, liquidity risk, concentration risk, inflation risk, performance risk, local market risk and credit risk.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

[1] For the comparative index returns, we have used the total return performances of the following ETF's:

Comparative index	**ETF Name**
UK Equities	ISHARES CORE FTSE 100
US Equities	ISHARES CORE S&P 500
European Equities (ex UK)	ISHARES MSCI EUROPE EX-UK
Emerging Market Equities	ISHARES CORE EM IMI ACC
Japanese Equities	ISHARES CORE MSCI JAPAN
Pacific Equities (ex Japan)	ISHARES CORE MSCI PACIF X-JP
UK Government Bonds (Gilts)	ISHARES CORE UK GILTS
Global Bonds (GBP hedged)	ISHARES CORE GLB AGG GBP-H D
Commodities	ISH DIVERS COMMOD SWAP ETF