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BROOKS MACDONALD

Quarterly report for the SVS Cornelian Managed Income Fund

1 July 2026 to 30 September 2026

Realising Ambitions. Securing Futures. We are Brooks Macdonald.



Market overview

30 September 2026



Geopolitics and technology continued to dominate financial markets in the second quarter.

Global equities staged a powerful recovery as the conflict in the Middle East began to de-escalate and energy prices fell sharply on the expectations that the Strait of Hormuz would finally re-open. Investor enthusiasm for exposure to the artificial intelligence ("AI") investment theme was also reignited, as a slew of positive earnings announcements and increased capital expenditure commitments to support the build-out of AI infrastructure propelled share prices higher.

In sterling terms the MSCI World Index, which tracks 23 of the largest developed equity markets, posted creditable total returns of +13.0%, albeit this was overshadowed by the extraordinary 23.3% gains of the MSCI Emerging Markets Index. This landmark performance, the largest quarterly advance since the second quarter of 2009, was the result of rapacious investor appetite for Asian semiconductor and IT hardware companies that provide the "picks and shovels" for the AI boom and increasingly dominate the regional benchmarks.

Fixed income markets struggled for a clear direction amid the equity market euphoria as investors evaluated the impact of energy price volatility, above target inflation data and evolving signalling from central banks on the outlook for interest rates. The Bloomberg Sterling Gilts Index produced a total return of +2.1%, outperforming global bond markets (Bloomberg Global Aggregate Index +1.3%).

Commodity markets suffered a difficult quarter as energy and gold prices went sharply into reverse as geopolitical risks faded. The UBS Bloomberg Commodity Index fell over 8% over the quarter in Sterling terms.

Performance

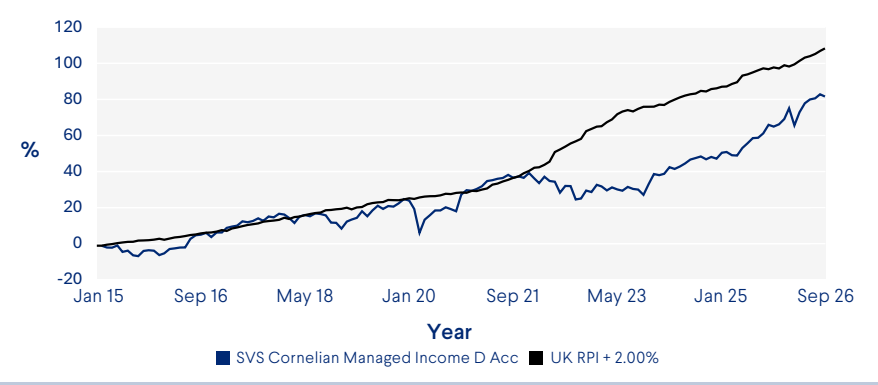
Fund summary

Launch Date	20 March 2015
Fund Size	£36.5 million
Historic Yield	3.43% based on 'D' Income Shares*
Distribution Dates	15 March, 15 June, 15 September, 15 December
Investment Association Sector	IA Volatility Managed

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

Cumulative performance (%) to 30 September 2026

	1m	3m	6m	1yr	3yr	5yr	10yr	Since Launch
SVS Cornelian Managed Income D Acc	-0.77	0.68	9.28	12.23	38.55	32.06	70.66	80.90
UK RPI + 2.0%	-	-	-	5.48	18.80	51.42	94.36	107.39



Standardised performance (%) to 30 September 2026

	2026 (YTD)*	2025	2024	2023	2022
SVS Cornelian Managed Income D Acc	8.90	12.69	6.03	7.58	-7.43
UK RPI + 2.0%	-	6.26	5.53	7.26	15.71

**Year to Date. 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. 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 strategy inception date denotes the formal commencement of the current investment strategy, including its defined objectives and benchmark. 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 Managed Income Fund is managed within Cornelian risk level C 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 30 September 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 (%)	5.66	6.93	8.44	10.11	11.97

Source: Distribution Technology

	1 year	3 year	5 year	10 year	Since launch on 4 May 2010
Actual volatility (%)	8.8	6.7	7.3	8.0	7.3
Maximum drawdown (%)	-5.3	-5.3	-10.3	-14.6	-21.7

Source: Morningstar



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Portfolio holdings

(as of 30 September 2026)

UK Equity	19.58%
Tesco	1.18%
Lloyds Banking Group	1.17%
Legal and General	1.10%
Balfour Beatty	1.09%
Shell	1.09%
HSBC	1.09%
National Grid	1.03%
Rio Tinto	1.03%
Astrazeneca	0.99%
Weir Group	0.62%
Mitie Group	0.62%
Diploma	0.62%
Cairn Homes	0.61%
Convatec	0.60%
Intertek	0.60%
Hilton Food Group	0.58%
Auto Trader	0.58%
Fevertree Drinks	0.58%
Computacenter	0.54%
Standard Life	0.53%
Experian	0.53%
RELX	0.52%
Compass	0.50%
LSE Group	0.47%
Cranswick	0.47%
Prudential	0.44%
CRH	0.41%
International Equity	**27.02%**
US Equity	**12.42%**
Schroder US Equity Income Maximiser Fund	5.46%
Vanguard US Equity Index Fund	3.98%
BNY Mellon US Equity Income Fund	2.98%
Emerging Market Equity	**3.96%**
JP Morgan Emerging Markets Income Fund	2.95%
Vanguard Emerging Markets Stock Fund	1.01%
Europe (ex UK) Equity	**3.85%**
Vanguard FTSE Developed Europe ex-UK (ETF)	1.94%
Guinness European Equity Income Fund	1.90%
Far East (ex Japan) Equity	**3.78%**
Schroder Asian Income Fund	2.04%
CIM Dividend Income Fund	1.73%
Japan Equity	**3.02%**
Chikara Japan Income & Growth Fund	2.01%
Amundi Prime Japan (ETF)	1.00%

Fixed Interest	37.10%
Corporate Bonds/Credit	**33.19%**
TwentyFour Strategic Income Fund	7.40%
TwentyFour Absolute Return Credit Fund	4.96%
L&G Short Dated Sterling Corporate Bond Index Fund	4.51%
Premier Miton Global Dynamic Credit Fund	4.49%
PIMCO Global Investment Grade Credit Fund	4.35%
Vanguard UK Investment Grade Bond Index Fund	2.99%
TwentyFour Income Fund (IT)	1.49%
Sequoia Economic Infrastructure Income (IT)	1.06%
iShares £ Ultrashort Bond (ETF)	0.99%
Invesco AT1 Capital Bond (ETF)	0.95%
Index Linked Government Bonds	**2.96%**
iShares $ TIPS 0-5 Year GBP Hedged (ETF)	1.97%
Index-linked Gilt 4.125% 22/07/2030	0.98%
Government Bonds	**0.95%**
4.75% UK Treasury Gilt 07/12/2030	0.95%

Other Assets	13.78%
Infrastructure	**6.07%**
International Public Partnerships (IT)	2.55%
HICL Infrastructure (IT)	2.52%
Foresight Environmental Infrastructure (IT)	1.00%
Real Estate	**5.69%**
LondonMetric Property (REIT)	1.30%
Tritax Big Box (REIT)	1.16%
Target Healthcare REIT (REIT)	1.04%
Supermarket Income REIT (REIT)	0.96%
Primary Health Properties (REIT)	0.73%
AEW UK REIT (REIT)	0.49%
Absolute Return	**2.02%**
WisdomTree Defined Returns Fund	2.02%

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 SVS Cornelian Managed Income Fund produced a positive total return for the three months to the end of September.

Fixed Income

The Fund's portfolio of fixed interest investments delivered a negative return during a highly volatile period for global bond markets. Income generation was insufficient to fully offset the negative impact on asset prices of the significant upward shift in yield curves as investors priced-in higher short term interest rates and demanded additional compensation for term lending amid elevated geopolitical uncertainty and rising supply of both government and corporate bonds.

Short duration investments such as the iShares GBP Ultrashort Bond ETF and the L&G Short Dated Sterling Corporate Bond Index Fund and high yielding specialist investment trusts TwentyFour Income Fund and Sequoia Economic Infrastructure Income provided a degree of resilience, while global credit strategies (PIMCO Global Investment Grade Credit, TwentyFour Strategic Income) suffered the most from the rise in global bond yields.

Equities

International equities

The international equity allocation reported a positive quarter despite the ructions in bond markets. The best performing regions were the US, Japan, Emerging Markets and Asia ex-Japan while Europe was the principal laggard.

Looking at underlying fund performance, the strongest contributors were the Amundi Prime Japan ETF, Chikara Japan Income & Growth Fund, JP Morgan Emerging Markets Income Fund and Schroder Asian Income Fund. Guinness European Equity Income Fund and the Vanguard FTSE Developed Europe ex-UK ETF were the weakest performers.

UK equities

The Fund's portfolio of direct UK equities produced a strong positive return, outperforming both UK and global stock market benchmarks. Top performers included MITIE Group and Hilton Food Group. Mitie's shares soared over 40% following a recommended takeover by a competitor while Hilton's shares responded strongly as the company reported encouraging progress in its turnaround strategy. Weir, Cairn Homes and Computacenter benefitted from strong trading momentum and upgrades to profit guidance while detractors included CRH, AstraZeneca, Compass Group and Autotrader.



Other Assets

Diversifying assets reported a modest positive return as gains from listed infrastructure and absolute return strategies more than offset a more challenging period for the Fund's real estate holdings. Foresight Environmental Infrastructure, HICL Infrastructure, Target Healthcare REIT and WisdomTree Defined Returns Fund made the strongest gains with Tritax Big Box, Supermarket Income REIT and LondonMetric Property the largest detractors.

Trading activity

Equities

The CIM Dividend Income Fund was introduced to the Fund in early September. The fund is an income-focused Asian equity strategy with an exceptional long term track record since launch in 2001. The experienced local management team focuses on fundamental bottom-up stock selection of predominantly small and medium sized companies listed in Asia, and has met or exceeded the 6% net income distribution target every year since 2001.

Fixed Income

The average maturity of the fixed income portfolio was increased to capture higher yields as yield curves steepened. Allocations to the PIMCO Global Investment Grade Credit and TwentyFour Strategic Income funds were increased while TwentyFour Absolute Return Credit and L&G Short Dated Sterling Corporate Bond Index Fund were reduced.

Other Assets

There were no absolute purchases or sales during the period.





Market outlook

2026 is rapidly becoming one for the history books. The focus in Q3 shifted to sharply rising developed market bond yields accompanied by regular headlines of various milestones being reached, including the US 10-year Treasury Yield – often termed the most important number in finance – breaching 5% again. The combination of central banks hiking short term rates and higher energy costs should logically tighten financial conditions, with direct impacts on both the cost of doing business and on household budgets likely in the months ahead. These conditions should typically act as a brake on economic growth, however equity markets have so far, at the index-level at least, remained resilient, supported by strong earnings growth and a powerful tailwind from the AI spending boom. While the higher interest rate regime reflects many worrying factors (rising sovereign debt burdens, inflation uncertainty etc), the increase in bond yields is also, at least in part, explained by better than expected economic growth so far this year despite the litany of things for businesses and consumers to worry about.

Resilient growth and above target inflation means we should probably expect further developed market interest rate hikes this year. Whether this has any impact on the oil price of course is a good question, but, for investors, higher bond yields provide an opportunity to lock into the highest rates of interest that we've seen in nearly two decades. This makes fixed income assets an increasingly viable investment option after years on the sidelines and also at the same time creates headwinds for other financial assets reliant on leverage. If higher interest rates are a direct transfer of value from borrowers (equities) to lenders (bonds), then at some point the impact of higher interest rates on corporate cashflows and valuations has to logically change the calculus for asset allocators. Could we see equity investors take some profits after a multi-year equity bull market to move up the capital structure and buy the relative safety and increasingly attractive contractual return of high-quality bonds? At the margin it certainly seems likely, and any hint of earnings disappointment could act as a catalyst for money to move given stretched investor positioning.

On earnings though, there is no sign of a slowdown so far. Quite the opposite, in fact, as the trillions of dollars being spent on building out AI infrastructure trickle down to a broad array of companies and industries that are both direct and indirect beneficiaries. With enterprise adoption gathering pace at breakneck speed as IA models and related products/services improve, the benefits to productivity for those applying the technology should start to shift from theory to reality. In this

regard, the UK could be a significant beneficiary given its heavily service-orientated economy where firms spanning banking, insurance, legal services, and, yes, even wealth management, look well placed to realise meaningful productivity gains from re-engineering workflows incorporating this transformational technology. As equity investors inescapably participating in the AI investment cycle we believe it is sensible to avoid putting our clients' eggs in too few baskets, which is easier said than done in an increasingly concentrated marketplace. Ultimately, we and the AI industry at large are yet to discover what a sustainable AI business model looks like, what price we should really be paying for asking our chatbots to do work for us, and how much of the multi-trillion dollars being spent on the build out will be recouped. The range of outcomes is wide and therefore our objective is to build portfolios that are not dependent on any one narrow view of the future playing out.

In the so-called AI "picks and shovels" space, where semiconductor and memory chip producers and their supply chain are enjoying seemingly unquenchable demand, previous industrial cycle trends have apparently been forgotten. It seems inevitable that supply will catch up to demand eventually and prices and margins will normalise, the difficult question is when. This is a capital cycle on steroids – the rewards are huge right now, but the eventual losses could also be amplified if investors get caught still dancing when the music stops.

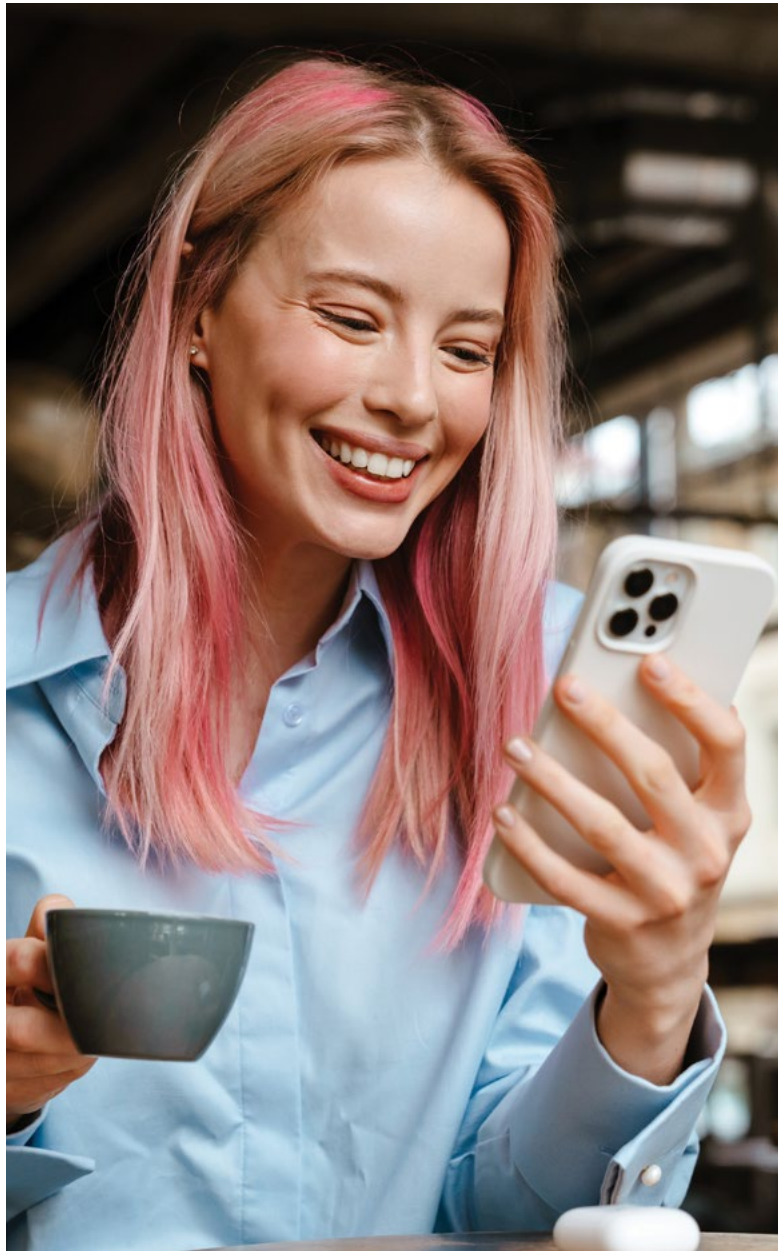
In spite of, or indeed arguably because of, the AI excitement and euphoria we and the specialist managers we deploy on your behalf are able to find no shortage of well managed, growing and reasonably priced businesses with enduring competitive moats underpinned by excellent products and services that are highly valued by their customers. As well as maintaining diversified portfolios in the pursuit of resilient outcomes, we also sit at the lower end of our historic allocation to equities. This feels sensible to us following a very strong run up in markets against a backdrop of rising interest rates and increased competition for capital from other, less 'risky' asset classes.

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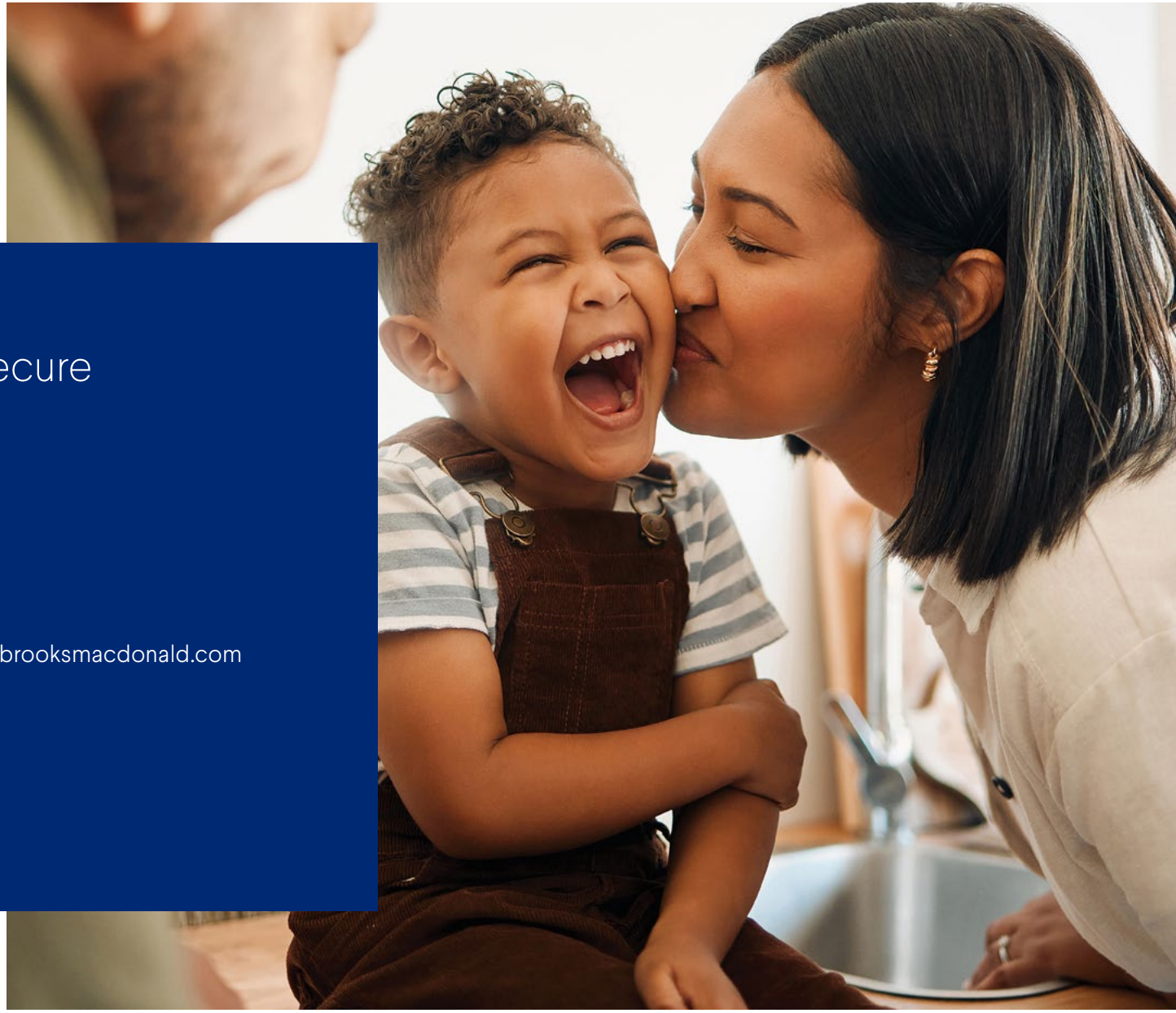


David Appleton

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

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