

Sarasin Model Portfolios

Quarterly commentary Q1 2026

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Quarter highlights

Uncertainty caused by the war in Iran led to weaker performance across global stock and bond markets.

The Legal & General Global Infrastructure Fund contributed positively to the portfolios' performance.

The Fidelity Index US Fund weighed on the portfolios' performance.

We added a position in the Vanguard Global Small-Cap Index Fund and sold our holding in the Brown Advisory US Mid-Cap Growth Fund.

We see a constructive longer-term backdrop for global equities given trends in positive earnings growth and remain underweight corporate bonds.

Economic review

Tariff disruption and a surge in energy prices following the commencement of the war in Iran negatively affected investor sentiment during the quarter. Investors became increasingly concerned about inflation risks, which led to weaker performance across global stock and bond markets.

The US stock market lagged international peers, in a rotation where many investors switched from expensive US technology companies towards sectors of the market offering better perceived value. Japan was the strongest major equity market overall, while UK equities remained relatively resilient.

Global government bonds were volatile and generally weaker as higher energy prices caused renewed concerns over inflation. UK gilts were the weakest of the major markets, as the UK was seen as particularly exposed to an inflationary shock because of high net imports of energy. The Bank of England struck a cautious tone as a result of leaving interest rates unchanged.

In focus

Brevan Howard Absolute Return Government Bond Fund

We initiated a position in this fund, which seeks to generate uncorrelated returns through active positioning in rates, inflation and currency markets. The fund adopts a highly flexible approach, taking positions across global government bond markets using both cash instruments and derivatives, with no benchmark constraints. In the current environment of elevated macroeconomic volatility, the strategy has benefited from its ability to dynamically express views on interest rate trajectories in the light of central bank policy divergence, while maintaining a strong focus on risk management.

The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested.

Fund review

The Legal & General Global Infrastructure Fund contributed positively to the portfolios' performance. Infrastructure equities performed consistently well given their defensive nature and inflation-linked cashflows. The Fidelity Index Pacific Ex Japan Fund was another positive contributor. The fund has large positions in Australian mining companies, where higher commodity prices were positive, and banks, where higher interest rates supported net interest margins.

In contrast, the Fidelity Index US Fund weighed on the portfolios' performance. This was largely driven by investors' concerns around AI-impacted industries, alongside a rotation into more cyclical international equity markets. The Fidelity Index World Fund also detracted. The underperformance of technology companies with larger market capitalisation weakened the performance of the global index relative to other markets.

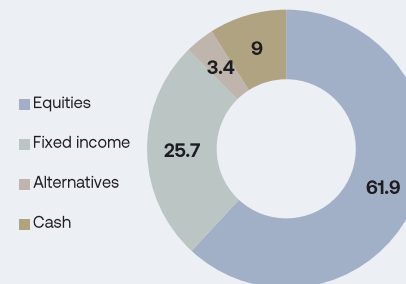
Fund transactions

We added a position in the Vanguard Global Small-Cap Index Fund, which focuses on global smaller companies. We felt that these types of companies offer compelling valuations and improving earnings expectations. We also took a position in the Legal & General Emerging Markets Government Bond Fund. Government debt in emerging market countries offers attractive yields and expectations of longer-term US dollar depreciation make us positive about the asset class.

We sold our holding in the Brown Advisory US Mid-Cap Growth Fund. Its 'quality' investment approach of concentrating on financially stable companies has been out of favour with the market and we sought more cyclical exposure via the Vanguard Global Small-Cap Index Fund. Finally, we sold some of our holding in the Fidelity Index World Fund to reduce the portfolios' exposure to unhedged global equities.

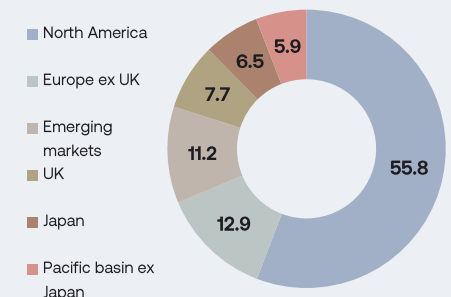
Model Portfolio example

Asset allocation (%)



Asset allocation of Sarasin Balanced Model Portfolio As at 31 March 2026.
Source: Sarasin & Partners

Geographic allocation (%)



Geographic allocation of Sarasin Balanced Model portfolio as at 31 March 2026.
Source: Sarasin & Partners

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Outlook

Although there are hopes of managed de-escalation of the Iran war, there is also strong possibility of a protracted, lower-intensity conflict lasting several months. Global economic growth drivers remain, however their resilience assumes some form of a phased near-term re-opening of oil and gas cargo transit through the Strait of Hormuz. Inflation is likely to increase modestly for most developed economies. Central banks have delayed interest rate cuts while the outcome remains uncertain.

Given the current backdrop in the Middle East, we initially took a neutral weighting in equities compared with our benchmark, with proceeds temporarily invested into cash. However, we have since started redeploying capital by adding progressively back to equity exposure on market weakness. We see a constructive longer-term backdrop for global equities given trends in positive earnings growth, with elevated valuations down to more acceptable levels because of the geopolitical uncertainty.

We have moved from underweight to a neutral position in UK government bonds, as yields increased to attractive levels in the period. We remain underweight corporate bonds as we believe that the asset class does not offer the prospect of sustained levels of returns or diversification compared to its history. Our stance on alternative assets is neutral. This includes gold, where we were able to lock in profits as we reduced our previously long-held overweight position.

About our Model Portfolio service

The Sarasin Model Portfolios are five risk-rated multi-asset model portfolios designed to support long-term real return objectives. Financial advisers who would like to find out more about how the Sarasin Model Portfolios could help your clients, please contact us directly on:

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Key risks

It is important that investors are aware of the various risks prior to making an investment decision. The primary risks of the models have been outlined below:

Capital: The value of your investments can go down as well as up, and you may not get back the full amount you invested.

Market: Investment returns are subject to market conditions. Volatility in financial markets may negatively affect portfolio values.

Concentration: Portfolios that are not well diversified or are concentrated in specific asset classes, sectors or geographies may carry higher risk.

Liquidity: Some investments may be difficult to sell quickly at a fair price, particularly during periods of market stress.

Currency: If your portfolio includes overseas investments, fluctuations in exchange rates may affect the value of your investments.

Credit: Fixed income and other debt instruments carry the risk that issuers may default on their obligations, which could impact the portfolio's value.

Inflation: Inflation may reduce the real value of investment returns over time.

The risk factors outlined above represent key considerations relevant to the model portfolios. This list is not intended to be exhaustive, and advisers should be mindful of additional risk factors that may be relevant depending on client-specific circumstances and prevailing market conditions.

Important information

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Capital at risk. The investments of the Model Portfolios are subject to normal market fluctuations. The value of the investments of the Model Portfolios and any income derived from them can fall as well as rise and investors may not get back the amount they originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

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