



VINTAGE
asset management

Investor Insights

Quarterly Report

Spring 2026

Overview

- / Volatility in markets in the quarter
- / Impact from war in Iran and higher oil price
- / Global growth still resilient as reported
- / Rate of inflation variable and interest rates little changed
- / Corporate earnings and activity robust

Markets: the first quarter of 2026 saw considerable volatility in March after a positive start to the year for equity markets; the war in Iran led to revised expectations on the rate of inflation, interest rates and economic growth, depending on the eventual outcome; there was particular weakness in countries vulnerable to disruptions in energy supplies while the US proved more resilient and the US\$ strengthened; fixed interest assets were down, notably in UK gilts; alternative assets struggled aside from commodities, with the price of gold reflecting liquidity issues.

Politics and geopolitics: US and Israeli attacks on Iran became part of wider conflict in the Middle East and the war distracted from that in Ukraine, now in its fifth year, and from China's ambitions over Taiwan; Donald Trump had earlier challenged NATO allies and threatened further tariffs, set at 10% globally, over the territory of Greenland, while in Venezuela the US seized President Maduro; the Liberal Democratic Party of the Japanese prime minister Sanae Takaichi won decisively in a snap election in February.

Economy: the annualised growth in the US economy in the last quarter of 2025 was revised down to 0.7%, with consumer confidence ebbing and a mixed picture in the labour market; in the UK the Office for Budget Responsibility lowered its estimate of GDP growth for 2026 from 1.4% to 1.1% and there was no reported growth in the month of February; the Chinese government said its target rate of growth was 4.5-5% for 2026, the lowest level on record since the early 1990s.

Inflation and interest rates: in the UK the consumer price index (CPI) dropped from 3.4% in December to 3% in the first two months of 2026, when it was 2.4% in the US from 2.7%, while in the eurozone the rate was 1.7% and in Japan down to 1.3%; the US Federal Reserve held rates - the nomination of Kevin Warsh to succeed Jay Powell as its chair in May eased concerns on the political pressure - as did the Bank of England, the European Central Bank and the Bank of Japan.

Profits and earnings: US earnings growth for the last quarter of 2025 was in the order of 12%; the potential impact of Artificial Intelligence led to falls in sectors such as software with a rotation to asset-heavy industries; corporate activity was plentiful.

Outlook

- / Global economic growth dependent on conflict
- / Central banks likely to hold interest rates
- / Strong corporate profits if forecasts vulnerable
- / Considerable political and geopolitical factors
- / Prospects still broadly positive if potential volatility

Economy: the world economy has proved resilient notably in the US, although there has been a marked divergence in America between the well-off and the majority of the population; the duration of the war in Iran as well as any wider conflicts will be key and markets have rallied in the quarter to date on the basis of an agreed ceasefire, if fragile, and the hopes of an end to open hostilities; the oil price has retreated from its highs although the damage to infrastructure will mean that it takes time to restore production in full; the rate of inflation will be higher for now from the rise in energy prices while there will be secondary pressure on food given the costs to producers for fuel and fertiliser; the latest forecast from the International Monetary Fund depend on a view on the conflict – if the oil price stays near US\$100 per barrel in 2026 then the estimate for global growth is 2.5% for 2026 from 3.4% in 2025 and as earlier forecast; many governments are displaying fiscal largesse if facing longer-term issues on debt and demographics, as well now as defence.

Inflation and interest rates: the rate of inflation has risen from the sharp increase in energy costs as well as from other pressures from the Iran war; for example, the Bank of England had expected the rate for the UK to be at 2.1% for the second quarter which it has now revised to 3%; markets have moved from expecting cuts in interest rates in the UK to the risk of rate rises to counter these inflationary pressures, although the Bank's governor has emphasised a careful approach to lessen the pressure on the economy; the US Federal Reserve still expects to cut its interest rate again in 2026, with some continuing political pressure for more; the European Central Bank and the Bank of Japan might yet raise their own rates.

Profits and earnings: company profits have underpinned the rise in equity markets and the forecasts for 2026 anticipated double-digit growth around the world, with a welcome widening away from the technology sector in the US; companies have now needed to adapt to a shift in prices following the challenges of tariffs, so while earnings for the first quarter are expected to be robust in aggregate the focus will be on the commentaries around the outlook – there will likely be downgrades to forward guidance; dividends should continue to be resilient and corporate activity may persist.

Politics and geopolitics: the world is in a complex state with conflict in the Middle East, the continued war in Ukraine, tension over Taiwan and populist political leaders catering to a dislocated demographic; governments will look to establish a greater level of security in energy, defence, technology and wider supply chains.

Prospects: the momentum from 2025 and the first part of 2026 did stop, if briefly; the broadly favourable outlook remains in place if the conflict in Iran is soon over and if company profits prove promising, with liquidity and financial conditions supportive; some further short-term volatility is likely.

Asset Allocation

The quarterly investment committee in April opted to increase equities modestly and to reduce alternatives - the broad diversification and a blend of styles has allowed good absolute and relative returns in spite of the recent volatility in markets; we retain a modest overall exposure to the highly-valued technology sector in the US, although it did perform better in the first quarter while we are now ready to favour a specific approach in Artificial Intelligence; we see positive dynamics in Japan under its new leadership and in Asia as a whole, while appreciating the recent pressures; emerging markets retain reasonable value and we believe that Latin America will see a further benefit from its base in resources; the weighting to fixed interest reflects the attractive level of income with a continued focus on credit quality as well as short duration; we use alternative assets to help to offset volatility in bonds and equities, keeping the tilt to absolute return and to trend-following strategies as well as enhancing our exposure to commodities given their prospects; the return on any cash that we hold in portfolios in money market funds remains attractive and is now likely to be similar with further rate cuts on hold. In a world with revised national security priorities our investment approach has at its core the view that markets are adapting to a structurally higher cost of capital with inflation remaining above central bank targets, so we favour protection against that as well as resilience and diversification as before.

Here is a summary of the asset allocation by mandate, reflecting current portfolio positioning rather than the expected changes, as well as the wider available ranges, which are unchanged.

Mandate		Bonds	Equities	Alternatives	Cash
Cautious	Range	35 - 60%	15 - 35%	10 - 35%	0 - 25%
	Current	40.5%	22%	25%	12.5%
Cautious Balanced	Range	25 - 50%	30 - 50%	10 - 30%	0 - 25%
	Current	33%	37.5%	22%	7.5%
Balanced	Range	15 - 40%	45 - 65%	10 - 30%	0 - 20%
	Current	25%	50%	20%	5%
Balanced Growth	Range	5 - 30%	60 - 80%	5 - 30%	0 - 20%
	Current	15%	65.5%	17%	2.5%
Growth	Range	0 - 20%	70 - 90%	0 - 25%	0 - 20%
	Current	5%	76.5%	16%	2.5%
Equity Growth	Range	0 - 2.5%	80 - 100%	0 - 20%	0 - 20%
	Current	0%	91%	8%	1%

Asset Considerations

Developed markets: the US economy has shown some signs of strain if being helped by its self-sufficiency in energy and by a politically-motivated stimulus ahead of the mid-term elections in November; there is likely to be modest growth in the UK and in Continental Europe, with a potential boost from increased German spending on defence and infrastructure; in Japan the prime minister with a clear parliamentary majority will follow an expansionary approach and it will be one of many countries to increase defence spending; the Australian economy should benefit from a positive commodity cycle if seeing subdued consumer demand.

Emerging markets: in China the domestic economy has been subdued although the strength in exports and the government's fiscal stimulus contributed to a reported rate of growth of 5% in the first quarter, while the technology sector remains interesting as a number of Chinese businesses establish strong global positions; the Indian economy has been vulnerable to energy shocks given a dependence on imports although with a reduced level of US tariffs the IMF still forecasts growth of 6.5% in 2026 and 2027; the technology sectors remain key in South Korea and Taiwan, with a risk from reduced supplies of helium and other key materials; the wider emerging and frontier market universe offers the prospects of attractive growth aside from the Middle East given a drop in energy exports.

Sectors: we retain our exposure through funds to a number of global sectors, which adds selectively to our overall US exposure and which captures promising potential in areas such as technology, including AI, or natural resources; the insurance exposure has proved resilient while smaller companies, in practice mid-sized businesses, await a catalyst to perform.

Alternative assets: funds with an absolute return approach have not always managed to meet expectations and to manage volatility, if still having a role in portfolios; trend-following strategies including managed futures have also shown some volatility if good returns over time; there is scope for a sustained run in the wider commodity sector, after energy's specific strength in March, while a high level of spend should provide a boost to infrastructure; the price of gold will reflect liquidity issues as well as real interest rates and underlying demand.

Fixed interest: fixed interest assets offer attractive yields although they suffered from some short-term capital depreciation in March, aside from inflation-linked bonds; we have favoured quality and short duration, while we remain mindful of the impact from poor practices in the private credit market; we also see potential in emerging market debt.

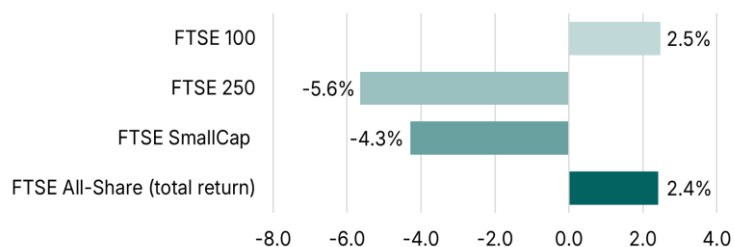
Currencies and cash: the concerns over a variable US policy are likely to contribute to a shift from US assets that will weigh on the US\$, although the currency did perform better in the quarter; we continue to hedge out the risk from currency in fixed interest if not in our equity exposure; the expected returns from cash on deposit and from money market funds remain reasonable for now with interest rate cuts deferred.

Asset Returns

United Kingdom

In the UK the FTSE 100 index was up by 2.5% in the quarter to 10,176 despite a considerable drop in March. The FTSE 250 index of mid-sized companies was down by 5.6% and the FTSE SmallCap index by 4.3%.

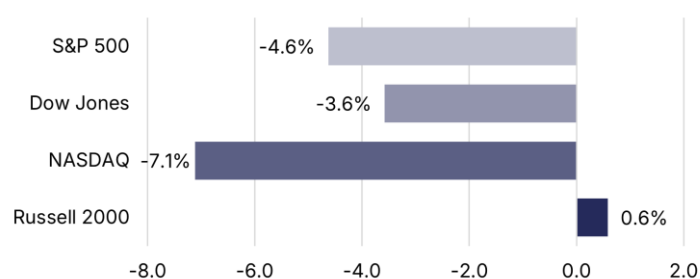
The total return for the FTSE All-Share index including income was 2.4% in the period.



United States

In the US the S&P 500 index was down by 4.6% in the quarter, while an equal-weighted index was up 0.2%. The Dow Jones Industrials index declined 3.6% and the technology-oriented NASDAQ index fell by 7.1%.

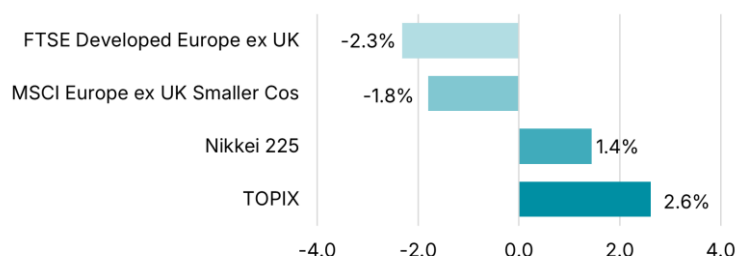
The Russell 2000 index of smaller companies rose by 0.6% in the period.



Europe & Japan

The FTSE Developed Europe ex UK index was down by 2.3% over the quarter which saw negative returns from all major markets. The German market fared worst with a return of -7.4% in the period. The MSCI Europe ex UK Smaller Companies Index was down by 1.8%.

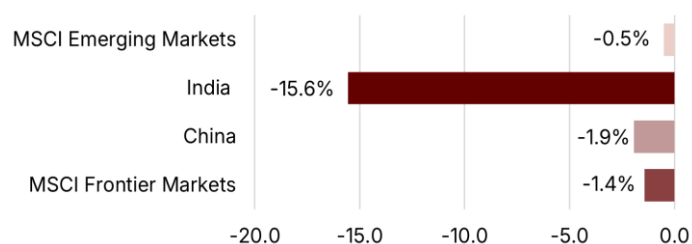
In Japan the Nikkei 225 index rose by 1.4% and the TOPIX index by 2.6% over the quarter.



Emerging Markets

The MSCI Emerging Markets index in US\$ fell by 0.5% in the quarter. The Indian market fell by 15.6%, while the Brazilian and Korean markets saw gains of 16.4% and 19.9% respectively. The Shanghai index lost 1.9% while the Hang Seng index in Hong Kong fell by 3.3%.

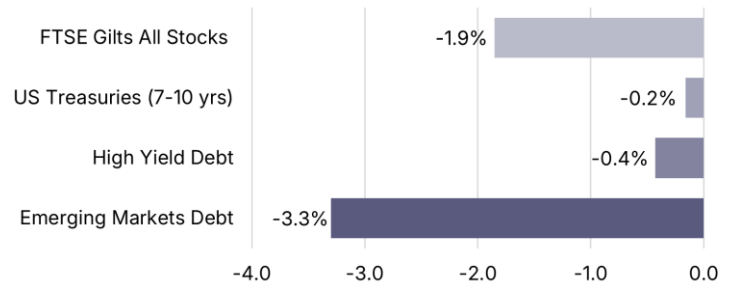
The MSCI Frontier Markets index was 1.4% lower with the Vietnamese market down by 6.2%.



Bond Markets

In bond markets the UK 10-year gilt yield rose sharply from 4.48% to 4.92% and the total return for the FTSE Gilts All Stocks index in the quarter was -1.9%. In Germany the 10-year bund yield moved from 2.86% to 3.00% while the US ten-year yield rose from 4.17% to 4.32%.

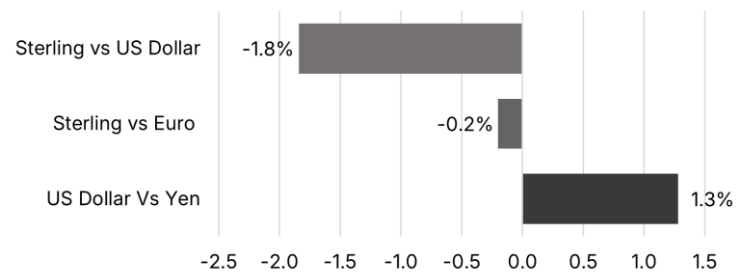
There were negative returns in the major bond markets aside from UK inflation-linked gilts, with emerging market debt doing worst.



Currencies

Sterling weakened against the US\$ by 1.8% over the quarter to a rate of \$1.32:£ and against the euro Sterling was down by 0.2% in the period to end at a rate of €1.14:£.

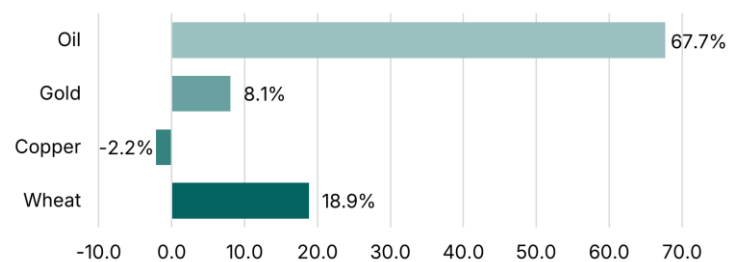
The US\$ was up by 1.3% in the period at ¥159:\$ against the Japanese yen



Commodities

The price of Brent crude oil rose significantly by 67.7% in the quarter to \$102 per barrel. Gold rose by 8.1% to end at \$4668 per troy ounce, if being weaker in March.

The prices of major metals were mixed in the period, with the bellwether copper down by 2.2%, and the main agricultural commodities were mostly higher, with wheat up sharply by 18.9%.



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