Marketing communication

SARASIN & PARTNERS

Sarasin Model Portfolios

Quarterly commentary Q2 2026

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Ben Gilbert
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Quarter highlights

- Investors favoured assets perceived as higher risk over the quarter, despite an uncertain geopolitical backdrop.
- Positive contributors included the Fidelity Index US Fund, which benefited from strong US equities performance.
- UK government bonds generated negative returns as yields moved higher.
- We added to our holdings in the Royal London Short Duration Gilts Fund and the Fidelity Index US Fund, while reducing the Legal & General Emerging Markets Government Bond Fund.
- Global equity market performance has been influenced by easing oil supply concerns and the reception of major stock market listings plans by large technology companies.

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.

Economic review

Investors favoured assets perceived as higher risk over the quarter, despite an uncertain geopolitical backdrop. This shift came as the conflict in the Middle East began to de-escalate, raising expectations that energy supply restrictions would ease. The easing of energy concerns allowed markets to refocus on AI, pushing technology stocks higher. Shares delivered strong gains, with emerging markets faring best, driven by the heavy weighting of semiconductor and IT hardware companies in the index. Japan also performed strongly, supported by a weak currency.

Global bonds saw small gains, with corporate bonds supported by robust company earnings. UK gilts recovered some of the previous quarter's losses, benefiting from softer-than-expected inflation which reduced the likelihood of interest-rate rises.

In focus

TSMC

TSMC delivered another strong quarter of returns for the portfolio, supported by continued evidence that demand for advanced semiconductor manufacturing remains robust. The company reported results ahead of expectations, driven by strength in high-performance computing and artificial intelligence applications, where demand for its leading-edge process technologies continues to outpace supply.

We continue to hold a positive view on TSMC's long-term prospects. The company occupies a unique position within the global semiconductor ecosystem, manufacturing the world's most advanced chips for many of the industry's leading designers.

Fund review

The Fidelity Index US Fund benefited from strong US equities performance, supported by resilient corporate earnings and renewed confidence in the continuity of AI investment trends. The Fidelity Index Emerging Markets Fund also performed positively thanks to continued investment in AI infrastructure. The technology-heavy markets of Taiwan and South Korea led the way.

Conversely, the Royal London Short Duration Gilts Fund weighed on performance. UK government bonds generated negative returns during the quarter as yields moved higher. With the US-Iran conflict having pushed energy prices higher earlier in the quarter, investors became concerned over the inflationary implications, causing bonds to draw down. The Troy Trojan Fund also detracted from performance, producing muted returns over the quarter as its allocation to gold and other capital-preservation assets detracted relative to higher-beta equities, notably in the technology sector.

Fund transactions

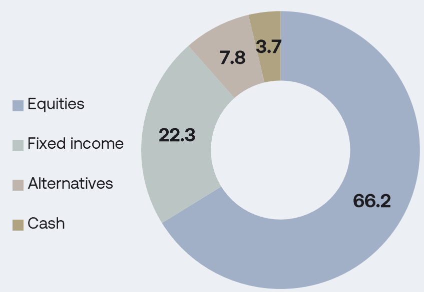
With UK government bond yields near 5% – meaning prices had fallen to historically low levels – we believed they offered good value and added to the position in the Royal London Short Duration Gilts Fund.

We increased our allocation to US equities during the quarter by adding to the holding in the Fidelity Index US Fund. We continue to see good earnings growth from US companies, particularly in AI infrastructure-linked businesses where the US retains a competitive advantage.

We took some profits on holdings in emerging market local government debt by reducing the Legal & General Emerging Markets Government Bond Fund.

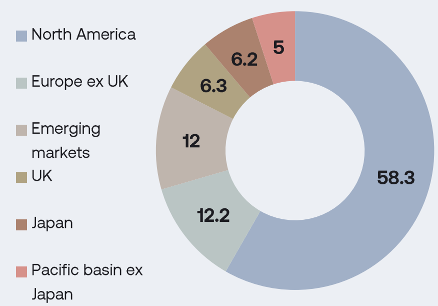
Model Portfolio example

Asset allocation (%)



Asset allocation of Sarasin Balanced Model Portfolio as at 30 June 2026.
Source: Sarasin & Partners

Geographic allocation (%)



Geographic allocation of Sarasin Balanced Model portfolio as at 30 June 2026.
Source: Sarasin & Partners

Sarasin Model Portfolios

Outlook

Global equity market performance has been influenced by easing oil supply concerns and the reception of major stock market listings plans by large technology companies. Investor confidence has shown signs of returning, though we will keep a close eye on events in the Middle East.

The US is experiencing an extraordinary period of capital raising, led by SpaceX's record-breaking IPO (initial public offering), with Anthropic and OpenAI expected to follow, possibly later this year. However, questions remain about the future valuations of these companies and whether markets can absorb the new supply of shares. More broadly, equity markets are being supported by potential long-term AI-linked productivity gains and AI-driven demand for new data centres.

We continue to hold a neutral position in UK government bonds, with higher yields suggesting that markets are starting to price in pressure from government spending. We remain underweight corporate bonds as we believe that the asset class does not currently offer strong returns potential or adequate diversification compared to its history. Our stance on alternative assets is neutral. This includes gold, where we have proactively locked in profits in reducing our long-held overweight position in the period as prices fell.

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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Sarasin Model Portfolios

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.

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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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