

Lloyds Wealth Portfolio Update Balanced Profile

Quarter 1, 2026



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1. Welcome to your quarterly update

Welcome to our first quarter investment update of 2026. As always, this report is designed to give you a clear and balanced view of how markets have behaved, how your portfolio has navigated a more challenging period, and how we are thinking about the months ahead. While the quarter itself was marked by volatility, it is important to note that markets have since stabilised and recovered, providing a more positive backdrop as we move forward.

The first few months of the year proved more unsettled than many had expected. An escalation of conflict in the Middle East led to a sharp rise in energy prices, which quickly fed through into inflation concerns and increased market volatility. After a period where easing inflation and steady growth had been supporting confidence, this shift prompted investors to reassess risk. Equity and bond markets both came under pressure, while commodities stood out as the strongest performing area. Encouragingly, some of these pressures have begun to ease more recently, with many markets regaining ground as sentiment has improved.

That said, the broader economic picture is not as fragile as market moves alone might suggest. Growth, particularly in the United States, has continued to surprise on the upside, supported by resilient consumer spending and ongoing fiscal support. Elsewhere, progress has been more uneven, especially in regions that are more exposed to higher energy costs. Central banks have responded cautiously, placing greater emphasis on inflation risks and reinforcing the need for thoughtful and flexible portfolio positioning. This underlying resilience has helped support the recent recovery in markets and reinforces the importance of maintaining a long-term perspective.

As we look ahead, our approach remains measured but positive. We believe the global cycle is still intact and the risk of recession remains low, but the environment has become more complex. Geopolitical events, inflation shocks and policy uncertainty can all move markets quickly. In response, we continue to focus on resilience, diversification and active decision making. Equities remain our preferred asset class, while careful risk management and flexibility are central to how we are investing on your behalf. We are encouraged by the way markets have responded following the first quarter and believe this demonstrates the value of staying invested through periods of uncertainty.

Thank you for placing your trust in us. If you would like to talk through any aspect of this update or your portfolio, please do get in touch. We are always happy to help.



A handwritten signature in black ink, appearing to read 'Alan Goodman', written in a cursive style.

Alan Goodman
Chief Investment Officer
Lloyds Wealth

2. Q1 2026 at a glance

A snapshot of market trends, portfolio performance, and what lies ahead

Market highlights

- Markets saw periods of volatility, largely driven by evolving expectations around interest rates and inflation.
- Equity performance was mixed across regions, with some strength in large, established companies.
- Economic data remained resilient overall, although uncertainty persists around the pace of future growth.

Your portfolio

- The balanced portfolio delivered a return of -2.3% (gross of fees) over the quarter, slightly behind its benchmark reflecting challenging market conditions.
- Short-term performance was impacted by market volatility across both equities and bonds.
- Diversification across asset classes helped to cushion some of the downside.
- We continue to position portfolios with a long-term focus, making selective adjustments where appropriate.

Looking ahead

- Markets may remain sensitive to interest rate decisions and economic data.
 - While short-term volatility is possible, long-term fundamentals continue to support investing.
 - We remain focused on helping you stay on track with your financial plan and long-term goals.
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3. Performance of asset classes and geographies

Market backdrop

Markets experienced a volatile quarter, shaped by geopolitical events and a resulting shift in investor's expectations. The escalation of conflict in the Middle East pushed energy prices sharply higher, which weighed on risk sentiment and brought renewed inflation concerns to the foreground. While the year began with supportive growth dynamics and easing inflation pressures in several regions, these trends were challenged as higher oil prices and concerns around potential interest rate rises fed through to markets.

Global equities declined, government bonds sold off, and commodities stood out as the strongest performing asset class. Central banks responded with a more cautious tone, emphasising inflation risks over near term growth support as uncertainty increased.

Equities

Global equity markets declined over the quarter as geopolitical tensions and higher energy prices weighed on sentiment, with volatility peaking in March. Energy and materials outperformed, while technology and consumer sectors lagged.

US equities were volatile and ended lower, with a shift away from technology stocks in February followed by broader weakness in March amid inflation concerns.

UK equities delivered positive returns, supported by energy and materials and a weaker sterling. Large caps outperformed, while domestically focused stocks lagged against a backdrop of modest growth.

Eurozone equities fell, particularly later in the quarter, as higher oil prices and inflation concerns weighed on consumer and cyclical sectors.

Japanese equities were stronger early on, supported by political stability, before retreating in March as global risk aversion increased.

Emerging markets outperformed overall but gave back gains later in the quarter as rising energy costs and risk-off sentiment impacted energy importers.

Bonds

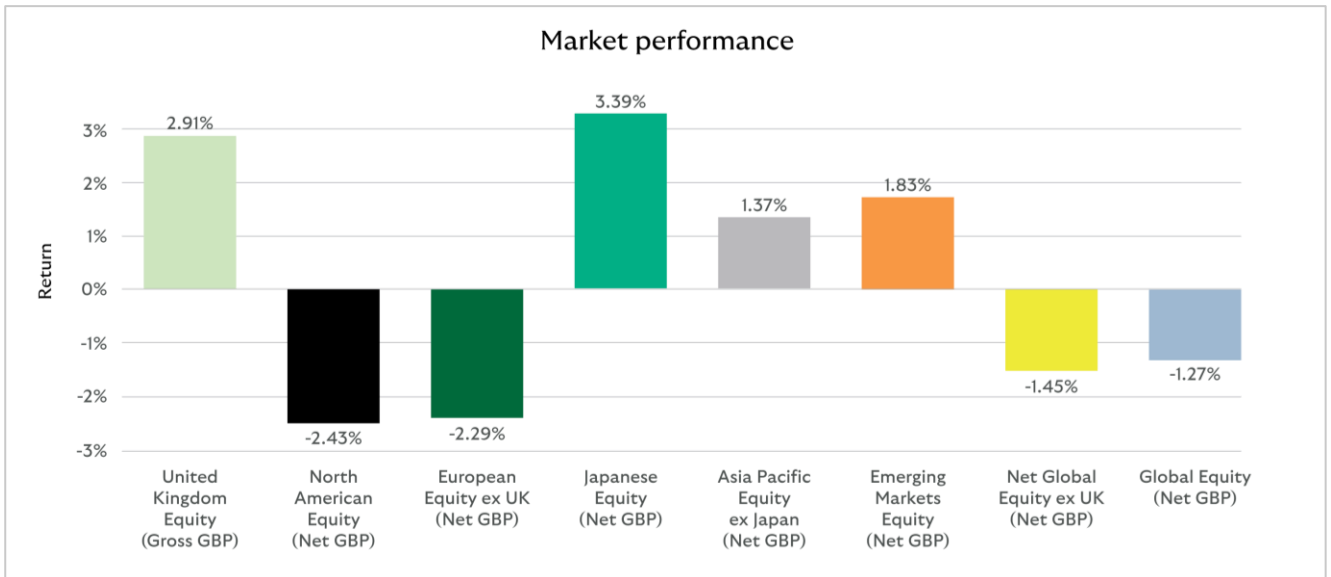
Fixed income markets saw government bond yields rise, particularly in March as energy prices increased and inflation concerns intensified. European and UK government bonds underperformed, while US Treasuries were comparatively more resilient. US investment grade performed broadly in line with government bonds, while European credit underperformed. High yield markets showed a similar regional divergence, with US markets more resilient than Europe.

Commodities

Commodities were the standout asset class. Schroders highlight that energy prices surged as conflict disrupted production and shipping routes in the Middle East, driving gains across the complex. Industrial metals and agricultural commodities posted smaller positive returns, supported by supply concerns. Precious metals rose overall but were volatile later in the quarter.

Equity market returns

3 months to end of March 2026

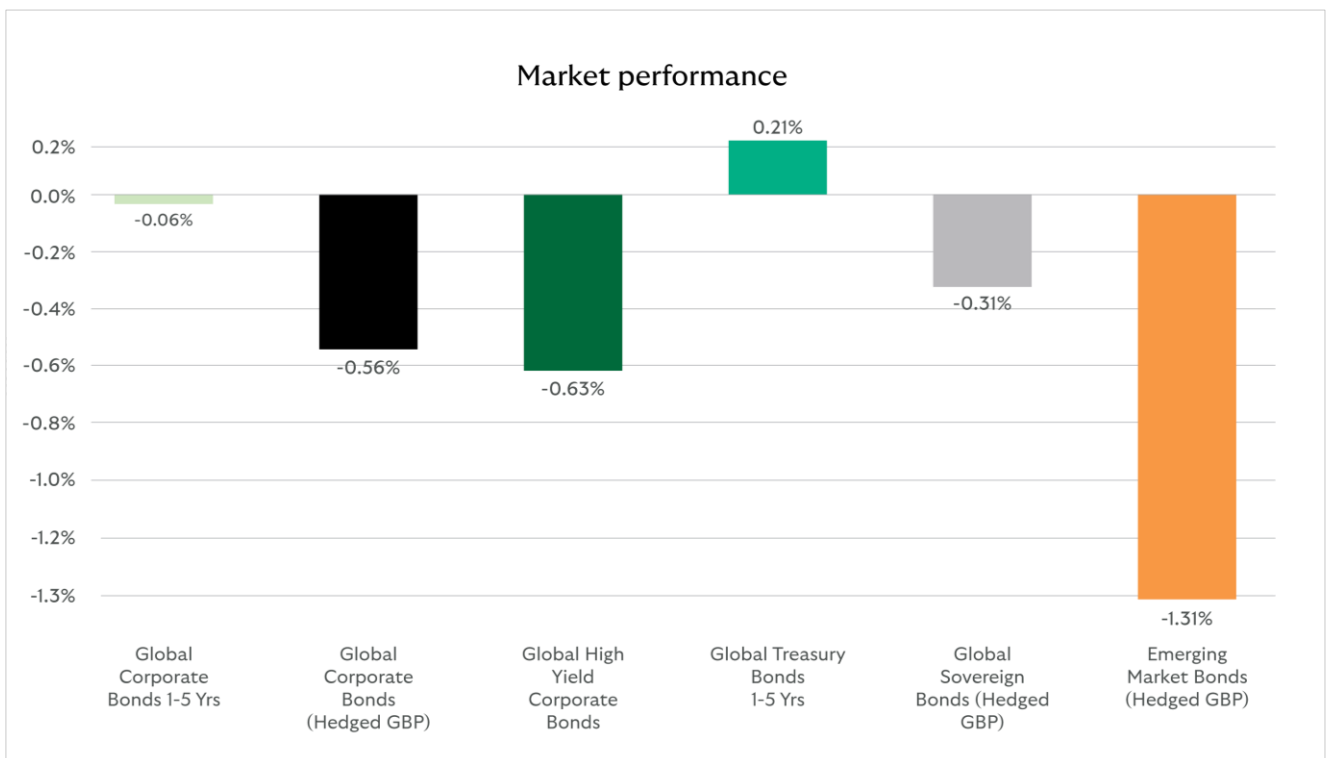


Market Index Total Returns in GBP Terms

Source: Morningstar

Fixed income market returns

3 months to end of March 2026



Market Index Total Returns in GBP Hedged Terms

Source: Morningstar

4. Key events

The first quarter of 2026 proved volatile for global markets, shaped by escalating geopolitical tensions and a sharp rise in energy prices. Conflict in the Middle East drove oil higher, reigniting inflation concerns and weighing on investor sentiment. While the year began with supportive growth and easing price pressures, these trends were challenged as markets adjusted to the risk of higher-for-longer interest rates.

Global equities declined overall, with weakness most evident later in the quarter as volatility increased. Returns varied significantly across regions and sectors, with energy and commodity-linked areas benefiting from higher prices, while technology and more cyclical sectors came under pressure. Commodities stood out as the strongest performing asset class, supported by supply disruptions and heightened demand for inflation hedges. Meanwhile, government bonds also faced headwinds as yields rose in response to renewed inflation concerns.

Against this more uncertain backdrop, the quarter highlighted how quickly market leadership can shift when geopolitical risks and inflation pressures re-emerge, reinforcing the importance of staying diversified and adaptable.

Joseph Allen, Senior Investment Specialist at Lloyds Wealth, said:

“Q1 was a reminder of how quickly the market environment can change. We started the year with resilient growth and improving inflation, but the sharp rise in energy prices and geopolitical uncertainty shifted the focus back to inflation risks and policy tightening.

What stood out was the level of divergence across markets. Commodities performed strongly, while equities and bonds came under pressure, and performance varied significantly by region and sector. These kinds of conditions highlight why diversification is so important as different parts of a portfolio can behave very differently when the backdrop changes.

Rather than trying to predict every twist in the market, the key is to stay balanced and focused on long-term fundamentals. Periods of uncertainty can create opportunities, but they also reinforce the value of maintaining a disciplined, well-diversified approach.”



Joseph Allen
Senior Investment Specialist
Lloyds Wealth

5. How have we managed your portfolio during the period?

The period began with a supportive backdrop for risk assets, with resilient growth, benign labour market conditions and easing inflation supporting equities. This view was initially expressed through overweight positions in the US, supported by resilient consumer data and labour market conditions, and through positions in the European value stocks, China and Japan.

As the quarter progressed, recession risks remained low and corporate earnings continued to drive returns. We maintained a preference for equities; however, we shifted the expression of the US equity overweight from mega-cap growth towards an equal-weighted S&P 500 position. This approach increased exposure to more cyclical sectors, such as industrials and financials, which benefited from a stronger US growth environment, while diversifying away from expensive technology stocks so reducing concentration risk.

At the end of February, the conflict in Iran escalated. This included strikes on energy infrastructure in the region, as well as the effective closure of the Strait of Hormuz, through which roughly 20% of global oil is shipped. Given the difficulty in predicting what would happen next in the Middle East and acknowledging the risk of a protracted disruption to energy supplies, we decided to de-risk portfolios by closing overweight positions in European, Japanese and Chinese equities. However, we have remained overweight to the US, as we believe the US is likely to be more resilient to any protracted oil price spike.

Within fixed income, we remained underweight to the US as we believe that markets remain too complacent about inflation risks given the resilience of US economic growth, the persistence of geopolitical tensions and the potential for pre-midterm fiscal measures which could create further upward pressure on bond yields.

Turning to commodities, we closed the overweight in broad commodities at the start of the year to take profit. Geopolitical developments - including the ousting of Venezuelan President Nicolás Maduro and heightened tensions between the US and Iran - supported investor demand. However, the speed and scale of the advance suggested that a meaningful portion of the move was speculative, led by silver, platinum and nickel. While fundamentals provided some support, we believed prices were vulnerable to reversal and therefore took profits. The overweight position in gold was maintained; however, the position size has been trimmed towards the end of the quarter.

6. Portfolio performance summary

The portfolio posted a negative return of -2.3% in the first quarter of 2026 (in GBP), underperforming its benchmark.

Market conditions in the first quarter were challenging, with heightened geopolitical risk and rising energy prices driving volatility across most asset classes. Global equities fell in the quarter amid weakness in some US technology stocks and the escalation of conflict in the Middle East.

In this environment, equities were overall the largest detractor to performance. Exposure to Japanese equities added modest value earlier in the quarter following February's election outcome. In fixed income, performance was slightly negative. We maintained a negative view on duration throughout the period, which was beneficial as rising yields weighed on sovereign debt markets. We became more cautious on credit as tight spreads no longer reflect prevailing risks in the market.

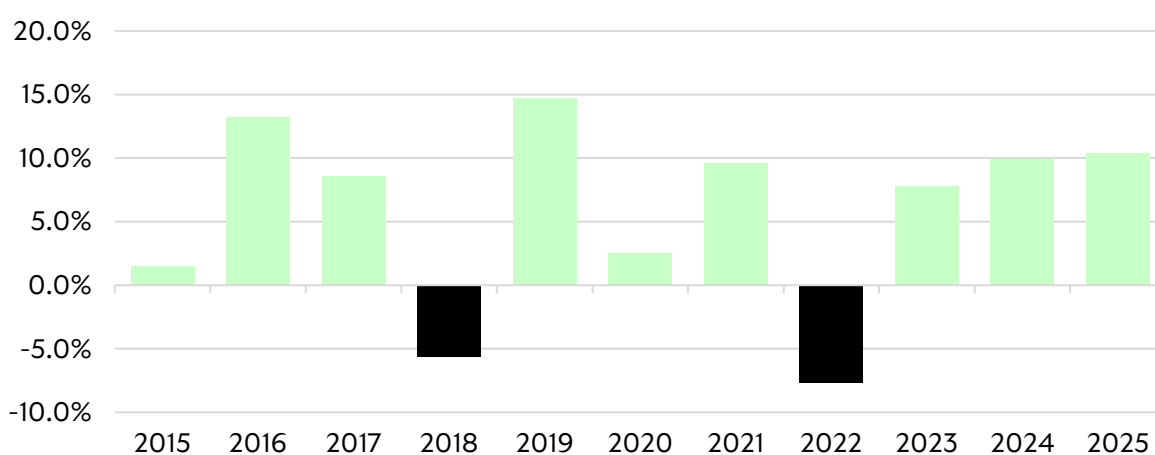
Commodity and gold positions were significant positive contributors to performance. Exposure to energy, implemented via a broad based commodities ETF, was particularly additive as higher prices supported returns, while gold also performed strongly over the quarter despite the correction seen in March. We reduced exposure to manage this risk, but maintain a position given structural demand from emerging market central banks and gold's diversification benefits against fiscal and geopolitical risks.

2 – Low risk	3 – Medium risk		4 – Medium to High risk	5 – High risk
Cautious	Discovery	Balanced	Progressive	Adventurous

These figures refer to the past and past performance is not a reliable indicator of future results. The value of investments and the income from them can fall as well as rise and are not guaranteed. You might not get back your initial investment.

The inception date of the profile is October 2004.

Calendar year returns



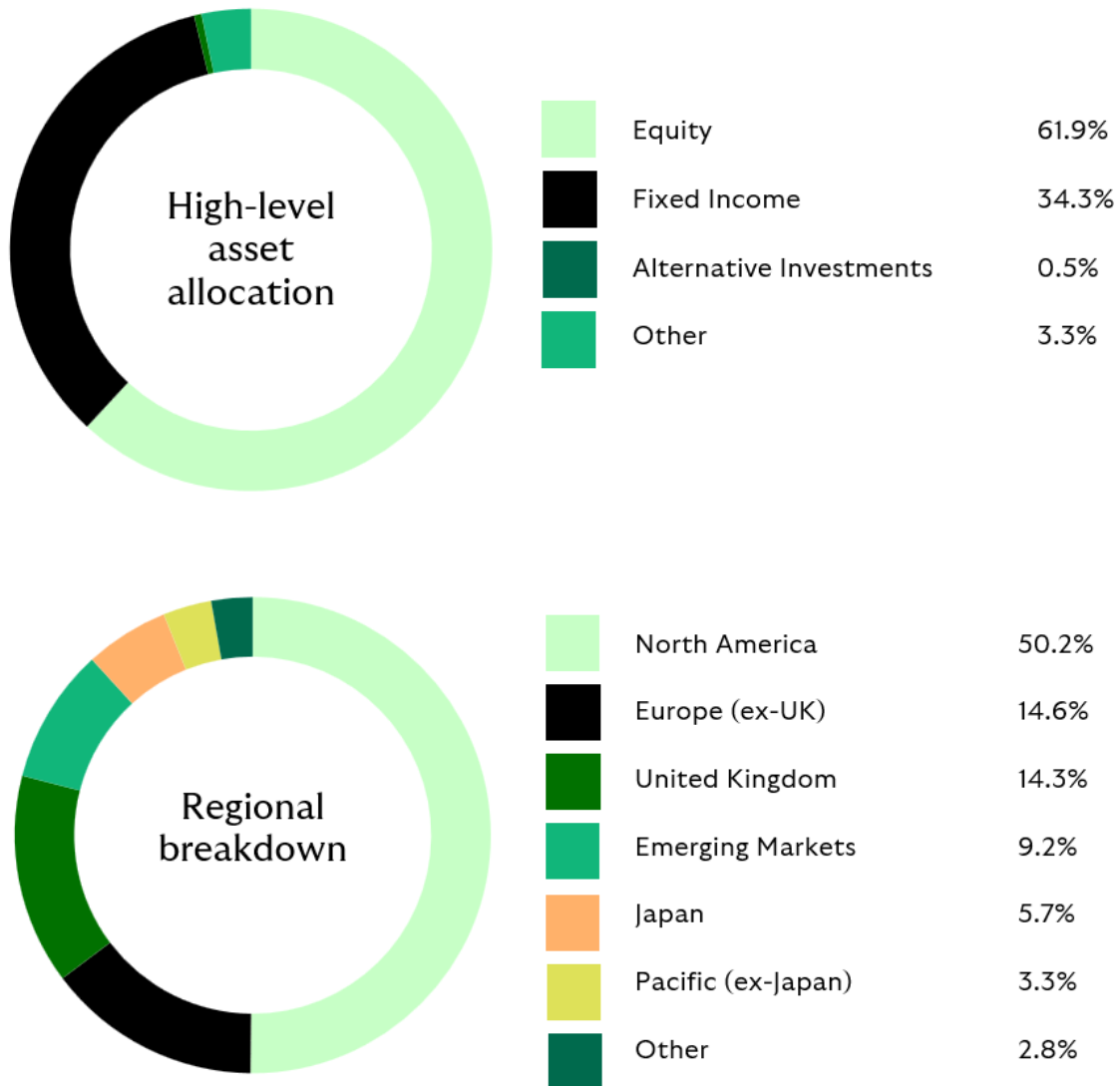
12-month returns

	From: 31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
	To: 31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
Portfolio	4.19%	-3.66%	10.23%	3.57%	10.22%
Benchmark	6.09%	-2.68%	10.37%	5.93%	12.17%

Cumulative periods to 31/03/2026

	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Portfolio	-2.33%	-2.33%	10.22%	25.83%	26.30%	74.71%	225.53%
Benchmark	-0.48%	-0.48%	12.17%	31.14%	35.39%	93.21%	251.41%

Asset allocation



The weightings shown here are correct at the date above but the exact mix of assets you hold at any one time can vary according to the performance of the individual funds held. We might also re-balance your portfolio from time to time to bring it back in line with the model, to protect the portfolio from potential risks, or to take advantage of potential short-term opportunities.

Source: Lloyds Wealth as of 31 March 2026.

Indicative yield 1.88% Ongoing charge 0.63%	
Fixed income	30.40%
Lloyds Wealth Global Investment Grade Bond Fund	4.90%
Lloyds Wealth Global Government Low Duration Bond Fund	12.50%
Lloyds Wealth Global Corporate Low Duration Bond Fund	5.50%
Lloyds Wealth Global Investment Grade Bond Fund	5.50%
Lloyds Wealth Global High Yield Bond Fund	2.00%
UK equities	9.00%
Lloyds Wealth UK Equity Fund	9.00%
Global equities	38.60%
Lloyds Wealth Global (ex UK) Equity Fund	38.60%
Mixed asset funds	20.00%
Lloyds Wealth Tactical Fund 1	12.50%
Lloyds Wealth Tactical Fund 2	7.50%
Cash	2.00%

The weightings shown here are correct at the date above but the exact mix of assets you hold at any one time can vary according to the performance of the individual funds held. We might also re-balance your portfolio from time to time to ensure it remains in line with the long-term objectives of the profile. The yield shown is indicative gross annual yields at the above date. This will also vary with market movements and as the assets held within each fund are managed.

Source: Lloyds Wealth as of 31 March 2026

7. Outlook and beyond

As we move into the second quarter of 2026, the global investment environment is being shaped by two powerful and partially conflicting forces: resilient economic growth that continues to exceed consensus expectations, and a geopolitical shock that has increased stagflationary risks. The conflict involving the United States, Israel and Iran caused the largest disruption to global oil supplies in history, sending energy prices sharply higher and raising fears of a prolonged inflationary shock. A ceasefire has since been announced, bringing some relief to markets, but the truce remains fragile and the terms contested. Energy supply will take time to normalise fully, and the underlying vulnerability to renewed escalation has not been removed. Against this backdrop, the outlook remains cautiously constructive, but uncertain, making resilience and active risk management more important than ever.

The underlying economic backdrop remains stronger than many had anticipated. We expect global GDP growth to exceed consensus in both 2026 and 2027, led by the United States, where consumer spending is robust, fiscal stimulus continues to feed through and we forecast growth of around 3% this year. Critically, the US is a net energy exporter, which means the oil price spike represents a terms-of-trade gain rather than a pure headwind – a structural advantage that is material to our asset allocation views. In Europe, fiscal expansion, most visibly in Germany's defence and infrastructure spending, is beginning to translate into a broadening recovery. However, Europe faces the sharpest sensitivity to the energy shock among developed markets, given its import dependence.

China may see a near-term improvement in activity, though structural weaknesses in domestic demand and the property sector are likely to reassert themselves as stimulus fades. Across emerging markets, lower inflation, improving debt dynamics and attractive real yields provide a constructive backdrop, with Asia benefiting in particular from structural tailwinds around technology. Japan may benefit from fiscal stimulus and corporate governance reform.

The principal concern is that strong growth is meeting central banks that had been moving toward easing, at a time when inflation risk was already building. The energy shock has brought that risk forward. Central banks, particularly the Federal Reserve, are likely to lean hawkish unless labour markets weaken decisively. The rationale is threefold: the Fed's experience from the past taught it to be wary of over-tightening in response to supply shocks that self-correct; the current fiscal stance means any significant rate increase carries elevated financial stability risk; and the political environment limits the appetite for deliberately engineering a growth slowdown.

Equities remain our preferred asset class. A low probability of recession, continued earnings growth and structurally higher nominal growth provide a supportive backdrop, and equities remain an effective inflation-hedging asset class. We favour the US, which is more insulated from the energy shock and where earnings momentum remains strong. We have upgraded our view on emerging market equities, with a focus on Asia ex-China, where AI-related hardware demand – across semiconductors, advanced packaging and high-bandwidth memory – provides a structural tailwind. The AI investment cycle continues to drive equity markets, supporting earnings but also elevating valuations and concentration risk, and we treat this as a reason for selectivity and diversification across the AI stack rather than a binary view on the theme.

Government bonds remain less attractive relative to equities. In a world that has shifted structurally toward inflationary shocks, bonds offer less effective portfolio protection, and the risk of yields moving higher – driven by persistent inflation, elevated issuance and fiscal pressures.

On commodities, gold remains a core allocation. The short-term picture has been complicated by rate repricing and risk-off selling, but the medium-term structural case remains intact, supported by geopolitical uncertainty and the longer-term trend of central bank accumulation.

In currencies, we have upgraded our view on the US dollar, which benefits from net energy exporter status, safe-haven demand and cyclical momentum. We are negative on the euro, which faces the greatest sensitivity to the energy shock.

Overall, we remain cautiously constructive. The global cycle remains intact and growth is likely to surprise to the upside. But we are operating in an environment that is structurally more prone to inflationary shocks, where policy settings are looser than fundamentals justify and where geopolitical risk can move markets rapidly and unpredictably. The distribution of outcomes is wider than at any point since 2022, and the next shock could come from any direction. Active allocation, valuation discipline and genuine diversification are the primary drivers of return in this environment.

8. What risks could I be exposed to?

Risk type	Definition
Diversification risk	Diversification aims to reduce the total risks across all your portfolio. However, if one investment performs well its influence on portfolio returns could be diluted by poor performance in other investments.
Market risk	Sometimes a single event can cause the values of all investments in a particular asset class (such as property or shares) or a country (like the UK or the USA) to fall suddenly and/or significantly.
Inflation risk	The risk that the value of your investments does not keep pace with increases in the value of the things you buy and enjoy.
Liquidity risk	The risk of not being able to sell your investments as quickly as you would like or at a price you had expected.
Interest rate risk	The risk your savings or investments lose money because interest rates have moved up or down. For example, your cash deposits are in a fixed account for five years earning 1% interest, but over time interest rates in general have risen to 2.5%. On the other hand, if you don't fix the rate, you receive and interest rates fall, you have also taken a risk.
Currency risk	If you invest in foreign assets, their value can be affected by changes in exchange rates. If the investment does well and increases in value in its local currency, it could still become a loss when changed back to sterling.
Emerging markets risk	Emerging markets' supervisory standards may not be comparable with those in developed markets and their stock markets might be less well organised and less well regulated.
Stock-specific risk	These are the risks associated with an individual investment. Diversification aims to minimise this type of risk by spreading your money across a number of investments.
Default risk	Generally associated with bonds, this is when an issuer fails to keep up with interest payments or fails to repay the amount borrowed at the end of the bond's life.
Credit risk	This is the fall in value of a bond on speculation the issuer could default on its obligations (see above).
Institutional risk	This is the risk the bank or building society holding your money fails.
Counterparty risk	The risk that the other party in a contract defaults. For example, the provider of an investment product.

Other risks include political and social unrest; limited liquidity and exchange controls; currency instability; limitations on repatriation of capital; high transaction and other investment costs; differences in accounting, auditing and financial reporting standards and potential difficulties in obtaining information about issuers and markets; and governmental intervention in the private sector, including the rights of foreign ownership.

9. Glossary

Term	Definition
Asset Allocation	The process of dividing investments among different asset categories, such as equities, bonds, and cash, to balance risk and reward.
Benchmark	A standard or index against which the performance of a portfolio is measured.
Bond yield	The income return on a bond, usually expressed as an annual percentage.
Corporate Bonds	Bonds issued by companies to raise capital, typically offering higher yields than government bonds but with more risk.
Diversification	A risk management strategy that mixes a wide variety of investments within a portfolio to reduce exposure to any single asset or risk.
Equities	Shares of ownership in a company, also known as stocks.
Fiscal policy	Government decisions on taxation and spending to influence the economy.
Fixed Income	Investments that provide regular income payments, such as bonds.
GDP (Gross Domestic Product)	A measure of the total economic output of a country.
High Yield Bonds	Bonds that offer higher returns due to a higher risk of default, often referred to as “junk bonds.”
Inflation	The rate at which the general level of prices for goods and services rises, eroding purchasing power.
Monetary policy	Central bank actions, such as changing interest rates, to control money supply and inflation.
Portfolio	A collection of financial investments like stocks, bonds, and cash equivalents.
Recession	A period of temporary economic decline, typically defined as two consecutive quarters of negative GDP growth.
Sovereign Bonds	Bonds issued by a national government.
Tactical Asset Allocation	A short-term investment strategy that adjusts the asset mix to take advantage of market opportunities.
Volatility	A measure of how much the price of an asset fluctuates over time.
Yield curve	A graph showing the relationship between bond yields and their maturities. A steepening curve often signals expectations of higher future interest rates.



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