Mearns & Company (Tatton MPS) Ethical Cautiously Balanced

Quarterly Report

1 January 2026 to 31 March 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 Cautiously Balanced quarterly report. In this report, we review your portfolio and cover information & events that influenced performance during the first 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 **Cautiously 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 60%. 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

Global markets experienced a turbulent first quarter, with early optimism giving way to a sharp geopolitical shock that dominated the final month and reshaped the outlook across asset classes. Questions emerged over whether the enormous sums being deployed into AI infrastructure would translate into meaningful near-term returns, accelerating a rotation away from big tech that had been building since late 2025. Markets grew concerned that emerging AI capabilities posed a structural threat to established software business models, the resulting sell-off in software names triggered a broader private credit scare, given the sector's significant exposure to private credit markets, raising questions about valuations and credit quality beyond public equities. The tariff backdrop added further uncertainty: the US Supreme Court struck down the administration's sweeping emergency tariff powers, prompting a pivot to a flat universal import tariff that kept investors cautious on US assets and reinforced the case for geographic diversification. Overriding all other considerations by the quarter's end was the outbreak of war in the Middle East, US-Israeli military action against Iran triggered the closure of the Strait of Hormuz in March, unleashing a severe energy price shock that reversed much of the quarter's earlier gains, forced central banks to abandon any remaining inclination toward rate cuts, and sent investors rushing to reassess exposures that had looked attractive only weeks before.

Equity markets were sharply polarised as a result, with global equities falling 1.3% over the quarter. US large-cap technology bore the brunt of the AI-driven reassessment with a 5.1% decline, even as the broader US earnings season proved solid. Elsewhere, Japanese equities surged on investor confidence an anticipated fiscal stimulus programme, ending the quarter with a 3.4% gain, while UK equities closed Q1 up 3.4% supported by domestic activity growing at its fastest pace in nearly two years. Emerging markets benefited from a weakening US dollar, though China remained a notable exception as property sector headwinds and tepid consumer demand persisted, finishing the period down 5.6%. European equities recovered sharply in February once tariff threats were suspended, but March brought a sharp reversal, economies most reliant on Middle Eastern oil bore the steepest losses, with Europe ending the quarter down 2.3%, while the US and UK proved comparatively resilient, cushioned by energy independence and large domestic energy sector weightings respectively.

Fixed income markets were pulled in different directions across the quarter. January saw government bond yields rise on renewed fiscal concerns, while February brought relief as softening inflation data and renewed expectations of rate cuts drove positive returns. March, however, offered little shelter as the energy shock threatened to reignite inflation, prompting the Federal Reserve, the Bank of England and the ECB to hold rates and adopt a hawkish tone, with UK markets swinging sharply from pricing cuts to pricing hikes. The earlier gains made by bonds in January and February were largely unwound by March's sell-off, leaving the asset class broadly flat for the quarter as a whole.

Commodities were a defining theme throughout the quarter. Gold surged in January on geopolitical uncertainty and strong retail demand, extended its gains in February, before retreating sharply in March as investors raised cash amid the Hormuz shock. Oil told a contrasting story, building gradually through the quarter before surging dramatically in March as the Strait of Hormuz closure threatened a significant proportion of global daily supply, making it the single most consequential market event of the period.

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.**

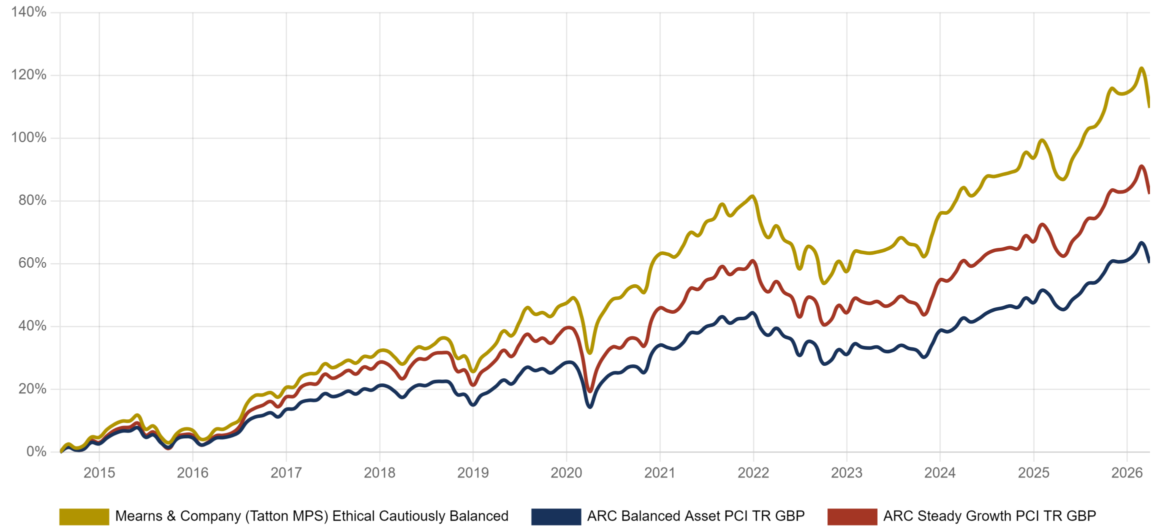
The value of investments and the income from them can fluctuate and it is possible that investors may not get back the amount invested.

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.

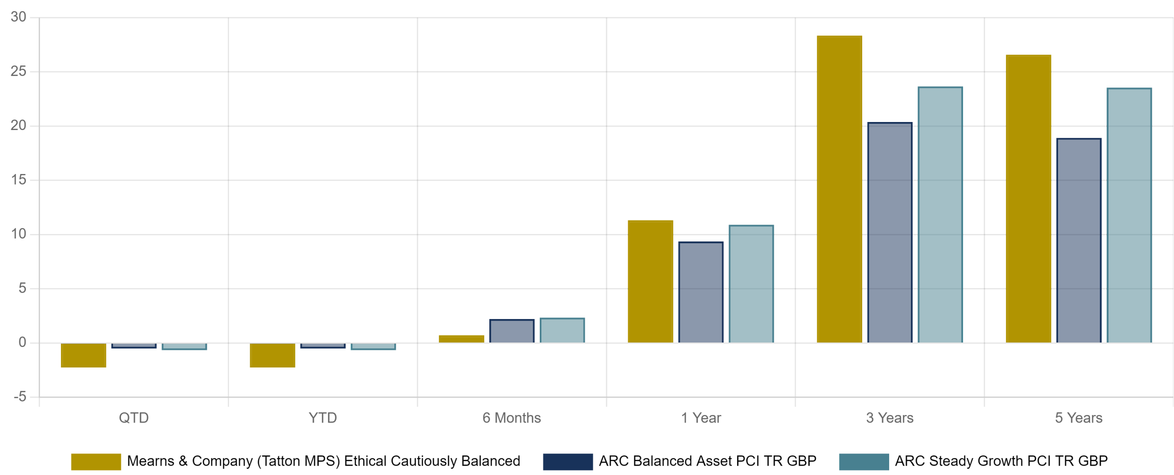
All model returns are calculated in £-Sterling and include DFM fee and fund charges, but do not include investment platform and adviser charges.

Time Period: Since Common Inception **31/07/2014** to **31/03/2026**



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 BALANCED ASSET PCI TR GBP												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2026	-0.26	0.41	-1.83	-	-	-	-	-	-	-	-	-
2025	0.25	-0.83	-1.47	0.05	1.27	0.77	0.63	0.31	0.28	1.18	-0.67	-0.16
2024	0.53	0.90	0.37	-0.53	0.36	1.00	-0.76	-0.02	-0.10	0.88	0.76	0.11

ARC STEADY GROWTH PCI TR GBP												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2026	-0.46	-0.09	-1.03	-	-	-	-	-	-	-	-	-
2025	-0.37	-0.25	-0.54	0.42	0.50	0.55	0.07	0.38	0.07	0.69	-0.46	-0.19
2024	0.42	0.27	0.03	-0.32	0.13	0.81	-0.69	0.10	0.01	0.82	0.26	0.24

Relative Returns (%)

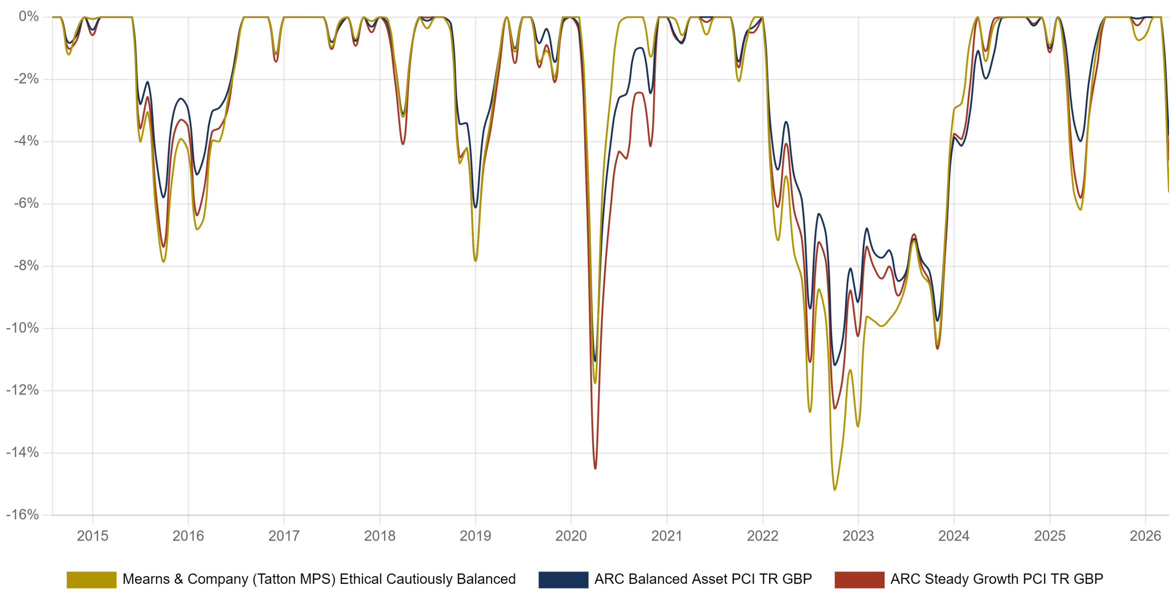
Relative return is the return an asset or investment achieves over a period of time compared to a benchmark. In the case of the returns provided in this document for the managed portfolio, the relative return is against the Asset Risk Consultant Benchmark (ARC).

	1 MONTH	3 MONTHS	YTD	3 YEAR	5 YEAR	INCEPTION
Mearns & Company (Tatton MPS) Ethical Cautiously Balanced	-5.6	-2.3	-2.3	28.3	26.6	109.7
+/- ARC Balanced Asset PCI TR GBP	-1.8	-1.7	-1.7	8.0	7.7	49.4
+/- ARC Steady Growth PCI TR GBP	-1.0	-1.6	-1.6	4.7	3.0	27.4

	YTD	2025	2024	2023	2022	2021
Mearns & Company (Tatton MPS) Ethical Cautiously Balanced	-2.3	10.7	10.1	11.7	-13.1	11.2
+/- ARC Balanced Asset PCI TR GBP	-1.7	1.6	3.7	5.9	-4.0	3.5
+/- ARC Steady Growth PCI TR GBP	-1.6	0.9	2.2	4.5	-2.9	0.9

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

Against a backdrop of geopolitical volatility, global equities ended the quarter marginally lower, though the scale of the decline proved more contained than many had feared, with performance varying considerably across regions. The Investment Committee maintained a neutral position in equities at an asset class level. Bonds remained underweight, with cash maintained at an overweight to account for the limited availability of sustainable focused funds within government bonds, emerging market debt and high yield bonds. This positioning reflects our cautious optimism, balanced against the growing uncertainty introduced by shifting market fundamentals and valuations, and the closure of the Strait of Hormuz in March.

Within equities, we use a look-through approach to assess regional positioning across the Ethical portfolios. We maintained our underweight to US equities, driven by elevated valuations and concentration risk that remained relevant throughout the quarter as technology large caps came under renewed pressure. Our overweight to Japanese equities was maintained, supported by ongoing fiscal stimulus, corporate reform momentum, and a weak yen that continued to make exports attractive. As a result of these two active decisions, we retained a small overweight to Global Emerging Market equities and Developed Asia ex Japan, European equity remained overweight, and UK equities were held at a marginal underweight.

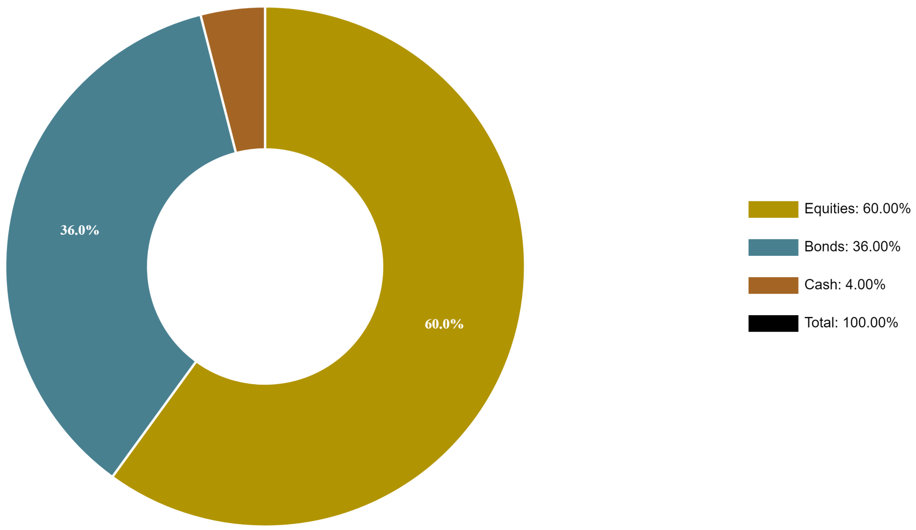
Within fixed income, the committee maintained an overweight to strategic bonds, which provide access to sustainable government bond exposure and the flexibility to adjust underlying asset class allocation where required. Investment grade corporates remained underweight, reflecting the committee's preference for strategic bond mandates in the current environment. Central banks across the US, UK and Europe adopted a more hawkish tone as the energy shock reignited inflation concerns, a backdrop that underlined our measured approach within fixed income throughout the quarter.

Looking forward, our current strategic asset allocation positions us well to navigate an uncertain but potentially improving environment as we move into the second quarter of 2026. We continue to monitor developments in the Middle East, central bank policy and the evolving AI investment cycle closely. We remain guided by long-term fundamentals and a disciplined approach to valuations.

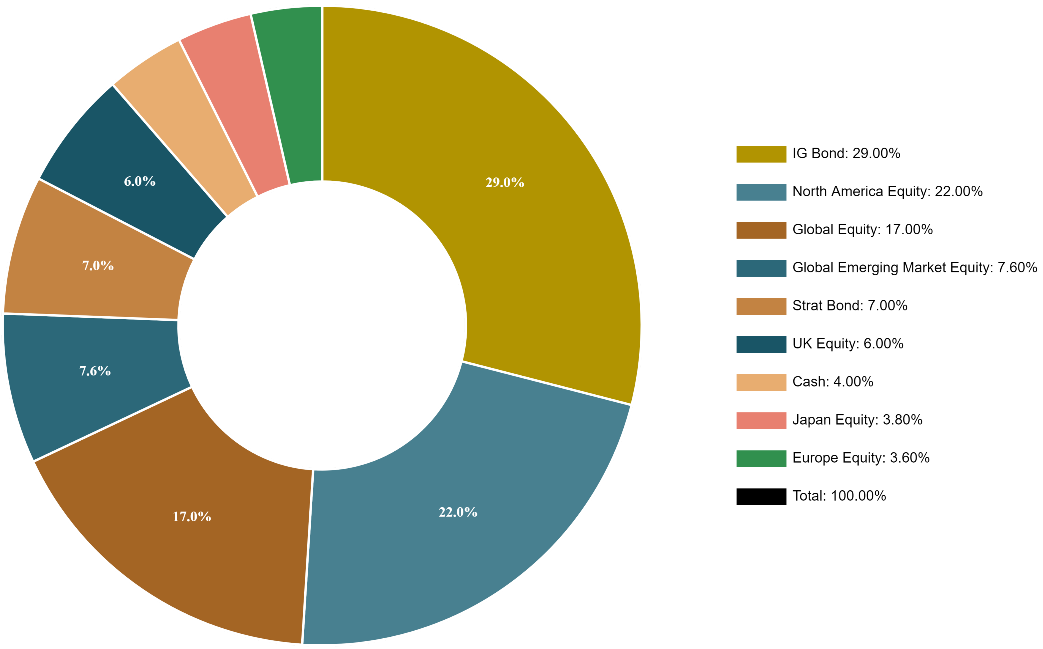
Fund Selection

There were no fund changes within the portfolios during the quarter.

Asset Class breakdown



Sub Asset Class breakdown



Portfolio Characteristics

Standard Deviation	8.8
12 Month Yield	1.9
Since Inception Annualised Return	6.55
Risk Profile	Cautiously Balanced
Inception Date	31/07/2014

Top Holdings (%)

Nordea 2 - North Am Resp Enh Eq BD GBP	11.40
Janus Henderson US Sustainable Eq S Acc	10.60
Vanguard ESG Developed World All Cap Equity Index Fund Acc	9.60
Rathbone Ethical Bond Fund S Acc	8.20
Aegon Short Dated Invmt Grd Bd GBP S Acc	7.80
Polar Capital Em Mkts Stars SXI Acc	7.60
RLBF II Royal London Ethical Bond M Acc	7.00
BNY Mellon Sust Glb Dyn Bd Instl U Acc	7.00
Janus Henderson UK Responsible Inc I Inc	6.00
Aegon Ethical Corporate Bond GBP B Acc	6.00

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