Mearns & Company (Tatton MPS) Ethical Balanced

Quarterly Report

1 October 2025 to 31 December 2025

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 fourth quarter of 2025.

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 fourth quarter of 2025 saw strong investment performance, and near record highs, in several regions. Markets were characterised by AI-related worries, shifting political environments, robust earnings and interest rate cuts. October saw a positive US earnings season, boosted by the ongoing AI boom and another rate cut from the Federal Reserve. Japan also benefitted from improving political stability following the election of Sanae Takaichi and the formation of a coalition government. November began with the continuation of the US government shutdown, which lasted 43 days. The month ended with Rachel Reeves' Budget in the UK which was well received. UK and European markets strengthened towards year-end as investors rotated from tech stocks to more traditional sectors. There was no 'Santa Rally' to close the year but, thanks to strong returns throughout, markets did not need one.

Bond market performance was muted with the global aggregate bond index returning 0.8% over the quarter. Developed markets saw several rate decisions including the Fed cutting interest rates by 0.25 percentage points in October and again in December, signalling a potential end to their quantitative tightening. Similarly, the Bank of England also delivered a 0.25 percentage point interest rate cut in December due to increased confidence in stabilising inflation. In contrast, the Bank of Japan delivered an interest rate hike from 0.5% to 0.75%, its highest level since 1995. They continue to try to balance rising inflation, a depreciating currency, and steep government borrowing.

Global equities returned 3.4% in sterling terms for the quarter. All major stock markets posted gains on a quarterly basis except China. Europe and Emerging Markets (EM) rose 6.1% and 4.8%, respectively. EM index heavyweights such as Korea and Tawain have continued to boost EM performance. US large-cap equities lagged the rest of the world returning 2.7%, whilst Japan gained 3.3%. Despite being the strongest performing market in quarter three, China fell by 6.7% toward the end of the year due to weaker earnings below analyst forecasts and ongoing structural headwinds such as the property market.

Despite negative sentiment, UK large-cap equities have continued to defy naysayers by returning 6.9% for the quarter, and 25.8% year-to-date making it the strongest performing market of the quarter. Elsewhere, the broader commodity index rose 1.1% overall, with Brent crude falling 7.8%, Gold up by 15.2%, and Silver returning a whopping 61.9% in sterling terms.

Looking back over 2025, markets were broadly positive for diversified investors. Global equities have returned 13.9% in sterling terms, with all major equity regions posting gains. Bond performance has also been positive, albeit modest, returning 4.8% year-to-date. The year was dominated by the US policy uncertainty and AI-themes. We have seen stronger performance outside of the US from Europe and Emerging Markets returning 26.2% and 24.4% year-to-date. Markets are optimistic heading into 2026 with increased diversification in investment opportunities, however, 2025 highlighted how geopolitical uncertainty can drive volatility which leaves us cautious.

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.**

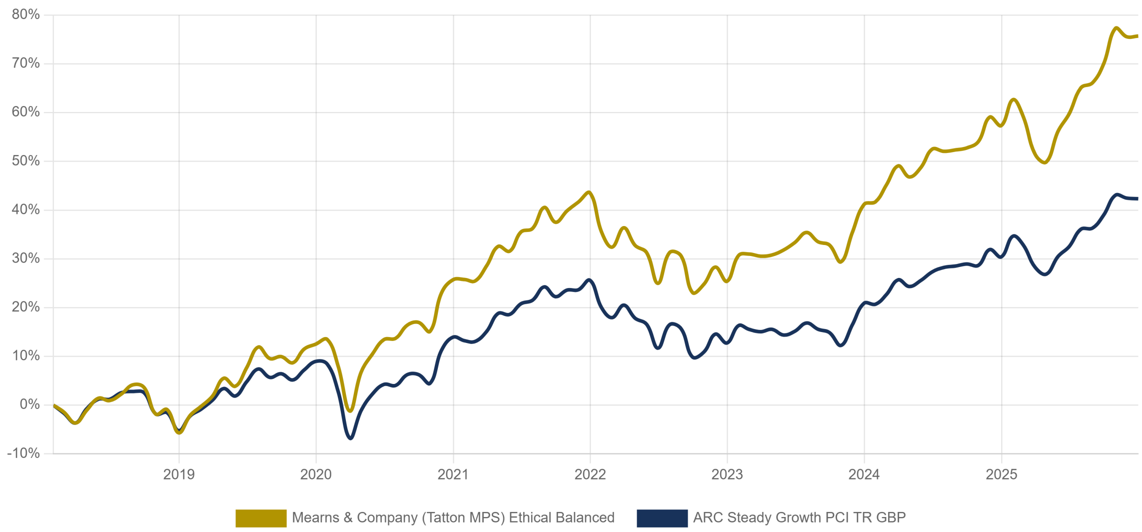
The value of investments and the income from them can fluctuate and it is possible that investors may not get back the amount invested.

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.

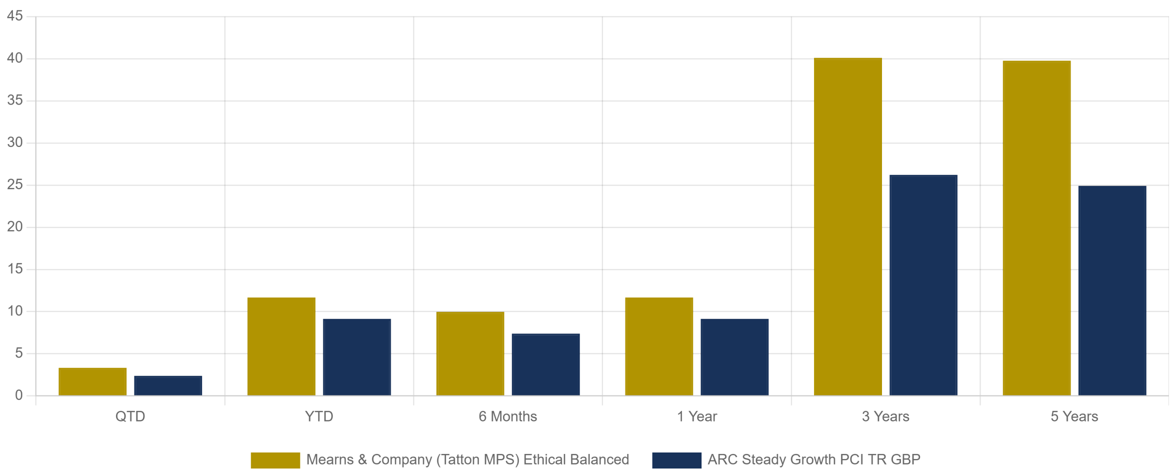
All model returns are calculated in £-Sterling and include DFM fee and fund charges, but do not include investment platform and adviser charges.

Time Period: Since Common Inception **31/01/2018** to **31/12/2025**



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
2025	0.13	-0.82	-1.39	0.05	1.34	0.75	0.65	0.45	0.39	1.34	-0.56	0.18
2024	0.56	0.79	0.23	-0.43	0.32	1.13	-1.01	-0.03	-0.06	1.07	0.73	0.05
2023	1.06	0.89	0.08	-0.23	1.79	0.49	0.08	-0.31	0.08	-0.29	0.89	0.45

Relative Returns (%)

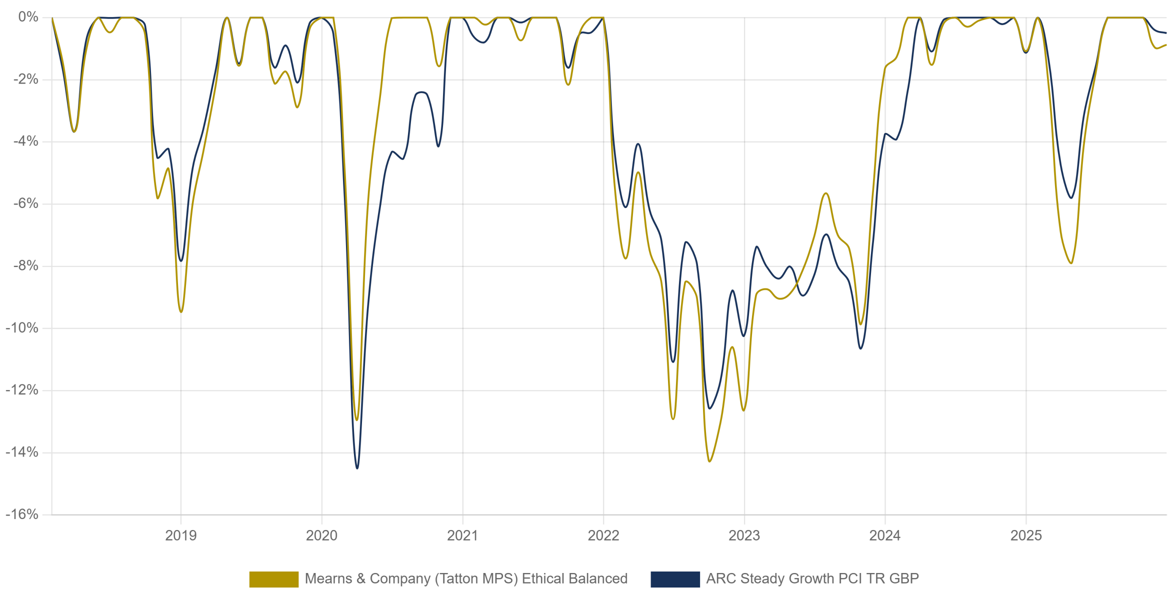
Relative return is the return an asset or investment achieves over a period of time compared to a benchmark. In the case of the returns provided in this document for the managed portfolio, the relative return is against the Asset Risk Consultant Benchmark (ARC).

	1 MONTH	3 MONTHS	YTD	3 YEAR	5 YEAR	INCEPTION
Mearns & Company (Tatton MPS) Ethical Balanced	0.1	3.3	11.7	40.1	39.8	75.7
+/- ARC Steady Growth PCI TR GBP	0.2	0.9	2.5	13.9	14.9	33.4

	YTD	2024	2023	2022	2021	2020
Mearns & Company (Tatton MPS) Ethical Balanced	11.7	11.5	12.5	-12.6	14.2	11.7
+/- ARC Steady Growth PCI TR GBP	2.5	3.6	5.3	-2.4	3.9	7.2

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 have continued their recovery in a post-tariff world reaching all-time highs. UK, European, and Japanese equities have delivered strong gains in quarter four. Global bond performance has been mixed as some central banks face sticky inflation and differing outlooks. We maintain a neutral position across equities, with an underweight to bonds and a small overweight to cash.

Within equities, due to concentration risk and heightened valuations, we remain underweight in our positioning to US equities. US markets have continued their recovery as tariffs and geopolitical tensions eased. Although mostly driven by US large-cap technology names, we have seen all-time highs in the S&P 500 and the Nasdaq. US equity performance has been bolstered by three interest rate cuts by the Fed and a strong earnings season with many companies beating expectations. Europe has delivered strong performance year-to-date. They have been supported by increased fiscal support from Germany and defence spending. In this environment banks have performed particularly well. Additionally, we have seen several rate cuts from the ECB which has been supportive of growth. Japanese equities have delivered exceptionally strong performance in 2025. They have benefited from increased foreign investor flows, ongoing corporate reforms, and the leadership of a new prime minister. Improved capital efficiency and policy shift has fueled optimism in the market. Meanwhile, a weak Yen and attractive valuations have made Japanese stocks attractive to global investors.

We feel positively about Japan and continue to maintain our overweight position. Growth in the UK equity market has also been strong year-to-date, especially in the banking, pharmaceutical and energy sectors. There was little impact on the UK budget despite negative press. UK equities are reasonably valued and so our underweight is marginal for now. Other positions in the portfolio include a small overweight to Global Emerging Market Equities and developed Asia, including Australia and New Zealand.

Central banks have continued easing in several major markets whereas some economies still face sticky inflation and tight credit conditions. In September, October, and December the Federal Reserve cut interest rates due to downside risks to employment. Cuts have supported growth expectations through easier financial conditions. Despite the Bank of England signaling a tighter outlook amid stubborn inflation they also delivered a 25 basis point cut in December. Following the Bank of Japan's hike in December, recent growth and inflation data suggest they are edging closer to further interest rate increases in 2026. Reflation is significant for an economy that has been plagued with ultra-low interest rates and deflation. We maintain our overweight positioning to strategic bonds, and underweight positioning to investment grade corporates, to benefit from coupon payments and potential price upside should credit conditions improve. We continue to monitor Fiscal instability.

Looking forward, our current strategic asset allocation presents opportunities for active management by our Investment Team as we move into 2026. We continue to monitor global central bank decisions, domestic labour markets and inflation to respond accordingly. We remain guided by long-term fundamentals and valuation discipline.

Fund Selection

The M&G European Sustainable Paris Aligned Fund was added as we continue to regionalise the Ethical portfolios. As a result of this we also removed the Federated Hermes Global Equity ESG Fund. The Schroder ISF QEP Global ESG Fund was also removed due to concerns around a sustained period of underperformance. The investment committee also switched share classes within the Rathbone Ethical Bond Fund to benefit from a lower OCF.

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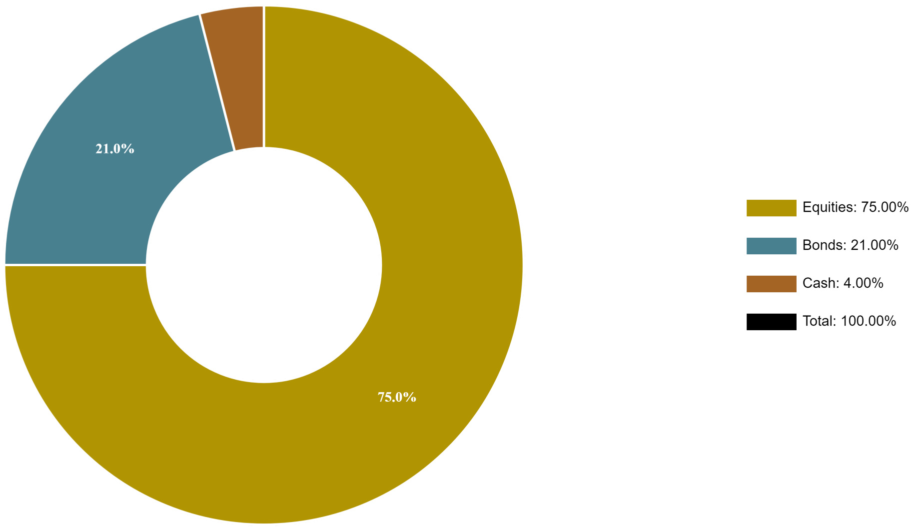
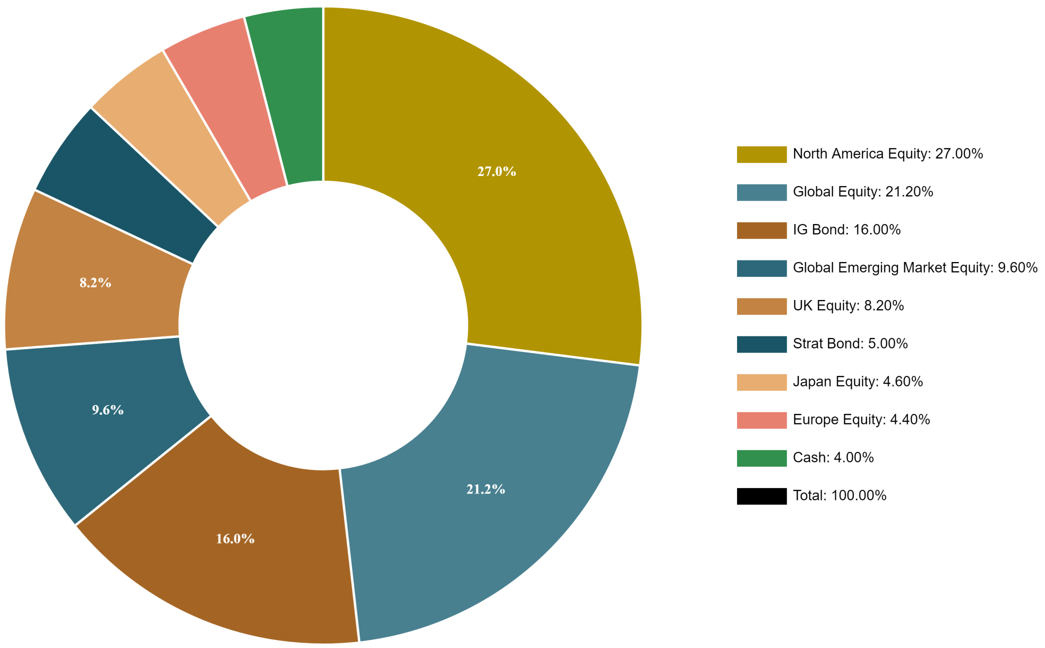
Asset Class breakdown



Sub Asset Class breakdown



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Portfolio **Characteristics**

Standard Deviation	9.8
12 Month Yield	1.5
Since Inception Annualised Return	7.38
Risk Profile	Balanced
Inception Date	31/01/2018

Top Holdings (%)

Nordea 2 - North Am Resp Enh Eq BD GBP	14.20
Janus Henderson US Sustainable Eq S Acc	12.80
Vanguard ESG Developed World All Cap Equity Index Fund Acc	11.60
Polar Capital Em Mkts Stars SXI Acc	9.60
Janus Henderson UK Responsible Inc I Inc	8.20
L&G MSCI Wld Sclly Rspnb Invmt SRI I Acc	5.00
BNY Mellon Sust Glb Dyn Bd Instl U Acc	5.00
Rathbone Ethical Bond Fund S Acc	4.80
EdenTree Responsible and Sustainable Global Equity	4.60
Nordea 2 - Japanese Resp. Enh. Eq BD GBP	4.60

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

The portfolio returns presented in this document are for information purposes only and should be regarded as indicative of the returns clients would have achieved with their actual investment portfolios, which are managed with the same investment style and risk profile. While client portfolio returns are expected to be very similar to the returns shown here, they may differ as a result of new monies having been introduced by the client, or withdrawn from the portfolio and/or the specific fee charging arrangements agreed between the client and the adviser. The performance does not account for the differences due to the limitations of a particular platform. Asset allocation: For operational efficiency and to cover all costs and charges, the investment manager makes sure there is at least 1% cash holding in every model portfolio when conducting a portfolio update. The information in this document does not constitute investment advice or a recommendation for any product and investment decisions should not be made on the basis of it.

About Tatton Investment Management Limited

Mearns & Company Portfolio Service is a trading style of Tatton Investment Management Limited, which is authorised and regulated by the Financial Conduct Authority ("FCA"); FCA Number 733471. You can check this on the FCA's Register by visiting the FCA's website https://register.fca.org.uk/ or by contacting the FCA on 0800 111 6768. The FCA's address is; The Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.