

Lloyds Wealth Portfolio Update Balanced Profile

Quarter 2, 2026



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1. Welcome to your quarterly update

Welcome to our second quarter investment update of 2026. As always, this report is designed to provide a clear and balanced perspective on market developments, how your portfolio has navigated the changing environment, and how we are thinking about the opportunities and risks that lie ahead. Following the volatility experienced earlier in the year, the second quarter brought a more constructive backdrop, with improving investor confidence supporting stronger market returns across many regions.

The quarter was marked by a significant change in sentiment. Easing tensions in the Middle East helped reduce concerns over global energy supplies, allowing oil prices to fall back from the elevated levels reached earlier in the year. This eased some of the inflation pressures that had unsettled markets in the first quarter and provided investors with greater confidence about the outlook. At the same time, continued investment in artificial intelligence and the technologies supporting it remained a powerful driver of market performance. Equity markets delivered particularly strong returns, led by technology-focused sectors and regions closely connected to semiconductor production and digital infrastructure.

While markets moved higher, the broader economic picture remained mixed. Growth has continued to prove resilient, particularly in the United States, where strong consumer spending and healthy corporate earnings have supported economic activity. Elsewhere, progress has been less consistent, with some economies continuing to feel the effects of higher energy costs and persistent inflation. Central banks have remained cautious, balancing encouraging signs of growth against the risk that inflation may prove more difficult to bring under control. This has contributed to periods of volatility in bond markets, although returns were positive overall during the quarter.

As we look ahead, our outlook remains measured but constructive. The risks that dominated the spring have receded, recession risk remains low, and corporate earnings continue to provide support for risk assets. However, market leadership has become increasingly concentrated, with a significant share of returns driven by a relatively narrow group of companies linked to the AI investment theme. While we remain positive on the opportunities this presents, we believe diversification and active management are more important than ever. Our focus continues to be on building resilient portfolios that are diversified across regions, sectors and investment styles, helping to create a broader range of return opportunities while managing risk.

Thank you for continuing to place your trust in us. If you would like to discuss any aspect of this update or your portfolio in more detail, please do get in touch. We are always happy to help.



A stylized, handwritten signature in black ink, appearing to read 'Alan Goodman'.

Alan Goodman
Chief Investment Officer
Lloyds Wealth

2. Q2 2026 at a glance

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

Market highlights

- Market sentiment improved during the quarter, supported by resilient company earnings, easing geopolitical tensions and continued investment in artificial intelligence.
- Equity markets performed strongly overall, with emerging market shares among the best-performing areas.
- Bond markets experienced periods of volatility as investors responded to developments in the Middle East and changing expectations for inflation and interest rates.

Your portfolio

- The Balanced portfolio delivered a return of **9.3%** (gross of fees) over the quarter, outperforming its benchmark.
- Equities were the main driver of returns, with emerging market equities making a particularly strong contribution to performance.
- Fixed income also provided a positive contribution, while alternative investments delivered broadly flat returns overall as weaker commodity markets offset gains elsewhere.
- During the quarter, we maintained a preference for equities, particularly in the US and areas benefiting from continued investment in artificial intelligence. We also upgraded our view on government bonds from negative to neutral as higher yields improved valuations and the level of income on offer.

Looking ahead

- Markets are likely to remain influenced by the outlook for inflation, interest rates and economic growth, as well as developments in global politics.
 - While periods of volatility can occur, a diversified portfolio remains important for managing risk and capturing opportunities across different asset classes.
 - We continue to take a long-term approach, making selective portfolio adjustments where we believe they can help support your financial goals.
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3. Performance of asset classes and geographies

Market backdrop

Global equity markets advanced in the second quarter of 2026 as renewed optimism around artificial intelligence (AI) investment and an easing of tensions in the Middle East supported investor sentiment.

The announcement of a US-Iran ceasefire framework helped reduce concerns over global energy supplies, allowing oil prices to fall and inflation expectations to moderate. Technology-led markets, particularly in Asia, outperformed, while global bond markets remained sensitive to changing expectations for inflation and interest rates.

Commodities weakened as energy prices reversed much of their first-quarter gains.

Equities

Equities markets posted their strongest quarter in years in Q2 2026, globally equities rose 15.13%. However, June reminded investors even the most powerful themes don't move in a straight line. The dominant driver was momentum in AI and related capital investment cycles, which strengthened technology-heavy markets and economies embedded in semiconductor and advanced electronics supply chains.

US equities posted their strongest quarterly gain since 2020, supported by resilient corporate earnings and continued enthusiasm for AI. Technology stocks, led by semiconductor and AI infrastructure companies, drove returns, although gains broadened across the market as the quarter progressed. Easing energy prices and a more stable interest rate outlook further supported investor confidence.

Eurozone equities also rose strongly, led by information technology and financials as investors remained optimistic about AI-related growth. The European Central Bank raised interest rates in response to persistent inflation following the earlier energy shock, despite signs that economic activity remained subdued.

UK equities delivered positive returns but lagged other developed markets as weakness in the energy sector offset gains elsewhere. Financials, consumer discretionary and real estate outperformed, while the Bank of England kept interest rates unchanged amid continued inflationary pressures.

Japanese equities were among the strongest-performing developed markets, supported by a weaker yen and continued strength in AI-related sectors. Semiconductor companies and financials led gains, while the Bank of Japan's latest interest rate increase did little to dampen investor sentiment. Emerging markets outperformed developed markets, driven largely by strong gains in Taiwan and South Korea as demand for semiconductors and AI infrastructure remained robust. Elsewhere, returns were more mixed, with China lagging amid weaker economic data and India underperforming despite positive returns.

Asia Pacific ex-Japan equities were the strongest-performing region, reflecting continued strength across North Asia's semiconductor supply chain. Korea and Taiwan led gains, while China and several ASEAN markets lagged due to weaker domestic conditions and lower exposure to the AI-driven rally.

Bonds

The Middle East conflict remained in full focus, with the direction of bond yields tracking energy markets extremely closely. As escalation fears intensified mid-quarter, government bond yields rose to multi-year highs before reversing on encouraging signs of a potential US-Iran agreement.

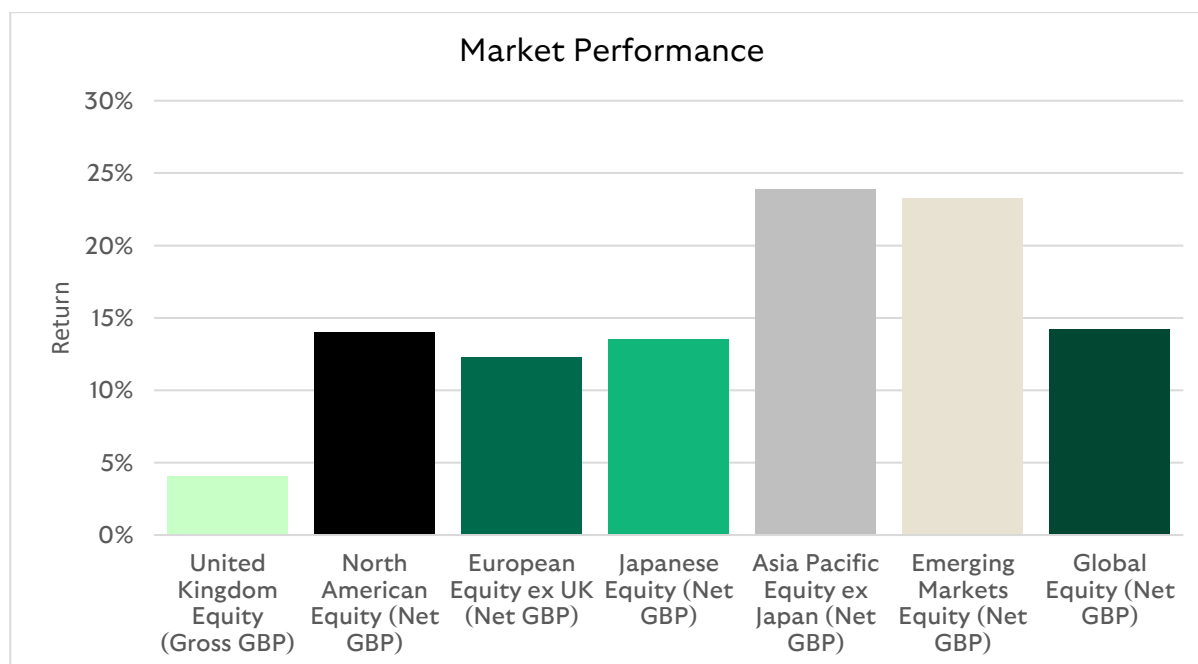
Global bond markets generated modest positive returns despite elevated volatility as investors balanced geopolitical developments, inflation expectations and central bank policy. Corporate bonds outperformed government bonds, supported by resilient company fundamentals and continued investor demand for higher yields.

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 June 2026

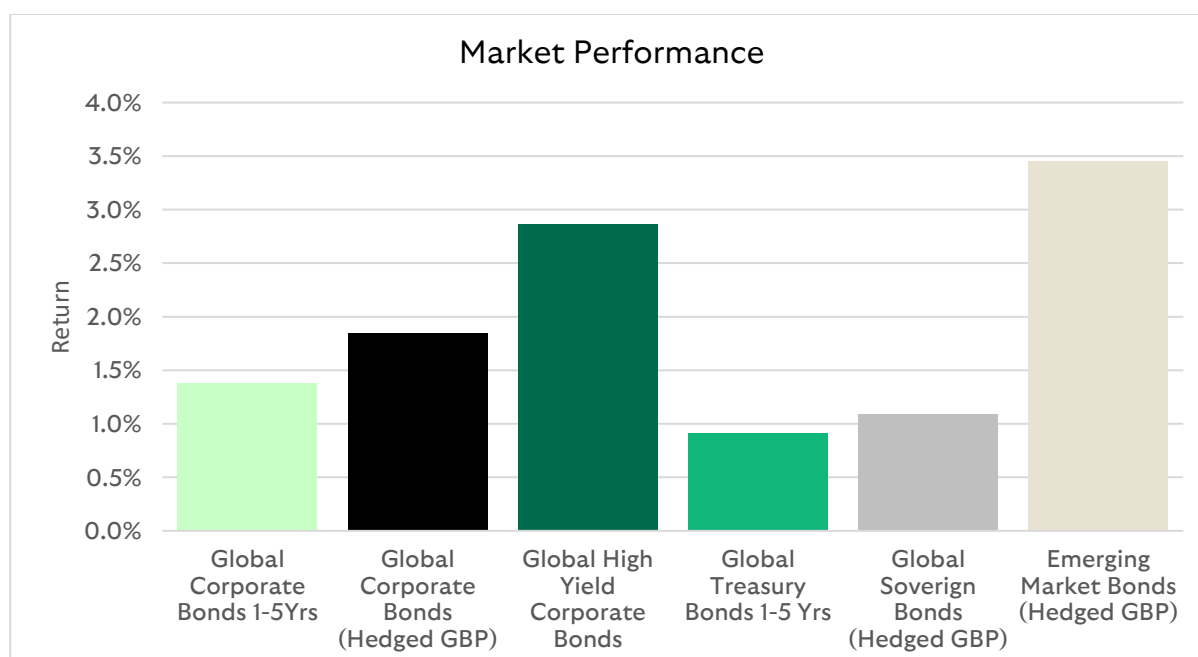


Market Index Total Returns in GBP Terms

Source: Morningstar

Fixed income market returns

3 months to end of June 2026



Market Index Total Returns in GBP Hedged Terms

Source: Morningstar

4. Key events

The second quarter of 2026 marked a notable turnaround for markets, with risk assets recovering strongly following a challenging start to the year. Investor confidence was supported by resilient corporate earnings, easing geopolitical tensions and continued enthusiasm around artificial intelligence, helping global equity markets deliver positive returns. Emerging market equities were among the strongest performers, benefiting from improving sentiment towards economic growth and risk assets.

Fixed income markets also generated positive returns, although the path was less straightforward. Bond yields moved sharply at times as investors responded to developments in the Middle East and changing expectations around inflation and interest rates. While uncertainty remained, concerns that had unsettled markets earlier in the year began to ease, creating a more supportive backdrop for investors.

Elsewhere, returns from alternative investments were more muted. Gold continued to benefit from its role as a defensive asset, although gains were more modest than in previous periods, while weaker commodity prices, particularly lower oil prices, weighed on broader commodity markets. The differing fortunes of asset classes throughout the quarter served as a reminder that market leadership can shift quickly as economic conditions and investor sentiment evolve.

Against this backdrop, the quarter highlighted the value of diversification. While equities delivered the strongest returns, positive contributions also came from fixed income, and alternative investments continued to play an important role in helping to manage portfolio risk. By maintaining exposure across a range of asset classes, investors were better placed to participate in opportunities while reducing reliance on any single area of the market.

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

"Q2 was a good example of why diversification remains one of the most important principles in investing. Markets recovered strongly, but the drivers of returns were not the same across every asset class, region or sector. Emerging market equities performed particularly well, while fixed income delivered more modest gains and commodity markets were much more subdued.

It's impossible to know in advance which parts of the market will lead performance in any given quarter. That's why we believe it is important to maintain a diversified portfolio that can participate in opportunities wherever they arise, while helping to manage risk when conditions become more challenging.

Diversification doesn't remove investment risk, but it can help reduce reliance on a single market or investment theme. By staying invested across a range of asset classes and focusing on long-term objectives, investors are typically better positioned to navigate changing market conditions and remain on track towards their financial goals."



Joseph Allen
Senior Investment Specialist
Lloyds Wealth

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

The quarter began against a backdrop of improving market sentiment, supported by resilient corporate earnings, growing confidence in artificial intelligence (AI)-related investment and easing concerns around economic growth. With recession risk remaining low and earnings continuing to support markets, we maintained a constructive view on equities and increased portfolio exposure to risk assets where we saw the most attractive opportunities. Our preference remained for US equities, initially expressed through an equal-weighted S&P 500 position. This provided greater exposure to cyclical sectors such as industrials and financials, which we believed were well placed to benefit from a supportive growth environment.

As the quarter progressed, however, we concluded that disruption to energy supplies linked to tensions in the Middle East could prove more persistent than initially expected. To reduce risk, we closed the equal-weighted S&P 500 position in mid-April, lowering the portfolio's exposure to more economically sensitive areas of the market. While higher energy prices created challenges for some regions, our analysis suggested the US economy was likely to remain more resilient than Europe and parts of Asia. As a result, we retained an overweight position in the US market and continued to favour technology-related investments where earnings momentum remained strongest. This included maintaining exposure to both the Nasdaq 100 and the S&P 500. We also retained our overweight position in Chinese technology companies, believing valuations already reflected a very cautious outlook and that improving policy support could create opportunities for recovery.

During May, we further increased exposure to US technology relative to smaller US companies, reflecting our conviction that AI-related investment would continue to support growth and earnings in the sector. As markets recovered strongly and valuations became less compelling, this position was closed towards the end of the quarter.

Within fixed income, we maintained underweight positions in US investment-grade corporate bonds and shorter-dated US government bonds for much of the quarter. These positions partly provided funding for our equity overweight and reflected our view that credit markets were offering limited additional return relative to the risks involved. However, as bond yields moved higher, valuations improved and we upgraded our view on government bonds from negative to neutral, recognising that they had become more attractive from both an income and valuation perspective.

In alternatives, we maintained an overweight position in gold for most of the quarter. Gold continued to benefit from demand from emerging market central banks and its role as a portfolio diversifier during periods of uncertainty. However, as a stronger US dollar and rising real interest rates put pressure on gold prices, the position was closed towards the end of the quarter. We also took profits from agriculture-related investments and identified new opportunities within industrial metals as part of our ongoing portfolio management activity.

Within currency markets, we closed our position favouring the US dollar over the euro in April as changing expectations for interest rates and ongoing geopolitical uncertainty altered the outlook. We also introduced an overweight position in the Japanese yen versus the US dollar, supported by a more hawkish stance from the Bank of Japan and rising inflation pressures. This position was closed in May after generating a small profit as our conviction in the near-term investment case reduced.

6. Portfolio performance summary

The portfolio posted a **positive return of 9.3%** in the second quarter of 2026 (in GBP1), outperforming its benchmark.

Market conditions improved over the period as resilient corporate earnings, easing geopolitical tensions and continued investment in artificial intelligence supported risk assets. Against this backdrop, equities were the main driver of portfolio performance, with emerging market equities delivering particularly robust returns. Fixed income also made a modest positive contribution to returns.

Bond yields were volatile during the period as markets reacted to developments in the Middle East and changing expectations for inflation and interest rates. We remained cautious on investment grade credit, reflecting our view that credit spreads continued to offer limited compensation for the prevailing risks.

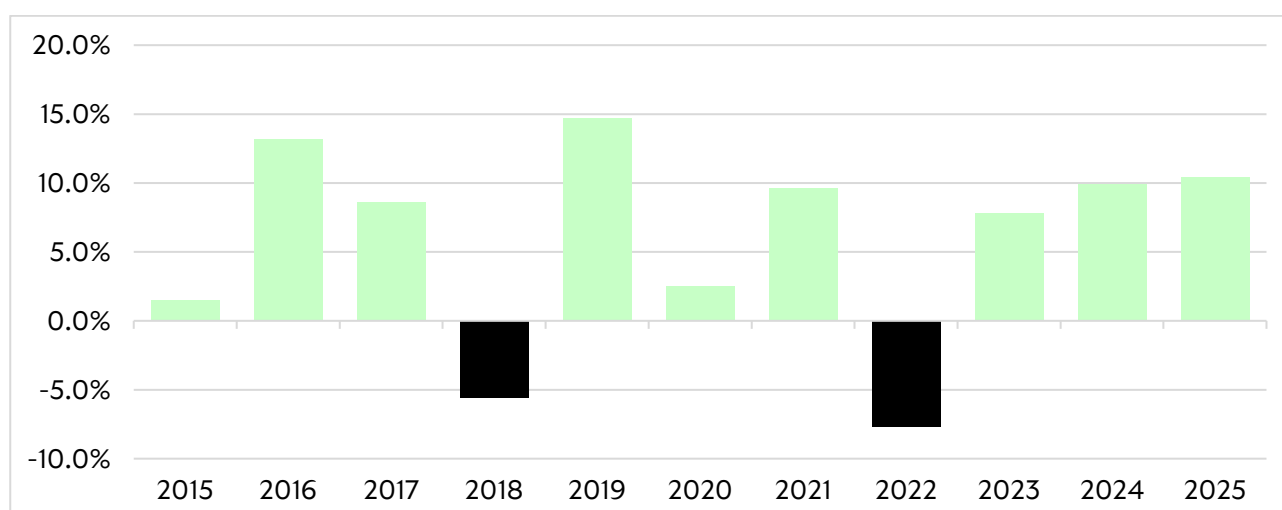
Meanwhile, our negative view on government bonds was upgraded to neutral as higher yields improved valuations. Within alternative investments, we took profits on the gold and agriculture positions and identified new opportunities in industrial metals. However, weaker commodity markets, particularly lower oil prices, resulted in a broadly flat outcome.

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



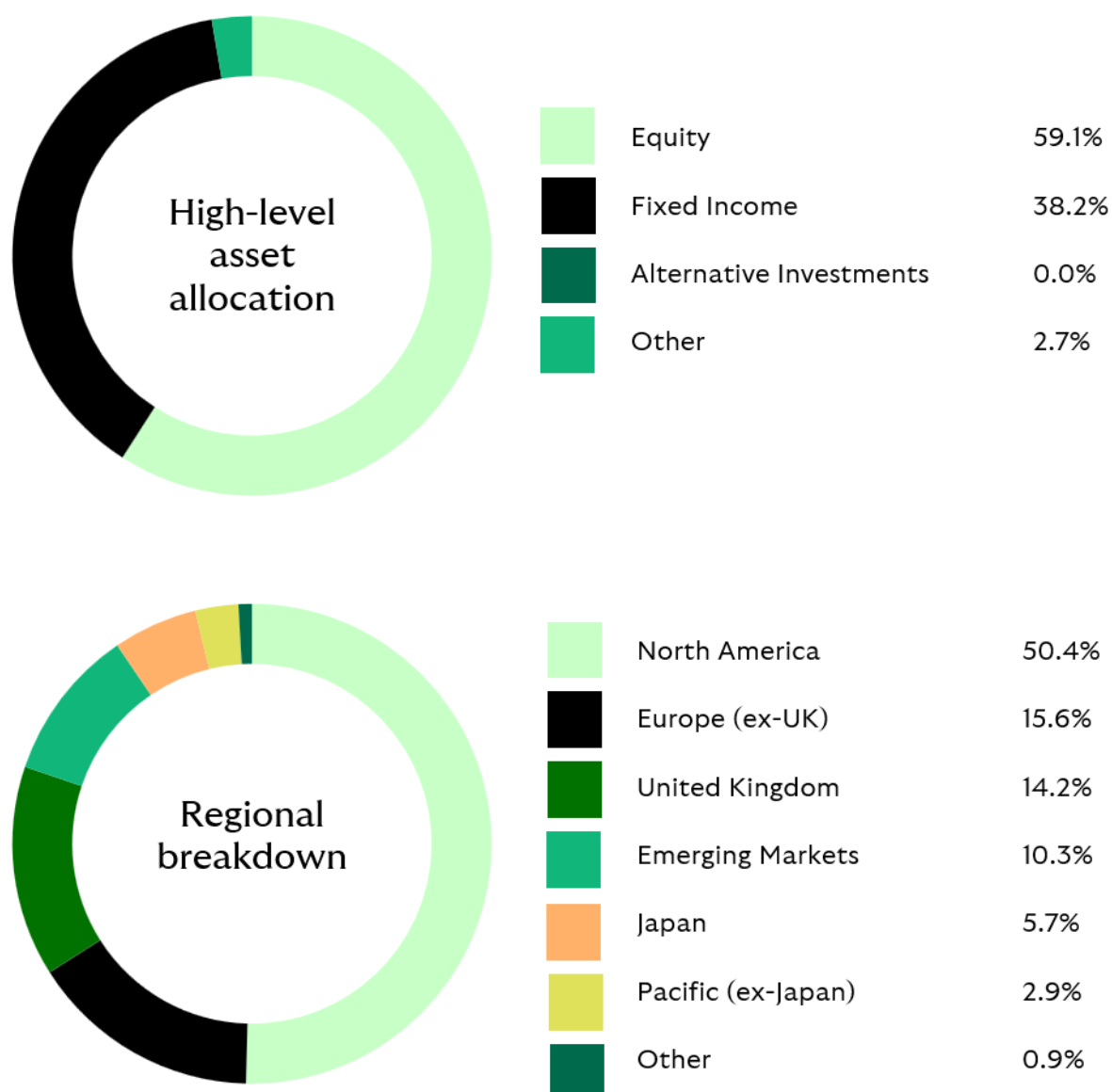
12-month returns

	From: 30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025
To:	30/06/2022	30/06/2023	30/06/2024	30/06/2025	30/06/2026
Portfolio	-5.39%	2.75%	10.89%	6.69%	15.68%
Benchmark	-4.81%	4.50%	11.23%	8.12%	17.06%

Cumulative periods to 30/06/2026

	3 months	YTD	1 year	3 years	5 years	10 years	Since inception
Portfolio	9.32%	6.77%	15.68%	36.86%	33.04%	85.70%	255.87%
Benchmark	8.19%	7.67%	17.06%	40.78%	40.02%	98.73%	280.21%

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 30 June 2026.

Indicative yield 2.06% Ongoing charge 0.62%	
Fixed income	33.90%
Lloyds Wealth Global Sovereign Bond Fund	5.90%
Lloyds Wealth Global Corporate Low Duration Bond Fund	12.50%
Lloyds Wealth Global Corporate Low Duration Bond Fund	7.50%
Lloyds Wealth Global Investment Grade Bond Fund	5.50%
Lloyds Wealth Global High Yield Bond Fund	2.50%
UK equities	8.50%
Lloyds Wealth UK Equity Fund	8.50%
Global equities	35.60%
Lloyds Wealth Global (ex UK) Equity Fund	35.60%
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 30 June 2026.

7. Outlook and beyond

As we move into the second half of 2026, conditions look steadier than the stagflationary scare that dominated the spring. The energy-driven sell-off in bond yields through the second quarter has largely unwound, yields now sit closer to fair value, and an easing of tensions in the Middle East has taken some of the near-term heat out of inflation. Recession risk in the United States remains low, and recent labour market data has been consistent with that view. Corporate earnings momentum is still positive, which continues to support risk assets. We remain cautiously constructive. The more important observation is that this is an increasingly concentrated market, and how returns are being generated matters as much as their direction. Understanding what you own, and how those exposures fit together, is central to how we are positioned.

The economic backdrop is one of slower but resilient growth. We expect global GDP growth of around 2.5% this year and a broadly similar 2.6% in 2027, with the effects of the earlier energy shock felt unevenly across regions. The US is relatively insulated as a net energy exporter and is supported by loose fiscal policy, while the Eurozone and UK are more exposed as energy importers and are showing softer momentum. Inflation has been the sticking point, keeping central banks in a cautious posture. However a re-escalation in the Middle East alongside a more persistent inflation picture could mean that central banks may tighten rates modestly later in 2026 or early 2027.

Equities remain our preferred asset class, supported by resilient earnings growth and a low probability of recession. The defining feature of today's market, however, is not simply elevated valuations but an increasingly narrow concentration of returns. Leadership has become heavily concentrated around AI-related infrastructure, creating the risk that portfolios are less diversified than traditional asset-class labels might suggest. Our response is not to step away from the AI investment theme, but to broaden the sources of return within portfolios. We remain constructive on the US, where earnings momentum and continued AI-related investment remain supportive. Europe ex UK provides a complementary source of return through financials, where attractive valuations and a higher-for-longer rate environment continue to underpin earnings.

We also remain positive on emerging markets, particularly across parts of Asia benefiting from AI-related demand throughout the semiconductor supply chain, although the maturing cycle argues for greater selectivity. The same logic extends to investment style. Over the past twelve months Momentum has returned around 33%, against roughly 21% for Value and 17% for Quality, a dispersion that has left many high-quality, cash-generative businesses trading at valuations that look attractive relative to their own history. Diversifying across style, as well as sector and region, is therefore a deliberate part of how we build resilience against concentrated exposures.

Within fixed income we remain neutral on government bonds. Higher yields have improved both valuations and the carry on offer, but persistent inflation risks continue to limit our conviction in adding duration. We have upgraded US Treasuries to neutral on improved income characteristics. In credit we stay negative, particularly on US investment grade, where spreads offer limited compensation for inflation, duration and refinancing risks. Given the stronger earnings backdrop, we continue to prefer equities to credit. We are similarly cautious on US and European high yield, where tight spreads provide little protection against a more uncertain growth and inflation environment.

In alternatives, following the profit-taking in agriculture and gold, we have moved gold to neutral, as it has become increasingly driven by interest-rate expectations and has offered less diversification during recent periods of geopolitical uncertainty, even as central bank demand remains supportive. In currencies, higher US rates and resilient data continue to support the dollar, though valuation and positioning considerations temper our conviction. We remain negative on the Japanese yen against the dollar given wide interest-rate differentials, while the renminbi remains one of our preferred expressions of emerging market exposure.

Overall, we remain cautiously constructive. The cycle is intact and the immediate tail risks of the spring have receded, yet this is a market where returns are narrowly sourced and diversification is harder won than asset-class labels suggest. Active allocation, valuation discipline and genuine diversification remain 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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