

FOR PROFESSIONAL ADVISERS ONLY



Quarterly report for the SVS Cornelian Defensive Fund

1 January 2026 to 31 March 2026

Realising Ambitions. Securing Futures. We are Brooks Macdonald.



Market overview

31 March 2026



Global financial markets were once again rocked by geopolitical events in the first quarter of 2026, as the outbreak of a major military conflict in the Middle East dramatically upended prevailing market narratives in March.

The prospect of sustained disruption to energy markets raised stagflationary fears as oil prices rocketed above \$100 per barrel and the critical Strait of Hormuz shipping route was effectively closed. There was few places to hide as equities bonds and traditional safe havens such as gold all sold off in tandem, reversing what had generally been a positive start to the year for risk assets up to that point.

In sterling terms the MSCI World Index, which tracks 23 of the largest developed equity markets, posted total returns of -1.9% during the quarter, underperforming emerging markets which returned +1.8% (MSCI Emerging Markets Index).

Within developed markets, strong outturns in January and February enabled the UK (MSCI UK), Asia (MSCI AC Asia Ex-Japan) and Japan (MSCI Europe ex UK) to report gains of +2.9%, +0.8% and +3.4% for the quarter overall despite

the sell-off in March. The dominant US market in contrast reported moderate losses (MSCI USA -2.7%) despite proving comparatively resilient in March, while Europe also ended the quarter in the red (MSCI Europea Ex-UK -2.3%).

Fixed income markets exhibited a similar pattern as solid income generation was insufficient to offset the marked-to-market impact of the significant move up in bond yields in March. The move in the UK yield curve was particularly pronounced after the Bank of England guided to tighter monetary policy to contain the impact of the energy price shock on inflation. The Bloomberg Sterling Gilts Index produced a total return of -2.0%, notably underperforming global bond markets (Bloomberg Global Aggregate Index -0.2%%). In credit markets, spreads widened somewhat across both high yield and investment grade bonds.

Commodity markets came sharply into focus in March as investors digested the impact of potential disruptions to the supply of a range of essential commodity-linked products that are transported through the Strait of Hormuz, ranging from oil and gas to aluminium, urea and helium. The UBS Bloomberg Commodity Index rose almost 25% over the quarter.

Performance

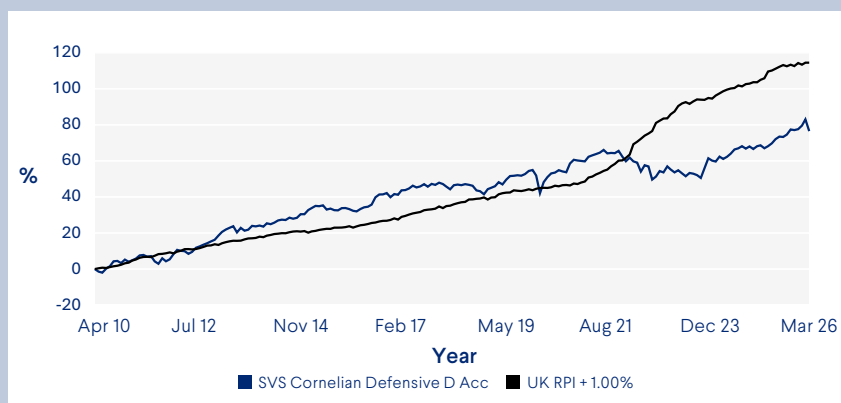
Fund summary

Launch Date	4 May 2010
Fund Size	£22.5 million
Historic Yield	3.07% based on 'D' Income Shares*
Distribution Dates	15 June, 15 December
Investment Association Sector	IA Volatility Managed

*The yield reflects historic distributions declared over the past twelve months.

Cumulative performance (%) to 31 March 2026

	1m	3m	6m	1yr	3yr	5yr	10yr	Since Launch
SVS Cornelian Defensive D Acc	-3.56	-0.61	1.10	5.69	14.90	10.51	32.40	76.51
UK RPI + 1.0%	-	-	-	4.64	15.38	44.94	73.42	116.69



Standardised performance (%) to 31 March 2026

	2026 (YTD)*	2025	2024	2023	2022
SVS Cornelian Defensive D Acc	-0.61	6.61	3.18	5.11	-7.21
UK RPI + 1.0%	-	5.22	4.49	6.21	14.57

Source: Brooks Macdonald and Confluence.

Past performance is not a reliable indicator of future results.

The performance figures are net of fees and are based on the 'D' Accumulation Shares (Platform) which do not incur an initial charge. Retail Price Index (RPI) data is the latest available, normally from a data point at least one month earlier. For example, performance for one year to end April will be shown against the latest RPI information available, i.e. 12 months to end March. The Authorised Corporate Director (ACD) has selected this target benchmark as the ACD believes it best reflects the target of returns above inflation over a five to seven year investment cycle after costs.



Managing risk in the Fund

The SVS Cornelian Defensive Fund is managed within Cornelian risk level A on a risk scale of A to E (A being the lowest and E being the highest risk). The Fund is one of a range of funds designed to achieve their RPI+ objectives whilst being managed below an upper expected risk limit.

This upper expected risk limit is calculated by an independent third party and is based on the historical volatility of asset classes held within the fund. The upper expected volatility limit may change from time to time. The Fund's upper expected volatility is not the same as the actual (or historic) share price volatility.

Risk Management as at 31 March 2026

Cornelian Risk Level	A	B	C	D	E
Upper Expected Volatility Limit (%)	6.30	8.40	10.50	12.60	14.70
Fund Expected Volatility (%)	5.58	6.88	8.35	9.88	11.62

Source: Distribution Technology

	1 year	3 year	5 year	10 year	Since launch on 4 May 2010
Actual Volatility	5.19	4.74	5.20	5.09	4.55
Maximum drawdown	-3.56	-3.56	-9.91	-9.91	-13.20

Source: Morningstar

Past performance is not a reliable indicator of future results.



Portfolio holdings

(as of 31 March 2026)

UK Equity	6.65%
Astrazeneca	0.49%
Shell	0.40%
Cranswick	0.36%
Rio Tinto	0.34%
RELX	0.34%
HSBC	0.31%
Tesco	0.31%
Weir Group	0.30%
Balfour Beatty	0.29%
Lloyds Banking Group	0.28%
CRH	0.27%
Compass	0.26%
Auto Trader	0.25%
Convatec	0.24%
LSE Group	0.18%
Experian	0.17%
Diploma	0.17%
National Grid	0.17%
Cairn Homes	0.16%
Hilton Food Group	0.16%
Legal and General	0.16%
Computacenter	0.15%
Mitie Group	0.15%
Sunbelt Rentals	0.15%
Fevertree Drinks	0.14%

Prudential	0.14%
Intertek	0.12%
Trainline	0.11%
Future	0.08%

International Equity	11.78%
US Equity	4.87%
SPDR S&P 500 (ETF)	1.44%
Vanguard US Equity Index Fund	1.42%
BNY Mellon US Equity Income Fund	1.01%
Findlay Park American Fund	1.00%
Emerging Market Equity	1.97%
JP Morgan Emerging Markets Income Fund	1.00%
Vanguard Emerging Markets Stock Fund	0.98%
Global/Thematic Equity	1.89%
L&G Global Health & Pharmaceutical Index Trust	1.45%
L&G Global Technology Index Trust	0.44%
Japan Equity	1.06%
Pictet Japanese Equity Opportunities Fund	0.54%
Amundi Prime Japan (ETF)	0.52%
Far East (ex Japan) Equity	1.01%
L&G Pacific Index Trust	0.51%
Schroder Asian Total Return Fund	0.50%
Europe (ex UK) Equity	0.98%
Vanguard FTSE Developed Europe ex-UK (ETF)	0.49%
Waverton European Capital Growth Fund	0.48%

Fixed Interest	61.82%
Corporate Bonds/Credit	47.58%
Vanguard UK Investment Grade Bond Index Fund	8.44%
TwentyFour Absolute Return Credit Fund	8.34%
L&G Short Dated Sterling Corporate Bond Index Fund	7.99%
TwentyFour Strategic Income Fund	6.34%
Premier Miton Global Dynamic Credit Fund	6.03%
PIMCO Global Investment Grade Credit Fund	3.94%
Royal London Short Term Fixed Income Enhanced Fund	2.53%
iShares £ Ultrashort Bond (ETF)	1.47%
TwentyFour Income Fund (IT)	1.00%
Invesco AT1 Capital Bond (ETF)	1.00%
Sequoia Economic Infrastructure Income (IT)	0.49%
Government Bonds	7.21%
4.5% UK Treasury Gilt 07/06/2028	2.00%
4.75% UK Treasury Gilt 07/12/2030	1.99%
4.125% UK Treasury Gilt 29/01/2027	1.75%
4.5% UK Treasury Gilt 07/09/2034	1.48%
Index Linked Government Bonds	7.03%
Index-linked Gilt 4.125% 22/07/2030	3.48%
iShares \$ TIPS 0-5 Year GBP Hedged (ETF)	2.53%
2.0% UK Index-Linked Gilt 26/01/2035	1.03%

Other Assets	17.22%
Absolute Return	7.48%
Atlantic House Defined Returns Fund	2.52%
Fulcrum Diversified Core Absolute Return Fund	1.99%
Brevan Howard Absolute Return Government Bond Fund - A	1.50%
BH Macro (IT)	1.47%
Infrastructure	5.94%
International Public Partnerships (IT)	2.51%
HICL Infrastructure (IT)	2.48%
Foresight Environmental Infrastructure (IT)	0.95%
Real Estate	3.79%
LondonMetric Property (REIT)	0.98%
Target Healthcare REIT (REIT)	0.97%
Tritax Big Box (REIT)	0.87%
Supermarket Income REIT (REIT)	0.50%
Primary Health Properties (REIT)	0.48%
Cash	2.53%
GBP Capital Cash	2.53%
Total	100.00%

Source: FactSet. Due to rounding, the figures may not add up to 100%.

Investment performance



The Defensive Fund produced a modest negative total return for the three months to the end of March.

Fixed Income

The Fund's portfolio of fixed interest investments delivered a small negative return as solid income generation was insufficient to fully offset the impact of the sharp move up in yield curves in March. The deliberate orientation towards less interest-rate sensitive shorter tenor lending across UK RPI and US inflation-linked government bonds provided a degree of insulation from the volatility. The best performing investments on the credit side were the Royal London Short Term Fixed Income Enhanced Fund and iShares £ Ultrashort Bond ETFs, which both reported modest positive returns. The direct holdings in UK index-linked gilts (4.125% UK index-linked Gilt 22/07/2030, 2.0% UK Index-Linked Gilt 26/01/2035) and the iShares USD TIPS 0-5 Year GBP Hedged ETF also made positive contributions, benefiting from the rise in inflation-expectations in the wake of the energy price shock in March.

Equities

International equities

The portfolio's international equity holdings delivered a modest negative performance in the first quarter, outperforming the global stock market. Regional and sectoral diversification was beneficial as cheaper valuations and improving fundamentals began to attract investor interest away from the dominant US market, albeit this dynamic partially reversed in March. Outperformance came from a variety of sources. From a regional perspective,

allocations to Asia Pacific ex-Japan, Japan and Emerging Markets reported solid gains, offsetting weaker outturns from the US and Europe.

Looking at underlying fund performance, the most positive contributors were the L&G Pacific Index Trust, Amundi Prime Japan ETF and the JP Morgan Emerging Markets Income Fund. The Impax Environmental Markets, T.Rowe Price US Smaller Companies and Artemis US Select funds also delivered positive returns prior to being sold in March. The SPDR S&P 500 ETF, Vanguard US Equity Index Fund, and the L&G Global Technology Index Trust were the weakest performers.

UK equities

The Fund's portfolio of direct UK equities produced a modest negative return overall, lagging the broader UK stock market somewhat despite solid gains from a number of companies, including Shell, Rio Tinto, National Grid, HSBC, Balfour Beatty, AstraZeneca, and Cranswick. There was also a pleasing contribution from new holding Diploma, which rallied strongly following a positive trading update and upgrades to full year profit guidance. Key detractors included digital media/data business Experian, RELX, Auto Trader, and Future where AI disruption fears weight on investor sentiment, with the latter particularly weak following a downgrade to earnings on lower search engine traffic to its websites. The impact of higher commodity prices and supply chain disruption also lead to weakness in testing company Intertek and building materials provider CRH.



Other Assets

Diversifying assets provided a valuable positive contribution to portfolio returns. Listed infrastructure reported the strongest returns, with Foresight Environmental Infrastructure, International Public Partnerships and HICL Infrastructure all reporting reassuringly robust financial results and/or accretive asset disposals, including the latter which demonstrated the inherent value of its portfolio through the sale of a minority stake in a French toll road at a 22% uplift to carrying value. Absolute return funds also proved resilient, with gains from BH Macro, Fulcrum Diversified Core Absolute Return and the Brevan Howard Absolute Return Government Bond Fund more than offsetting modest losses from the Atlantic House Defined Returns Fund. The allocation to UK real estate investment trusts was the only detractor, with the rise in government bond yields in March weighing on sentiment.

Trading activity

Given the chaotic communication of policy emanating from the US during the first quarter of the year, trading was deliberately kept to a minimum.



Equities

A number of changes were made to the UK equity portfolio during the quarter. New positions were initiated in Fevertree Drinks, National Grid, Diploma and Mitie Group while BP, Smith & Nephew, Rentokil Initial and Smith & Nephew were sold.

The BNY Mellon US Equity Income Fund was added in January. This value-orientated strategy has an exceptional long term track record, underpinned by a disciplined investment process that has been consistently applied by its experienced management team for over 20 years. The Artemis US Select Fund was sold to finance this new investment.

The T.Rowe Price US Smaller Companies and Impax Environmental Markets funds were both sold in March as we sought to reduce economic sensitivity and valuation risk across the portfolios.



Fixed Income

Exposure to short dated gilts was increased in March to lock in attractive yields after the re-pricing of UK interest rate expectations pushed front-end gilt yields markedly above current short term interest rates. The allocation to US TIPS ('treasury inflation-protected securities'), which we believe provide attractively priced insurance should higher energy prices push inflation and bond yields higher, was also increased.

The Premier Miton Global Dynamic Credit Fund was added in March. This is a flexible credit strategy managed by the experienced fixed income team at Premier Miton led by Lloyd Harris. Lloyds and his team have an exceptional long term track record of disciplined underwriting and effective management of credit and interest rate risk through the cycle. The Bailie Gifford Strategic Bond Fund was sold.



Other Assets

There were no absolute purchases or sales during the period.



Market outlook

In a similar pattern to 2025, where investor complacency received a rude awakening with ‘Liberation Day’, the prevailing market narratives that drove markets higher in the first two months of 2026 were upended once again when Trump and Netanyahu unleashed “Operation Epic Fury” on the Iranian regime. Markets responded immediately. Interest rate expectation swung wildly from rate cuts to rate hikes, equities fell, and even traditional defensive assets like government bonds and gold fell too, as the spectre of stagflation loomed. There were very few places to hide.

So, are markets strong enough to brush this latest shock off as they did with Trump’s tariffs last year, or should we be more concerned?

It is dangerous to write in too specific terms about the Middle East conflict that, at the time of writing, has entered its 6th week, given that the President of the United States posts such mixed messages on a day-to-day basis. Indeed, we occupy a world where two conflicting perspectives appear to be true at the same time. Iran’s military has been obliterated, yet attacks on neighbouring Gulf states continue daily. The war was “won” weeks ago, yet the Strait of Hormuz remains closed to most tankers.

Whilst there is a lot that can be said about this war, the crucial point for markets is the choke point – the Strait of Hormuz, and the impact its closure has on the global economy. Around 20% of global oil consumption, 20% of global Liquefied Natural Gas (LNG) exports and 25% of global fertiliser exports pass through the Strait on a daily basis. Whilst some transits are now taking place, the numbers remain very low relative to pre-war levels. Some mitigation has taken place, such as the utilisation of alternative routes and the release of strategic reserves, but these aren’t large enough to fully offset the deficit. It has been alarming to say the least, how easily Iran has been able to take full control of this strategically vital waterway and a reminder to us all that the global status-quo is often more fragile than we would like to assume.

Despite the agreement of a two-week ceasefire, uncertainty remains, and the range of potential outcomes high. If the war comes to an orderly end, we could see interest rate cuts simply delayed rather than postponed indefinitely. The impact of inflation on global growth could be short lived, and in such a scenario it’s likely the markets would look through a soft batch of economic data. This would be the best-case scenario from here and with it, markets could revert to their pre-Iran bullishness. But there are many other possibilities,

including that the war becomes more endemic or drawn out. We should not forget that Russia's invasion of Ukraine was more than 4 years ago, intended initially by Putin to be a quick smash & grab, not the war of attrition he has ended up in. If the reduced levels of traffic through the Strait of Hormuz persist, and sporadic damage to energy infrastructure around the Gulf continues, then inflation is likely to remain elevated globally, transmitted through higher food, transport, energy and materials prices. In this scenario, poorer countries will be hardest hit, but wealthy nations will also feel the pinch, particularly at a time when services inflation remains sticky, and wage growth and job openings are slowing.

Moving away from Iran, it has been interesting to see the muscle memory of investors who continue to see the US equity market as a form of safe haven. The US has been resilient through this crisis. However, we'd make some observations. Despite being energy independent and therefore not at risk of running out of oil, prices have still spiked higher, so US consumers are not immune. Average pump prices in the US exceeded \$4 per gallon in March, more than \$1 higher than its pre-war level. Meanwhile, the cost of the war effort to the public purse is estimated to be around \$500m per day according to an FT investigation. This is

at a time when government spending is already high, and Trump's new source of tax revenue – 'beautiful' tariffs – have been ruled illegal by the Supreme Court. One wonders if Trump's erratic methods, isolationist foreign policy, and unfettered spending will eventually lead to a loss of confidence from international investors in the "buy America" consensus.

With the flare-up in the Middle East, investors have had a temporary reprieve from news flow on all things related to AI (Artificial Intelligence). This technology, whether you believe it to be utterly game-changing, or simply a disappointing hype-cycle, has far-reaching implications for companies and investors. From the scale of the financing, energy, raw materials and human capital needed to build and maintain huge data centres, to understanding the risk of disruption to existing jobs and businesses – its' impact is being felt right across global markets. The recent underperformance of the dominant US mega-cap tech companies is notable and is in-part driven by an acknowledgement of the hundreds of billions of dollars being spent by them in the AI arms race with limited visibility of what return will be generated. This capital cycle does appear well underpinned for now, providing beneficial for a wide range of companies supplying the hardware



and infrastructure for the build out of the data centres. The market is also trying to second guess which companies will be negatively impacted by new AI tools and as a result, many companies previously deemed as high quality with defensible earnings have sold off due to the perceived risk of disruption. There may well be very real risk to some existing business models, but it also presents opportunities to active investment managers as so often the baby is also thrown out with the bath water.

For us, these changing themes and shifting geopolitics don't change how we invest. We have actively managed the risk in our funds through the first quarter, and we remain vigilant to both threats and opportunities, managing the funds accordingly using our unconstrained approach which we believe is needed now more than

ever. Bond yields are attractive, but corporate bond spreads remain at historically tight levels. Company fundamentals remain strong, but on the whole are no longer cheap. Investors should be selective and thoughtful, rather than just buy and hold. Geopolitical risk is high and the risk of stagflation has returned but we remain excited about our holdings, happy with the overall balance in our funds, and therefore cautiously optimistic that we will be able to navigate 2026 successfully for our investors.

Past performance is not a reliable indicator of future results.



David Appleton

Senior Investment Director



Contact us

Let's realise ambitions and secure futures together.



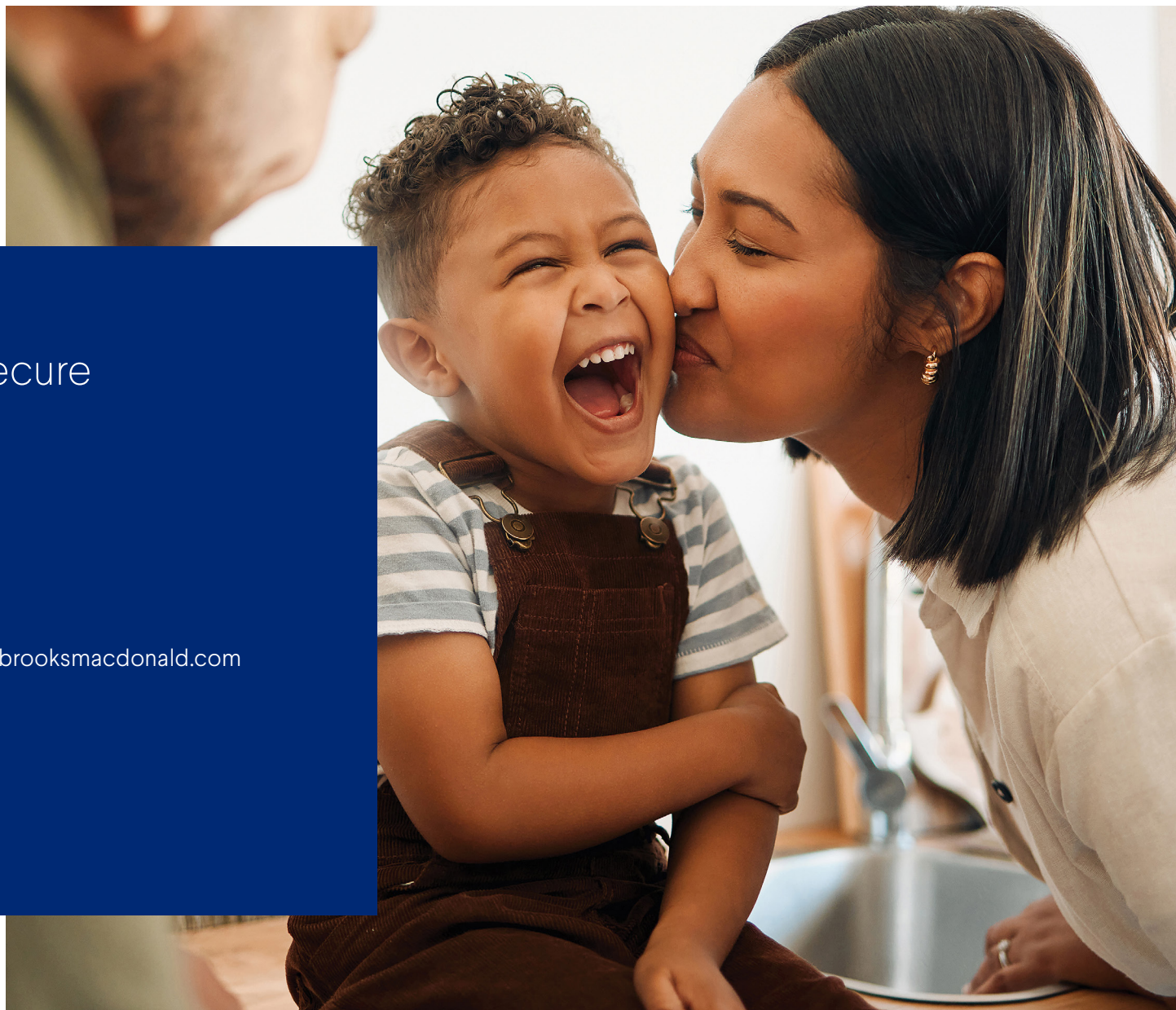
Phone
020 7499 6424



Email
businessdevelopmentsupport@brooksmacdonald.com



Website
www.brooksmacdonald.com



Important information

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