MEARNS
& COMPANY

Mearns & Company (Tatton MPS) Ethical Balanced

Quarterly Report

1 April 2026 to 30 June 2026

Further **information**

For more details regarding this portfolio or further explanation of the terms used please contact your professional adviser.

Please refer to the glossary on the last page for definitions of the investment language used in the document.

Introduction

Welcome to the Mearns & Company (Tatton MPS) Ethical Balanced quarterly report. In this report, we review your portfolio and cover information & events that influenced performance during the second quarter of 2026.

The report has been prepared in sections designed to provide a logical and accessible summary of your portfolio. We cover performance and markets but also how asset allocation was managed over the period and a detailed look through into some of the metrics we use to ensure your portfolio performs within the risk parameters you have chosen.

Portfolio Objective **Balanced**

The leading objective of this portfolio is to maximise potential return for a given level of risk. One measure of portfolio risk is how much of the portfolio is invested in equities (company shares). For this portfolio, over the long-term, we would expect the proportion invested in equities to be approximately 75%. This strategic exposure may be adjusted over the longer term to maintain adherence to the risk limits. In the shorter term, we may also adjust this weight tactically as economic and market conditions dictate while not deviating by more than ±12.5%.

Who is this portfolio for?

This portfolio is likely to be suitable for: An investor who is comfortable with holding a significant proportion of their portfolio in higher risk investments in order to have the opportunity for a greater investment return. An investor who is prepared to accept investment losses in the short-term in order to achieve potentially greater investment returns over the longer-term. The portfolio will be subject to fluctuations in value.

Market **Update**

The second quarter of 2026 was defined by the easing Middle East conflict. April brought a sharp rebound as tensions between the US, Israel and Iran softened, with investors rotating back into growth and technology names hit hardest by the conflict. Momentum carried through May as hopes of a ceasefire built. The quarter culminated in June, when the US-Iran agreement and the reopening of the Strait of Hormuz removed a major risk premium, sending energy prices lower. Gains eventually slowed into consolidation as investors rotated out of crowded AI trades. Central banks stayed largely on hold, with the Federal Reserve and Bank of England maintaining rates in June, while the Bank of Japan hiked further.

Bond markets improved as the quarter progressed, with the global aggregate index returning 1.3%. UK Gilts recovered to return 2.0% as softer inflation data reinforced hopes of Bank of England rate cuts. This was despite the announced resignation of Keir Starmer and the Bank maintaining the Bank Rate at 3.75% in June, where two of nine committee members voted for a hike. The Federal Reserve also held rates at 3.50% to 3.75%, though a hawkish shift under new chair Kevin Warsh raised the prospect of a later hike, while the Bank of Japan raised rates to 1.0%.

Global equities returned 14.2% in sterling terms over the quarter, with every major market gaining except China. Fuelled by robust earnings, US large-cap equities returned 14.5%. The US technology sector saw mixed performance; whilst AI-focused stocks soared in April, profit-taking in June led to a rotation. Even with that pullback, the technology sector ended the quarter up 20.8%. Emerging Markets achieved the highest return over the quarter, up 23.3%, driven by Korea and Taiwan’s AI supply-chain exposure and relief for commodity importers as the dollar weakened. China fell 5.9% on weak retail sales and property sector strain. Japan gained 13.5% as oil prices cooled and its new prime minister promised expansionary policies, while Europe rose 12.3% as a net energy importer.

UK large-cap equities trailed other regions, returning 4.0%, as their heavy exposure to oil and mining companies shifted from a source of stability to a drag as commodity prices declined. Commodities were the clearest casualty of the de-escalation, with the broader index falling 11.9%. Brent crude dropped 30.3% as the Strait of Hormuz reopening reduced the supply risk premium. Gold and silver fell 11.6% and 21.0% as haven demand unwound and real yields remained steady, while Bitcoin dropped 14.2%.

Markets enter the third quarter on a firmer footing, supported by a holding ceasefire and robust earnings. Nevertheless, risks remain two-sided. The truce is still in its infancy, and the prospect of a more hawkish Federal Reserve under its new chair raises the risk of higher rates for longer should inflation prove sticky. A well-diversified portfolio, spread across asset classes, geographies and themes, remains the most prudent way to navigate this ongoing uncertainty.

Portfolio Performance

The table compares model performance with the ARC Private Client Indices (PCI) benchmark, a measure of a peer group of similar investment managers using similar asset allocations. The comparator benchmark is an indicator of similar investment strategies and does not show future returns or investor expectations. ARC monthly data is estimated and may vary from actual performance. ARC data is then confirmed at the end of each quarter, which could change monthly returns. **Past performance is not a guide to future performance.**

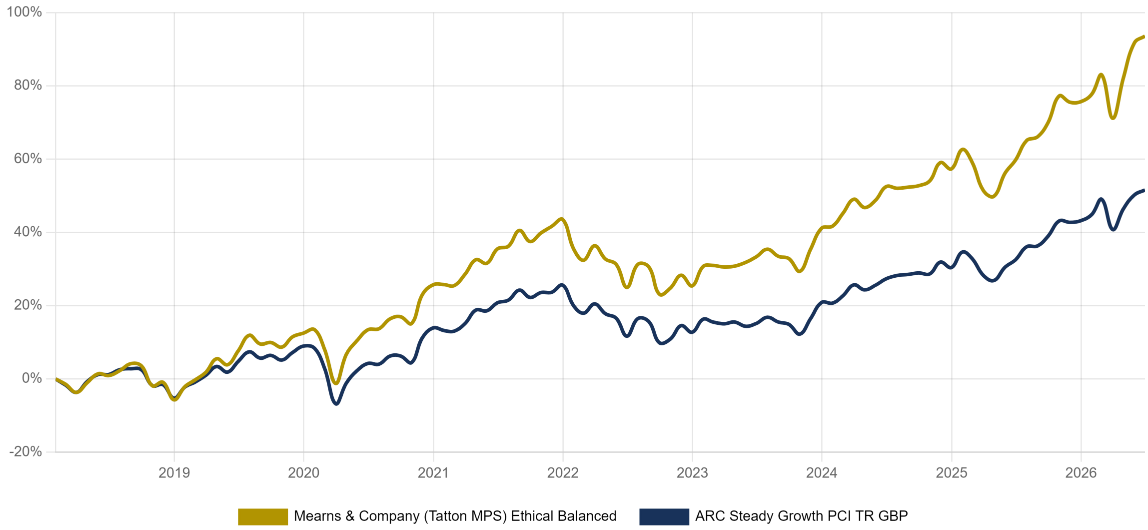
The value of investments and the income from them can fluctuate and it is possible that investors may not get back the amount invested.

Cumulative Returns

The total return produced by an investment over a predetermined period is known as the cumulative return. The return is from the starting point to a chosen end point.

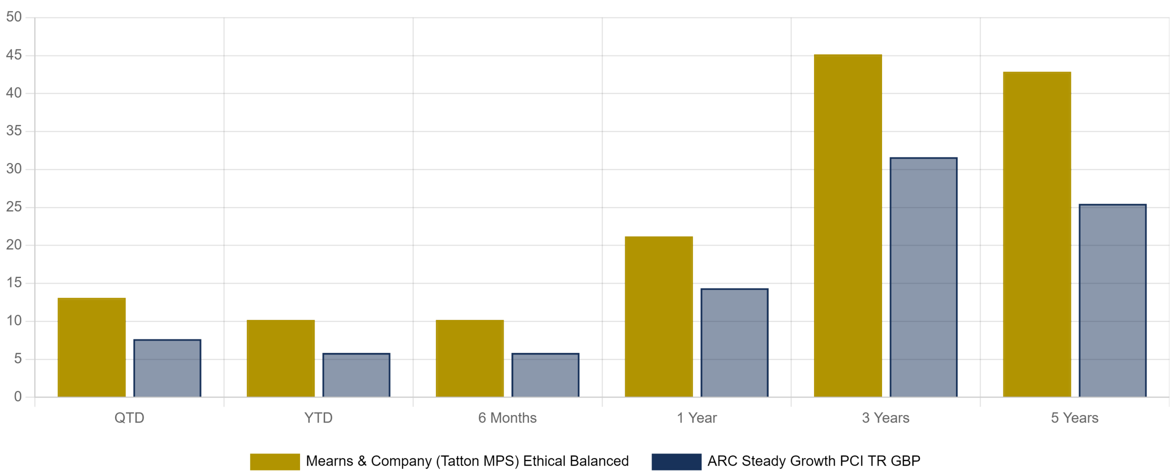
All model returns are calculated in £-Sterling and include DFM fee and fund charges, but do not include investment platform and adviser charges.

Time Period: Since Common Inception **31/01/2018** to **30/06/2026**



Return Comparisons

The cumulative return of the investment shown against the benchmark over defined periods. This allows investors to evaluate and compare the long-term effectiveness of portfolio's strategy.



Monthly Excess Returns

Excess return refers to the return from an investment above the benchmark. It indicates whether the investment is outperforming or underperforming the benchmark. Hence it helps in evaluating the investment performance. The data provided in the table shows the excess return month by month.

ARC STEADY GROWTH PCI TR GBP												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2026	-0.00	0.08	-0.92	2.42	2.66	0.08	-	-	-	-	-	-
2025	0.13	-0.82	-1.39	0.05	1.34	0.75	0.65	0.45	0.39	1.28	-0.69	-0.24
2024	0.56	0.79	0.23	-0.43	0.32	1.13	-1.00	-0.03	-0.06	1.07	0.73	0.05

± Relative Returns (%)

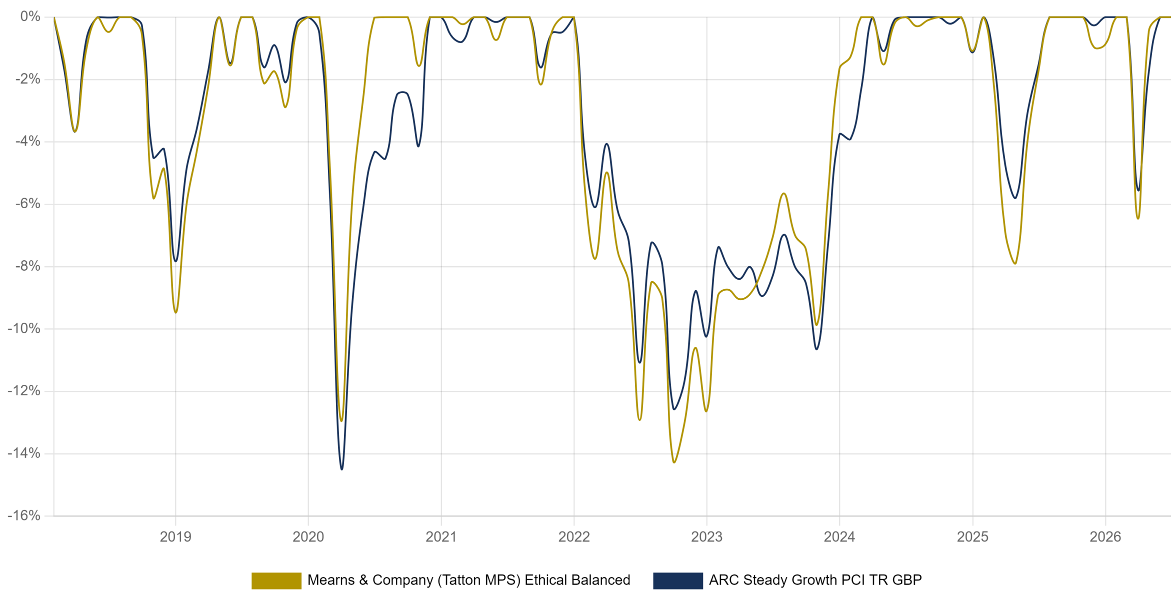
Relative return is the return an asset or investment achieves over a period of time compared to a benchmark. In the case of the returns provided in this document for the managed portfolio, the relative return is against the Asset Risk Consultant Benchmark (ARC).

	1 MONTH	3 MONTHS	YTD	3 YEAR	5 YEAR	INCEPTION
Mearns & Company (Tatton MPS) Ethical Balanced	1.0	13.1	10.2	45.2	42.9	93.6
+/- ARC Steady Growth PCI TR GBP	0.1	5.4	4.4	13.5	17.4	42.0

	YTD	2025	2024	2023	2022	2021
Mearns & Company (Tatton MPS) Ethical Balanced	10.2	11.7	11.5	12.5	-12.6	14.2
+/- ARC Steady Growth PCI TR GBP	4.4	1.9	3.6	5.3	-2.4	3.9

Drawdown Analysis

The peak to trough decline during a specific period. On the drawdown chart a new high is represented at any period where the chart shows 0. The period between the low and 0 is recovery to the new peak. With the 0 to low the drawdown from peak to trough in percentage terms.



Ethical Asset Allocation & Fund Selection

Asset Allocation

Global equities made a strong start to the year before coming under significant pressure from the US and Israeli strikes on Iran which shaped the Committee's positioning in the April rebalance. US, UK, European, Japanese and Chinese equities had delivered mixed performance coming into quarter two, and global bond performance came under strain as central banks faced uncertain inflation and growth risks propelled by the Middle East conflict. The portfolios maintain an overweight position to cash, an underweight position to bonds, and neutral exposure to equities.

Within equities, we are now neutral across all sub-asset equity classes. UK equities have modestly outperformed year-to-date as the market's energy and commodity tilt provided a natural hedge against geopolitical volatility. We have moved neutral in our positioning to UK equities and following a period of valuation compression and a market pullback, the committee have closed their underweight position to US equities. Attractive valuations, and resilient US earnings relative to peers, has provided a compelling entry point and opportunity for portfolios.European equities delivered mixed performance as they grappled with rising energy costs and stagflationary concerns in major economies. We have moved neutral in our positioning to European equities. Despite Japan's strong performance, Sterling-based investors have been hampered by persistent Yen weakness, and we have fully closed our overweight position to Japan equities, moving neutral to realise gains and mitigate further currency risk.

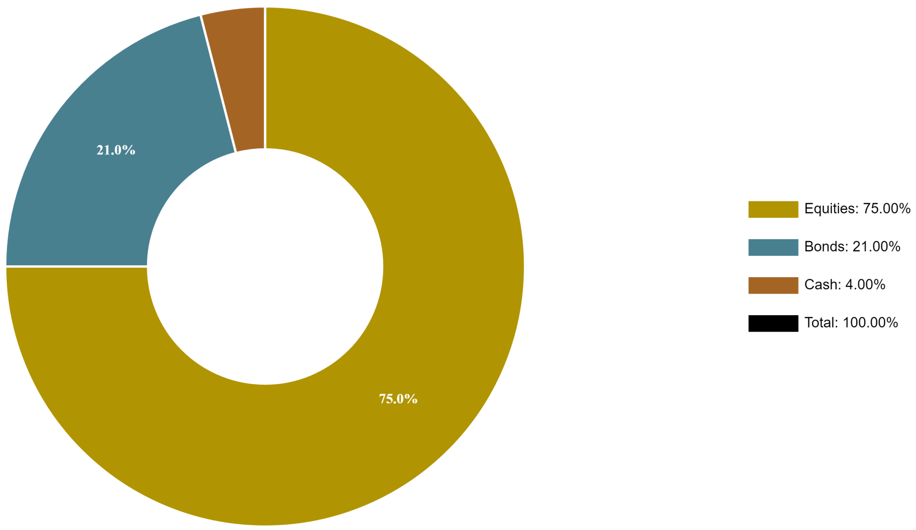
Within bonds, the Committee remain overweight as they wish to gain exposure to sustainable government bonds which reduce credit exposure in the investment grade funds. The ability to change underlying asset class exposure is the benefit of this holding. Whilst investment grade corporate fundamentals have been solid, spreads widened amid geopolitical tensions and a stronger dollar.

Looking forward, our strategic asset allocation presents active management opportunities as we progress through 2026. We continue to monitor global central bank policy, shifting labour markets and persistent inflation to ensure we respond accordingly. Our approach remains anchored in long-term fundamentals and valuation discipline. Given the first-half volatility, the committee remain cautiously optimistic.

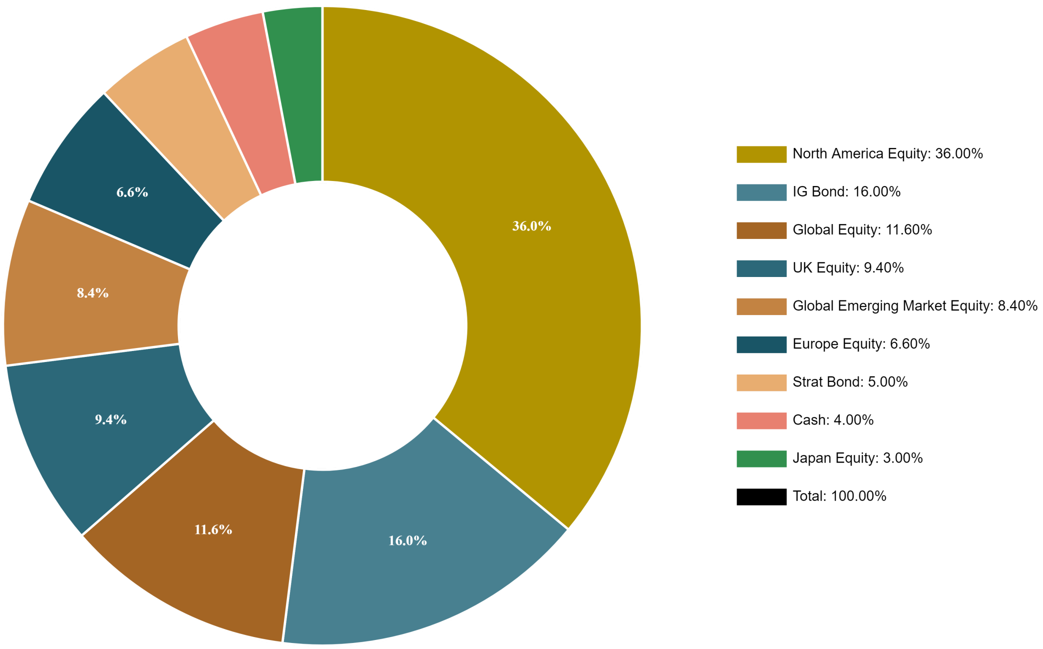
Fund Selection

The Storebrand US Plus Fund was added as the investment team continues to regionalise the Ethical portfolios. As a result, the EdenTree Responsible and Sustainable Global Equity Fund and the L&G MSCI World Socially Responsible Investment (SRI) Index Fund were removed. Finally, we introduced a new share class within the Janus Henderson UK Responsible Income Fund to benefit from a lower OCF.

Asset Class breakdown



Sub Asset Class breakdown



Portfolio Characteristics

Standard Deviation	11.6
12 Month Yield	1.5
Since Inception Annualised Return	8.17
Risk Profile	Balanced
Inception Date	31/01/2018

Top Holdings (%)

Nordea 2 - North Am Resp Enh Eq BD GBP	13.80
Janus Henderson US Sustainable Eq S Acc	12.80
Vanguard ESG Developed World All Cap Equity Index Fund Acc	11.60
Storebrand US Plus Lux	9.40
Polar Capital Em Mkts Stars SXI Acc	8.40
Janus Henderson UK Responsible Inc I Inc	6.60
M&G European Sustain Paris Aligned I Acc	6.60
BNY Mellon Sust Glb Dyn Bd Instl U Acc	5.00
Rathbone Ethical Bond Fund S Acc	4.80
Aegon Short Dated Invmt Grd Bd GBP S Acc	4.20

Glossary of definitions

Standard Deviation: A statistical measurement of dispersion about an average, which, for a model, deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility. Morningstar computes standard deviation using the trailing monthly total returns for the appropriate time period. All the monthly standard deviations are then annualized.

Inception: The date at which the portfolio was first managed. This can be found at the top left corner of the investment growth graph and in the Portfolio Characteristics section above.

12 Month Yield: Is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

Benchmark: ARC Private Client Indices – The performance comparator provided in the cumulative return chart and the performance table below. The comparator benchmark(s) shown are representative of the risk/return of the model. All benchmark returns are calculated in £-Sterling and include DFM fees, fund and investment platform charges but do not include adviser charges.

Overlay Strategy The Overlay Strategy allows us to benefit through advantageous institutional pricing, provides us access to funds that may not be available on all platforms, and provides a more efficient means of portfolio management. This means that fund allocations can differ. The Overlay Strategy and the platform-held portfolio together aim to create the "ideal" portfolio. However, the Overlay Strategy is not applied to all model portfolios. The Portfolio Characteristics section will confirm whether the model portfolio has the Overlay Strategy applied.

Important Notes

About Tatton Investment Management Limited