Church House Investment Management

Quarterly Review

Spring 2026

Issue No. 104

Investment Risk

Investing in ordinary shares and other assets that will be included in your investment portfolio entails risks to your capital and the income that it might generate. The paragraph below is an important reminder, please always remember that:

> *The value of investments and the income you get from them may fall as well as rise and there is no certainty that you will get back the amount of your original investment. You should also be aware that past performance may not be a reliable guide to future performance.*

The second half of this Review gives information on the Church House fund portfolios that we manage for clients. Some, or all, of these funds feature in most portfolios and the risk warning above is pertinent to each of them. We use these funds in the construction of clients' portfolios, each has a specific 'building block' role and, specifically, they form part of our risk management process. This approach helps to ensure appropriate diversification and that we know in detail the risks that we are undertaking on your behalf - not something that we wish to delegate to others.

These funds are individually authorised by the Financial Conduct Authority under the Collective Investment Schemes regulations, they are all UCITS Schemes. We are required to point out that the main risks faced by them arise from market price and interest rate risk; that they have no borrowings, or unlisted securities of a material nature (so there is little exposure to liquidity or cash-flow risk) and that we review the policies for managing these risks on a regular basis.

We do not make any specific ESG or other claims for our funds, we find many such claims to be spurious and of doubtful value. We do consider that investing in companies with properly sustainable practices and business models and run by people of integrity, is an important part of what we do. We are signatories to the:

UK STEWARDSHIP CODE

Church House Investment Management

Church House Investments Limited is authorised and regulated by:

The Financial Conduct Authority

Quarterly Review

A quarterly review of the economic and market background to investment,
written by Church House's managers, compiled and edited by
James Mahon, Chairman of the Investment Committee.

Issue no. 104 - Spring 2026

Contents

The Price of War

Since the beginning of the year, and thanks to Donald Trump's ill-judged war in the Middle East, the price of oil has doubled:

The Price of Oil* – Since March 2021

*Source: Bloomberg *Brent blend*

First vertical dashed line; 24 Feb 2022, second 28 Feb 2026

Almost exactly four years on from Russia's invasion of Ukraine in February 2022 and subsequent leap in energy prices, the US and Israel commenced a bombing campaign against Iran at the end of February 2026. The ramifications and massively complex consequences were felt quickly as so many other Middle Eastern countries were dragged in to the conflict. Can it really be true that the US President, emboldened by the capture of Nicolás Maduro of Venezuela, liked the sound of 'Epic Fury' and thought that it would be a brief excursion?

Whatever the doubtful legality of the attack on Iran, it is hard not to think that the objectives are being moulded with hindsight. And equally hard not to see a connection with the President's sacking of the Chairman of the US Joint Chief of Staff, the highest-ranking US officer, and a host of other senior figures in the military by the belligerent Pete Hesgeth, Secretary of Defense, though he now appears to have assumed the title of 'Secretary of War'.

Following the President's expletive-laden outbursts and threats that "a whole civilisation will die tonight", there was a feeling that he had crossed a line, even within his sycophantic cabinet. I hope that is correct, he, of course, maintains that it was a tactic to force Iran to negotiate.

The Economic & Market Background

I finished last quarter's commentary making the case for a more optimistic outlook with improving growth and lower interest rates, though muttering about the demise of US 'exceptionalism'. For a while that was true with good gains for UK, European and other non-US markets. But then March brought President Trump's (and Bejamin Netanyahu's) ill-judged war with Iran, dragging in so many other nations and, of course, sowing seeds of chaos in energy markets and their sequiturs. Markets duly gave up all the gains, and the domestic impact is already being felt in fuel prices.

Historically, markets have 'found a bottom', i.e. stopped falling, prior to the actual end of hostilities when possible solutions begin to emerge. Unnervingly, I keep being reminded of the 1970s when an oil price shock tipped the UK economy over the edge and ultimately into the arms of an IMF rescue. But this is probably not a good comparator though, true to pattern, the stock market found its bottom in January 1975 while the peak in inflation (at 27%!) was not reached until August of that year.

Markets can look through the current events if a lasting truce/peace can be established or at least a credible path towards that end, but that is a big IF. President Trump's actions have wreaked huge damage on energy markets (not to mention lives and livelihoods lost in Iran and Lebanon) and that will rattle down through supply chains and so many dependent markets (fertilizers etc.). Some good can come from such price moves, Europe learnt the lesson after Russia's invasion of Ukraine and subsequent leap in the gas price and diversified its energy sources; this time the price of gas has not been a problem for them. Unfortunately, the UK is an outlier here.

Inflation is sure to rise over the coming months as the energy price increases and supply bottlenecks work through, but this can be 'transitory' if a solution is found to the conflict. This matters for the course of interest rates on both sides of the Atlantic, the initial response to the war was to presume that rates would have to rise to counter the inflation, but this is giving way to a (more likely) wait-and-see with Central Banks holding rates as they are for the moment.

I can't escape the feeling that Presidents Putin and Xi Jinping are enjoying this, *The Economist's* headline of: "Never interrupt your enemy when he's making a mistake" accompanying a picture of Xi Jinping silently watching a loquacious Trump was a treat. I shall also be watching the Hungarian election and whether the long rule of Viktor Orban (friend to Donald Trump and Vladimir Putin) can be brought to an end despite recent support from J D Vance and Marine Le Pen (since happened!)

I am hopeful that the pattern of previous conflicts will prevail and that Trump has passed his domestic 'pain threshold' with this war. I am also conscious that events may well have overtaken these remarks by the time this reaches you!

***James Mahon**, April 2026*

The UK Economy and Interest Rates

The UK economy started 2026 in much the same position as it finished 2025 with weak growth and a weak government. The GDP estimate for January showed no growth, while a revision upwards for November meant that over the final quarter of 2025 GDP grew by 0.1%.

While growth is scarce among other major economies, this nevertheless provides Sir Keir Starmer with a headache. Less than hallway through his term, the number of rumoured challenges from within his own party are only a reflection of his approval ratings, which plumbed new depths in the first quarter, reaching levels comparable to Liz Truss.

The two rate cuts that were expected from the Bank of England at the start of the year would have been welcome relief for the Prime Minister. A lower cost of borrowing would stimulate the economy, while also giving the government some 'headroom' on their spending plans thanks to lower debt servicing costs.

The outbreak of war in the Middle East has scuppered that outlook, the inflationary effects from higher energy prices are well-known, not least because it is only four years since our last energy shock. Yet the global economic backdrop is markedly different to when Russia invaded Ukraine. Inflation has been dropping, albeit slowly, while in 2022 CPI was already running at 6.1% thanks to the effects of the covid re-opening. Monetary and fiscal policy is decidedly tighter than in 2022, while the current jobs market gives employees little bargaining power and so reduces the risk of a wage spiral.

Therefore, absent a disastrous budget later in the year, Starmer may expect to avoid having his time in Number 10 measured against the shelf life of a lettuce. But while the current situation is different to 2022 that does not mean to say that tough times are not ahead.

The inflationary spike will make future decisions hard for the Bank of England and they will run the risk of delaying necessary cuts to support a weakening economy. Should higher costs lead to lower consumer spending at a time when businesses have been squeezed by higher taxes, especially on employment, the risk of a recession is meaningful.

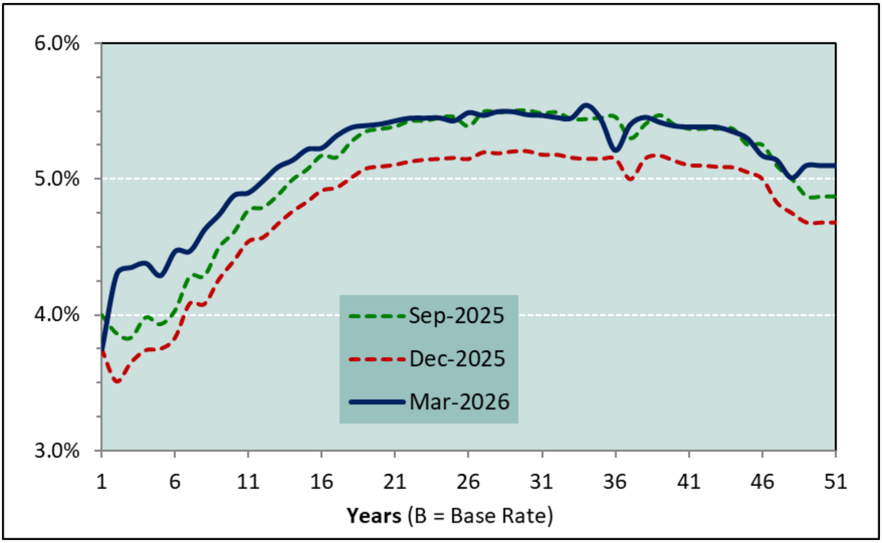
Of course, with President Trump at the helm the situation remains unpredictable. The announcement of a ceasefire in April at least points to both sides wanting to find a way to end hostilities, even if it may take some time to agree to do so. Unfortunately for the American President, he may find that having started this war, the genie is hard to put back in the bottle and becomes ever more so the longer the disruption in the Gulf continues.

Both Starmer and Trump are facing elections this year that are not expected to go well for them. Trump cannot serve another term, and if Starmer wants to have any hope of avoiding the same outcome then he must find a way to unlock growth.

With interest rates on hold for the foreseeable future, Starmer will need to look to his own policies to do that. Burdening business with higher costs through taxes and reforms to workers' rights, while failing to get a grip on public sector spending and productivity, has undoubtedly hampered growth in the economy. Now the war in Iran has scuppered any hopes for an acceleration in the near-term.

Cranley Macfarlane, *April 2026*

UK Interest Rates – The Yield Curve (Base Rate and the income yield from Gilts)



Source: Church House, Bloomberg

Short-Term	Base Rate	SONIA*	2 years	5 years
Interest Rate	3.75%	3.7%	4.4%	4.5%
Longer-Term	10 years	20 years	30 years	50 years
Interest Rate	4.9%	5.5%	5.5%	5.1%

*Source: Bloomberg   *The Bank of England's Sterling overnight index average.*

International Rates and Credit Outlook

The Trump attack on Iran swept away any forecasts for 2026 being a re-run of 2025. As ever, there was no cunning plan, if one at all, and, despite comments to the contrary, his administration seemed surprised at the effect on stocks, bonds and energy prices. Initially, there was only a limited effect on indices, which were coming off all-time highs (probably part of his 'thinking') but as the conflict has escalated, volatility has increased and energy prices and sovereign yields have reached some uncomfortable levels. Risk assets have remained remarkably sanguine about events, although we enter the corporate earnings season looking ahead, more interested in forecasts and not the rear-view mirror.

The pause from the tenuous ceasefire between the US and Iran lasted less than 24 hours as Israel (who appear to be the catalyst for this whole situation by influencing a gullible and impetuous President into action) turned their attentions to Lebanon. Predictably, recent talks in Islamabad broke down on the nuclear question and Trump's latest plan is to blockade the Straits of Hormuz. China, a mostly silent observer of this war until now, imports 80% of Iran's oil. 'Dated' Brent, not normally used as a yardstick but still valid pricing for physical crude oil for immediate delivery, hit an all -time high of over $144bbl, double its level of the end of February. The spread between this spot price and the front month futures contract is normally $1-$2 but has ballooned out over $30. It looks to be a while before this is over and even when it is the damage to Gulf energy infrastructure will take years to repair whether the Straits are open or not.

The US Federal Reserve had no choice but to remain on hold and there were few changes to their statement. Spikes in US Treasury yields do not create an environment for cutting rates and the new Chairman will have a job convincing the FOMC to vote for the level of cuts that Trump wants (except for his stooges Warsh and Miran). Chairman Powell continues to caution against market expectations for rate hikes despite elevated inflation expectations, though recent CPI numbers were predictably higher. However, looking through 'transitory' high levels of energy prices will become harder the longer this war drags on and growth is bound to take a hit.

The ECB remained on hold with a hawkish tone and retain their option to act either way ('agile and vigilant'). This check in global stability comes at a time when growth was just beginning to become more established across the eurozone but the bloc as a whole remains exposed to the negative effect of energy price spikes and supply disruption. Near term effects are non-linear within the bloc and the core economies are the most exposed, euro area CPI rose to 2.5% in March from 1.9% in February. The ECB also pushed back against market pricing for a hike in rates but there is still potential for a near-term move as they remain on 'high alert' and are determined to avoid accusations of reacting too late, as per 2022. Euro Investment Grade spreads reflect this, widening further than US spreads but are still contained.

The BoE scrapped any thoughts of rate cuts, staying on hold with a 9-0 decision while remaining 'ready to act'. They are in a fair pickle now as growth forecasts have halved and inflation expectations raised. Market expectations aside, they are likely to remain on hold for the rest of the year, as things stand. Sterling money markets have pulled back from their extremes of pricing-in four hikes this year to just one and our Governor remains keen for us to have confidence that the Bank will not overreact. Gilt yields have risen the most amongst developed countries and saw a concerted move higher across the curve with the 30-year Gilt suffering a peak to trough move of over 50bp, a loss of near 8% in capital, the sharpest rise since Truss/Kwarteng. The two-year Gilt saw a move of over a 100bp in yield (a 2% drop in capital). The OECD continues to expound that the UK is the most exposed in the G7 to elevated energy costs. There is some truth here although it is baffling that there isn't any indication that our government is learning from the situation and (re-)adopting more self-sufficient policies. Trump told the UK to 'go get your own oil'.

Gulf Debt Capital Markets have, unsurprisingly, shut down but thankfully most major banks had prefunded in the first two months. The establishment of the region as a financial centre has suffered a serious setback. European and US markets are still functioning well, secondary market liquidity has been good, and we have seen some large primary deals despite the volatility. Amazon came to market with a whopping $38bn issue in the second week (Stellantis also issued €5bn hybrids on the same day) and a few days later Amazon issued a further €14.5bn in a multi tranche out to 2064.

The biggest story for sterling was also in the primary market. Google (a better credit rating than Gilts) established a new curve of five issues totalling £5.2bn attracting interest of more than £30bn. The most astonishing enthusiasm was for their 'Century' tranche, which priced £1bn at 6.125% until 2126, more than £6bn of investors were prepared to lend them money for this period (we didn't). They also raised CHF2bn and the rest in USD to make $32bn total borrowing. There is more to come, and JPMorgan have raised their 2026 GBP issuance forecast from £40bn to £70bn. Sterling spreads still haven't widened any further than the middle of last year's levels and liquidity remains healthy, each time there is a moment of calm the primary window opens and deals are printing easily, in size and with precious little New Issue Premium.

Private credit is exhibiting some pain and in particular Business Development Companies (vehicles to attract retail assets into private credit), Jamie Dimon's fabled 'cockroaches' might be coming out of the shadows. The asset class has always made much of underlying liquidity characteristics and this is proving to be an illusion for some. Optimism holds that problems will remain contained within the asset class although our high street banks have been transacting SRT's, strategic risk transfers, with private credit, moving risk off their balance sheet to others. These are all vetted and approved by the PRA so hopefully will not be a problem for the future.

Jeremy Wharton, *April 2026*

Equity Markets

International Indices:	31 Mar 2026	31 Dec 2025	Quarter*
US - S&P 500	6529	6846	-4.6%
US - NASDAQ	21591	23242	-7.1%
UK – FTSE All-Share	5431	5350	+1.5%
Germany - DAX	22680	24490	-7.4%
France - CAC 40	7817	8150	-4.1%
Switzerland - SMI	12777	13267	-3.7%
Japan - TOPIX	3498	3409	+2.6%
Brazil - Bovespa	187462	161125	+16.3%
China – Shanghai Comp.	3892	3969	-1.9%
Hong Kong – Hang Seng	24788	25631	-3.3%
Australia – ASX 200	8482	8714	-2.7%

*Source: Bloomberg. *Change in local currency*

It has been a quarter of increased volatility in equity markets, but one must remember that this is coming from the starting point of markets at all-time highs and buoyant investor sentiment. Whisper it gently, the UK has been one of the top performing major global market in 2026. The FTSE 100 Index has benefitted from its relatively larger weightings to oil and defence companies, up 2.0% year-to-date, compared to the S&P 500 -4.6% and Euro Stoxx 50 -3.8%. After years spent out in the cold, let us hope the London markets can regain some of their previous status.

All the oil majors posted strong share price gains over the period, with **Exxon Mobil** leading the pack at +41%, **BP** just behind at +40% and the likes of **Chevron** and **Shell** also making handsome gains. The price of oil has *potentially* peaked but either way, these companies will be receiving in the region of twice the price for their barrels of oil in 2026 than they did last year and this goes straight to the bottom line.

Defence companies have also been beneficiaries of escalating hostilities in the Middle East. From **RTX Corp**, who supply everything from Pratt & Whitney jets to Raytheon missile, radar and communication systems, to Britain's **BAE Systems**, who specialise in naval ships and fighter jets, demand is (sadly) high and unlikely to abate any time soon.

Semiconductor stocks and the wider technology sector were the primary driver of market returns in 2025, but this has become a more nuanced picture of late. Shares in semiconductor bellwethers **Nvidia** and **Broadcom** have paused for breath, unable to break to new highs despite excellent recent results, but the biggest moves have been in the software space.

Software Stocks and Artificial Intelligence (AI)

While investors spent 2025 enthusing about the growth opportunities around AI, 2026 has seen the mood sour, instead focusing on perceived AI losers. There were a feverish few weeks in the quarter where investors were climbing over each other to sell their software stocks, sending the whole sector down, even the likes of **Microsoft** were not immune, with shares down 23% in 3 months:

Software struggles: **Microsoft and Oracle - One Year**

Source: Bloomberg

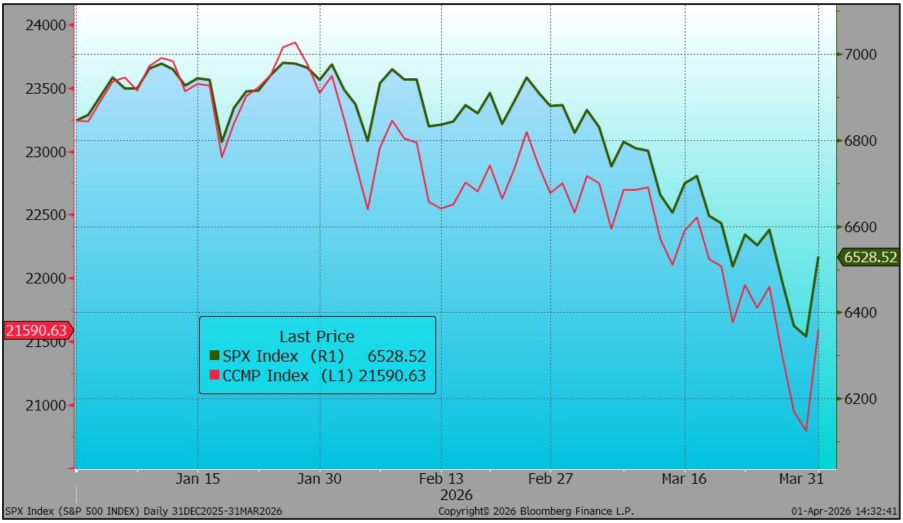
While the US market has the largest concentration of software stocks, the sell-off knew no geographic limits, to highlight just a few names:

- In the UK, **Sage Group** (the accounting, payroll etc. software provider), sank 23% over the quarter and,
- In Frankfurt, **SAP** (the German enterprise software developer) fell by around 30% and,
- In Paris, **Dassault Systèmes** (the French industrial software leader) was down by around 27% as they reported disappointing growth.
- Meanwhile, in India, **Infosys Ltd** (IT Consulting and software services) sank 23% as fears around Anthropic's latest AI tools spread.

The market has since begun to pick through the bones of this indiscriminate sell-off, albeit the software sector remains soundly beaten-up.

American markets have lagged the rest of the world over this first quarter as the 'Magnificent Seven' led them, and, as below, the NASDAQ Composite lower:

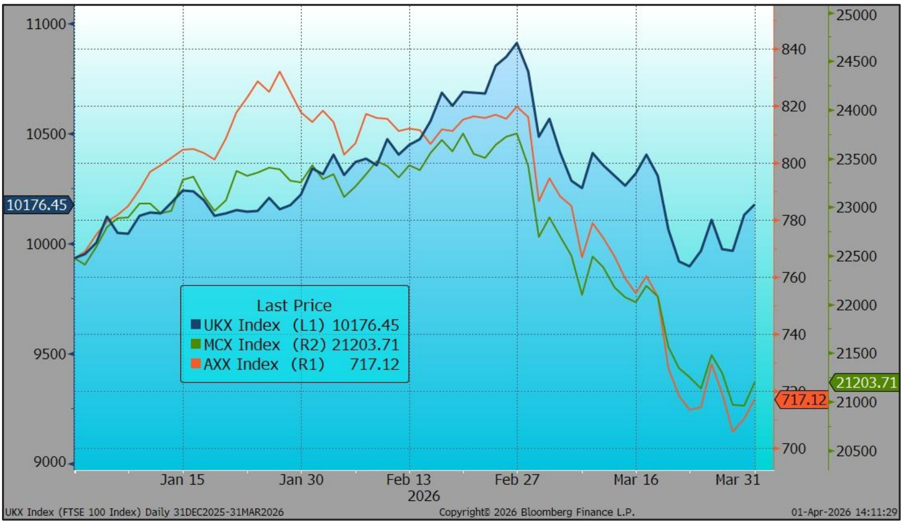
S&P 500 (green) and **NASDAQ Composite** (red) **– 2026**



Source: Bloomberg

In the UK, the excitement was all in the major companies in the FTSE 100 Index, below that it was a familiar (and quite depressing) tale of under-performance from the mid and smaller companies' indices:

FTSE 100 (dark blue), **FTSE 250** (green) and **AIM Indices –2026**



Source: Bloomberg, FTSE International

The UK Indices:	31 Mar 2026	31 Dec 2025	Quarter
FTSE All-Share	5431	5350	+1.5%
FTSE 100	10176	9931	+2.5%
FTSE 250	21204	22470	-5.6%
FTSE Small Cap	7214	7538	-4.3%
FTSE AIM All-Share	717	766	-6.4%

Source: Bloomberg

Performance of the UK market was relatively narrow in the quarter, with just five of the FTSE 100 Index's twelve sectors in positive territory and only Oil Production, Mining & Materials and Utilities generating meaningful returns. Lloyd's insurer **Beazley** and asset manager **Schroders** are notable outliers amongst the top performers, as both businesses succumbed to takeovers from overseas suitors. It is disappointing to see both names leave London markets, they have been mainstays of portfolios for a number of years.

Housebuilders were one of the hardest hit in the period, with the likes of **Barratt Redrow**, **Bellway** and **Berkeley Group** struggling under the weight of market expectation for higher rates and generally beaten-up buyer sentiment. Airlines **easyJet** and **IAG** (owner of British Airways) saw the perfect storm of higher oil fuel prices and Middle East wars leading to airport closures. Both stocks had a rough March but will likely be beneficiaries of any sustained truce/peace.

***Fred Mahon**, April 2026*

UK Fundamental Valuation Indicators

Earnings and dividend forecasts for the year ahead have been edged down in a cautionary move as we all wait and see:

FTSE All-Share Estimates*	31 Mar 2026	31 Dec 2025	30 Sep 2025
Earnings (per Share)	420	425	400
Price / Earnings Ratio	12.9X	12.6X	12.7X
Earnings Yield	7.7%	7.9%	7.9%
Dividends (per Share)	195	200	187
Dividend Yield	3.5%	3.7%	3.7%
Dividend Cover**	2.1X	2.1X	2.1X

**Bloomberg aggregate earnings estimates for the year ahead. **Company earnings as a multiple of the dividend paid out to shareholders*

CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST

	31 Mar 2026	31 Dec 2025	Quarter
CH Investment Grade* - Inc.	106.3	108.9	-2.4%
iBoxx AA Corporate 5-15 year	75.1	77.8	-3.5%
CH Investment Grade - Accum.	198.5	200.9	-1.2%
iBoxx £ ABS 5-10 year TR**	365.0	370.4	-1.5%

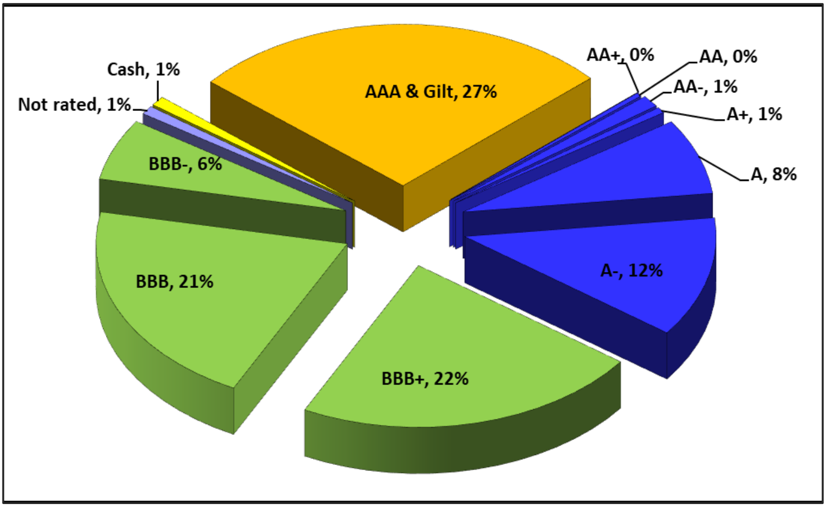
*Source: Bloomberg *bid price to bid price, excluding income. **Total Return Index.*

The table below shows the overall stance of the Fixed Interest portfolio, which has reduced its short-dated holdings in favour of medium-dated securities. 15% (up from 13%) is invested in floating rate notes, which all have top triple-A credit ratings and since base rate cuts have been put on hold, they still pay interest rates of about 4.25%.

CH Investment Grade Fixed Interest	Mar 2026	Dec 2025
Short-dated Securities (less than 7 years)	70%	75%
Medium-dated Securities (7 to 15 years)	23%	19%
Long-dated Securities*** (over 15 years)	7%	6%
Duration of Portfolio**	3.4	3.5
Volatility* (past year)	3.3%	1.9%
Number of Holdings	128	124
Yield (historic)	4.7%	4.6%
Portfolio Value	£425m	£419m

**Volatility is annual standard deviation expressed as a percentage, **Duration is defined on page 35, ***Long-dated includes infrastructure holdings*

CH Investment Grade Fixed Interest – by Credit Rating – 31 Mar 2026



Source: Church House

Top 15 Holdings - 31 March 2026	
KFW 4.000% 07/2031	2.1%
Standard Chartered LTII 5.125% 06/2034	1.8%
Barclays PLC 5.851% 03/2035	1.6%
Rio Tinto 4.000% 12/2029	1.6%
Bank of Novia Scotia Covered (SONIA)	1.5%
Lloyds 4.165% 09/2028	1.5%
Royal Bank of Canada 4.325% 03/2027	1.5%
SSE Hybrid 01/14/49 3.740% 01/2026	1.5%
Goldman Sachs Group Inc 7.250% 04/2028	1.5%
BP Pnc5 6.000% 11/2029	1.4%
IFC 4.500% 10/2028	1.4%
EIB 4.000% 02/2029	1.3%
Whitbread Green 3.000% 05/2031	1.3%
John Deere 5.125% 10/2028	1.3%
Segro 2.875% 10/2037	1.2%

Our new and highest allocation is in the best quality triple-A **KFW** 4% 2031 but other than that the top fifteen holdings are little changed. We took advantage of weakness in the longer dated maturities to buy a bond from **Verizon Communications** expiring in 2056 and yielding us 6%. We have also invested in another new issue by **Heathrow** paying 5.625% and expiring in 2034.

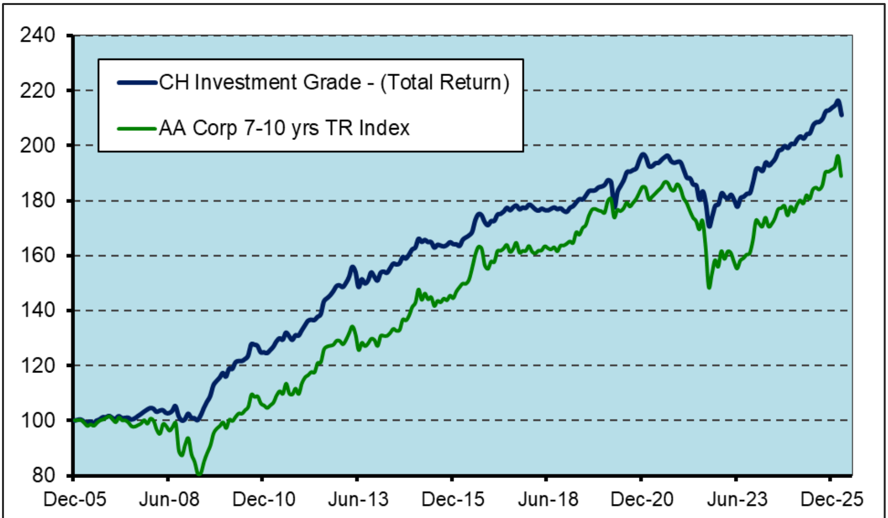
***Lucy Abel Smith**, Apr. 2026*

Calendar Year Performance:

YTD	2025	2024	2023	2022	2021
-1.2%	+6.6%	+4.7%	+7.4%	-7.9%	-1.5%

Source: Church House, bid price to bid price, accumulation units.

CH Investment Grade Fixed Interest vs AA rated Corporate Securities (Total Return)



Past performance is not a reliable guide to future performance

Source: Bloomberg, Church House

Church House UK Equity Growth

	31 Mar 2026	31 Dec 2025	Quarter
CH UK Equity Growth*	197.3	202.5	-2.6%
FTSE All-Share Index	5431	5350	+1.5%
FTSE 250 Index	21204	22470	-5.6%

*Source: Bloomberg * Bid to bid price, excluding distributions of income (capital performance)*

The quarter began promisingly before Operation Epic Fury was unleashed and global markets fell substantially, the FTSE 100 almost entering 'correction' territory after falling just over 9% in mid-March.

We had been active during the quarter before Trump's war, aiming to broaden and diversify the portfolio a shade further in these tricky times. Overall, we invested in nine new companies and sold four of the existing holdings. The upheaval in the market has probably assisted in this process, over the first two weeks of March, we re-invested into miner **Rio Tinto** as their share price sank, Rio operates iron ore mines in Australia and is rapidly expanding into copper to meet energy transition demand.

Before the war in Iran, the AI trade was still playing out and we added to **RELX**, **Experian** and **LSEG**. These companies had been hit as Anthropic's latest version of Claude AI was announced, exacerbating fears that 'Large Language Models' will destroy these businesses' revenue streams. But these three firms own their own data and intellectual property and hold the key when it comes to harnessing the utility of AI. Conversely, we sold **Sage** as we feel that their economic 'moat' is not as strong as it once was. We have also sold **Trainline**, still a good business, but opportunities elsewhere and continued regulatory pressure led us to move on.

We sold housebuilder, **Berkeley Group** (fortunately pre their recent profit warning): the move higher in interest rates (the ten-year Gilt yield had exceeded 5%) is creating even more pressure for homebuyers in London and the South East, where they primarily operate. We used the proceeds to invest in **Great Portland Estates** (one of the most active Central London property companies) and in **Segro**, the owner and developer of big warehouses, and increasingly data centres, across the UK and Europe.

We were fortunate (though saddened) to see two major takeovers this quarter, both as surprising as each other. Lloyds of London underwriter **Beazley** announced an all-cash takeover by Zurich Insurance Group at a 60% premium to their market price. We are selling down the holding to fund new investments including their competitor **Hiscox**. Additionally, and even more surprisingly, family-owned **Schroders** were taken over by mega US-pension fund TIAA (backed by investment manager, Nuveen) at a premium of just shy of 30%. Post dividend payment we exited the position and used proceeds to rebuild a stake back in **Barclays**.

Top 15 Holdings - 31 March 2026	
Diploma	8.0%
Halma	7.5%
RELX	6.1%
AstraZeneca	5.1%
Investor AB	4.4%
Beazley	4.0%
London Stock Exchange	3.8%
Unliever	3.5%
Intercontinental Hotels	3.4%
Spirax Group	3.3%
Microsoft	3.2%
Sunbelt Rentals	3.1%
Alphabet	3.0%
Croda International	2.7%
Experian	2.6%

Halma and **Diploma** continued to lead the portfolio, both reported excellent results during the period. As the two largest holdings in the portfolio, it is not obvious that we have been top slicing the positions to avoid them becoming too dominant. Despite this, they remain as key holdings. We used proceeds from these two and the other sales mentioned above to add further to **Coca-Cola EuroPacific** and to **Games Workshop** which had both been knocked during the conflict. New holdings were also established in **Tesco**, which needs no introduction but is the market leader, and in **Genus** who we have held in the past, a specialist in pig and beef semen services.

Rory Campbell-Lamerton, *April 2026*

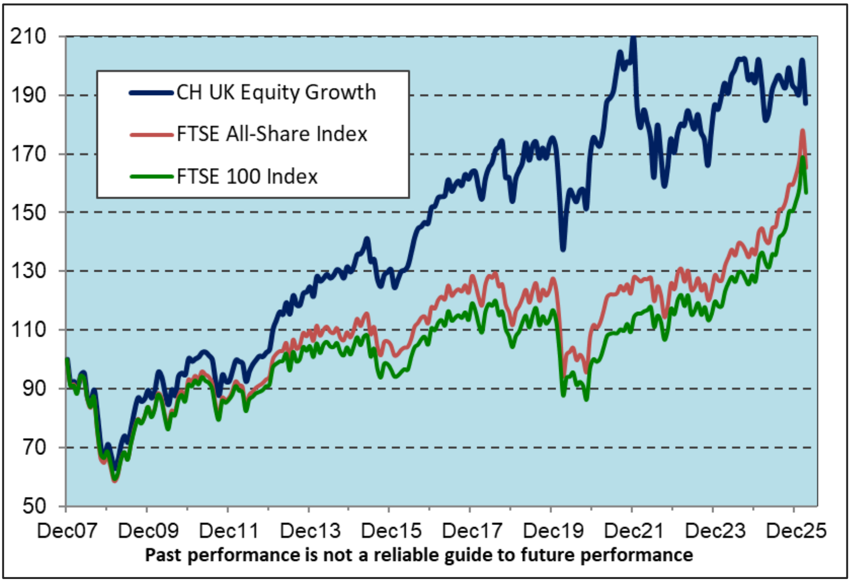
Calendar Year Performance:

YTD	2025	2024	2023	2022	2021
-2.6%	-1.0%	+4.4%	+10.0%	-18.6%	19.7%

Source: Church House - bid price to bid price, accumulation units

CH UK Equity Growth vs FTSE Equity Indices

Bid Prices, excluding income – Capital Performance



Source: Church House, Bloomberg

CHURCH HOUSE BALANCED EQUITY INCOME

	31 Mar 2026	31 Dec 2025	Quarter
CH Balanced Equity Income*	193.9	195.2	-0.7%
FTSE Higher Yield Index	4869	4627	+5.2%

*Source: Bloomberg *Bid-to-bid price, excluding income payments (capital performance)*

A challenging quarter for the portfolio, which had performed strongly to the end of February, before giving back its gains to end broadly flat. Rather than discussing geopolitics, it is perhaps more beneficial to discuss the strategy and actions taken over the quarter. The portfolio's meaningful exposure to cyclical and interest rate-sensitive stocks had been rewarding as inflation moderated and rate cut expectations built. The emergence of an energy price shock, however, has reversed that narrative, reigniting cost-push inflation and shifting market expectations towards rate increases rather than cuts, weighing on these positions. Housebuilders **Bellway** and **Berkeley** were hit particularly hard. Bellway, despite raising its completion guidance, reporting growing enquiries and increasing its interim dividend by 10%, has seen its share price fall 33% since the turn of the year. Housebuilders must carry land and unsold properties on their balance sheet at the lower of cost or net-realisable value, for Bellway, this values the company on a price-to-book ratio of just 0.65x - i.e. you can buy £1 of net assets for 65p, before factoring in the uplift from the sell-on value. We therefore added to our position on weakness. We also added to **Breedon**, the construction materials group, which yields 4.9% and trades on a price-to-earnings ratio approaching all-time lows. Conversely, we took the decision to exit **Kingfisher** (B&Q/Screwfix owner), which, despite showing signs of recovery over the past year, is likely to struggle with sustained consumer weakness.

Over recent years, the portfolio has had a bias for renewables in the energy space and has been a long-term holder in **Gresham House Energy Storage** (batteries), **GCP Infrastructure** (solar, wind, biomass), **SDCL Efficiency** and most recently **DCC Plc** (a mix of traditional/low carbon energy solutions). While the case for renewables remains intact, perhaps more so now given the UK's vulnerability to energy shocks, we added a new position in **Harbour Energy** - Europe's largest independent Oil & Gas exploration and production company, with a varied portfolio across the US, UK North Sea, Norway, Germany, Argentina, and Mexico, to diversify the energy exposure.

Nuveen LLC bid for **Schroders** at a premium of 29% (94% higher than the last addition we made). Not due to complete until the end of the year, we sold the position at a small discount to the bid price and recycled the proceeds into new and existing holdings. Concerns around AI capabilities - most notably from Anthropic - continued to weigh on 'software-as-a-service' stocks. We used the weakness to add to **RELX**, a business which we believe to have a significant competitive and intellectual property moat, whilst simultaneously taking profits and exiting the portfolio's long-standing position in **Sage** - whose risk/reward profile has become increasingly questionable.

Top 15 Holdings - 31 March 2026	
AstraZeneca	6.3%
GSK	4.7%
BAE Systems	4.7%
Barclays	4.2%
National Grid	3.7%
Aviva	3.4%
Rio Tinto	3.4%
Lloyds Banking	3.3%
RELX	3.2%
Unilever	2.9%
IG Group	2.7%
Standard Life	2.4%
Halma	2.4%
DCC	2.3%
Cranswick	2.3%

We initiated a holding in **GB Group**, a global identity intelligence business, providing digital ID verification, fraud detection and location data services. Their stock has de-rated sharply and the current valuation does not reflect the quality of its recurring revenue base, nor its strong competitive positioning in identity verification - a market growing in importance as digital crime proliferates. Finally, to increase our defensive consumer staples exposure, we took a position in **Marks & Spencer** - where we believe the ongoing transformation of the business is being underestimated. The food division delivered underlying sales growth of 6.6% over the Christmas trading period and market share reached an historic high.

***Craig Elsworth**, April 2026*

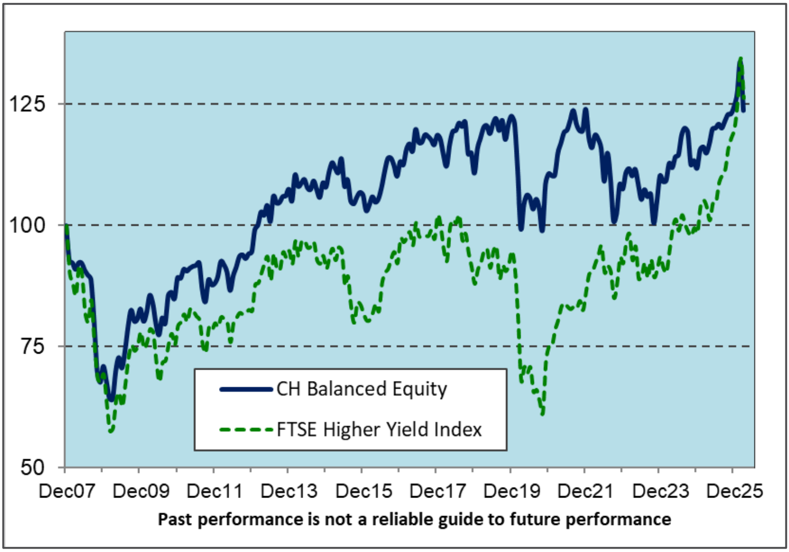
Calendar Year Performance:

YTD	2025	2024	2023	2022	2021
-0.7%	+15.0%	+4.7%	+6.4%	-10.6%	14.9%

Source: Church House, bid price to bid price, accumulation units

CH Balanced Equity Income vs. FTSE Higher Yield Index

Bid Prices, excluding Income – Capital Performance



Source: Church House

Church House UK Smaller Companies

	31 Mar 2026	31 Dec 2025	Quarter
CH UK Smaller Companies*	132.7	136.2	-2.6%
FTSE All-Share Index TR	12592	12295	+2.4%
FTSE AIM All-Share TR	895	954	-6.2%

*Source: Bloomberg *Bid-to-Bid 'A' Accumulation Shares, all Indices are Total Return*

The UK Smaller Companies portfolio had a bright start to the year before the conflict in Iran knocked smaller company stocks back again. The FTSE Small Cap and FTSE AIM All-Share indices were -4.3% and -6.4% respectively.

We were active over the quarter, with six new names being added to the list and three removed. The market volatility in March presented many opportunities as companies we have followed for a while, fell into our valuation range and a number of larger companies came into our sights as their market capitalisation fell below £2bn (our cut-off point).

One of the latter was **Helios Towers**, which we had met early in the quarter, they construct and manage mobile communication masts across Africa. After five years of capex constructing these towers and finding their anchor tenants, they are now in cash 'harvesting' mode (i.e. are going to generate a lot of free cash flow: 3.9% this year rising to 5.3% next).

Also, in the industrials space we initiated a new position in **Rosebank Group** and exited **Somero Enterprises**. Somero, the US concrete screed manufacturer are struggling with US non-residential construction delays (its biggest market). Rosebank is founded by two of the Melrose Industries co-founders, Simon Peckham and Christopher Miller, who had great success with that business under their *'Buy. Improve. Sell'* motto. Rosebank is effectively a Melrose 2.0, their first acquisition was an electrical components manufacturer brought for an enterprise value of just under $2bn.

In healthcare we initiated two new positions, **Advanced Medical Solutions** and back into **Genus**, the porcine genetics company. Advanced Medical Solutions are a global leader in wound care and surgical dressings. It is satisfactory to be rebuilding the portfolio's holdings in UK smaller company healthcare (it is still recovering from the 'Woodford' effect).

We trimmed **Beazley** after their takeover by Zurich Insurance Group and initiated two new positions in **OSB Group** and **Pollen Street Capital**. OSB is a UK specialist lender serving complex and underserved borrower sectors, whilst Pollen Street is an alternative asset manager focusing on private equity and credit in the financial services space with companies such as Mattioli Woods under their ownership.

Top 15 Holdings - 31 March 2026	
Beazley	7.1%
Porvair	6.5%
Cranswick	5.2%
Diploma	4.6%
MHA	4.2%
Polar Capital Holdings	3.7%
Fuller Smith & Turner	3.4%
Raspberry Pi	3.3%
Ashtead Technology	3.2%
Young & Co's Brewery	3.2%
Greggs	3.1%
Rathbone Group	3.1%
Renishaw	3.0%
Big Yellow Group	2.9%
Judges Scientific	2.7%

Finally, in the technology sector, we sold our positions in **Kainos Group** and **Bytes Technology**, concerned that their barriers to entry are being eroded by competition and AI. But **Raspberry Pi** was the best performer over the quarter, ending with a gain of around 43%. The chips it manufactures have been embraced by the 'OpenClaw' (personal AI agents running locally) community who are using them to build their own agentic AI agents (e.g. clean up your email inbox). The news soon spread across the Reddit platform, and we trimmed our Raspberry Pi amidst the enthusiasm.

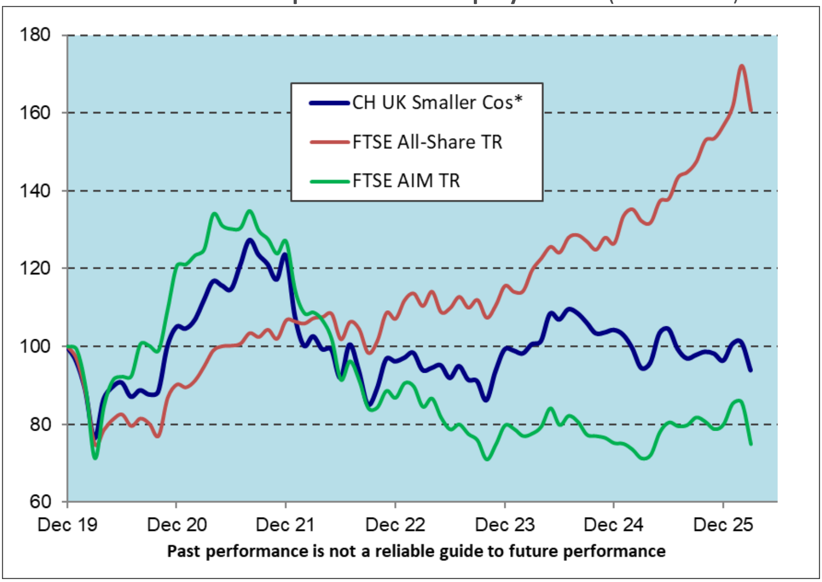
Rory Campbell-Lamerton, *April 2026*

Calendar Year Performance:

YTD	2025	2024	2023	2022	2021
-2.6%	-7.5%	+5.1%	+3.2%	-22.1%	17.5%

Source: Church House - bid price to bid price, 'A' accumulation shares

CH UK Smaller Companies vs FTSE Equity Indices (Total Return)



Source: Church House, Bloomberg *Shows the performance of the Deep Value Investment portfolio initially, changes commenced in Feb 2020, the new policy was adopted in Aug. 2020.

Church House Esk Global Equity

	31 Mar 2026	31 Dec 2025	Quarter
CH Esk Global Equity*	483.2	524.7	-7.9%
CH Global Index in £	1856	1877	-1.1%
MSCI World in $	4258	4430	-3.9%
FTSE 100 Index	10176	9931	+2.5%

*Source: Bloomberg *Bid-to-bid price, excluding distributions of income (capital performance)*

After a placid second half of 2025, volatility returned to global markets in 2026, defying the consensus 'wisdom' of economic forecasters that this would be a year of steady progress and fewer macro surprises. Oil, commodity and defence stocks led the market, in a period where headlines (and social media posts) surrounding war in the Middle East were the primary driver of stock moves.

Top 15 Holdings - 31 March 2026	
Alphabet Inc.	5.6%
Microsoft	3.9%
Amazon.com	3.9%
Investor AB	3.8%
Apple	3.8%
Johnson & Johnson	3.8%
Mastercard	3.7%
Euronext	3.4%
Sumitomo Mitsui	3.2%
Stryker Corp	3.1%
Berkshire Hathaway	2.4%
Coca-Cola	2.3%
Standard Chartered	2.3%
RELX	2.3%
LVMH	2.2%

While Esk does not hold any oil majors, the Fund's mining (**Rio Tinto**) and materials (**Shin-Etsu Chemical**) holdings were our top performers over the quarter. We took the opportunity of Shin-Etsu, the Japanese chemicals business, approaching record highs to take profits on our holding during March and with Rio Tinto now approaching similar highs, will likely look to do the same here. While both businesses are clear leaders in their markets (e.g. Rio Tinto's iron ore mines in Western Australia are the largest in the world), commodity prices are not a one-way positive bet.

Another beneficiary of geopolitical tension has been our holding in **Euronext**, the European stock exchange operator. Global investors are seeking to diversify their exposure away from unpredictable US policymaking and European markets have been a beneficiary, with increasing trading volumes coming the way of Euronext. So long as a certain president remains in the Oval Office, we see this trend continuing.

We took the opportunity of market volatility to further diversify Esk, adding four new names to the portfolio that we have long admired. **Netflix** shares fell a remarkable 43% from June 2025 to February 2026 as investors worried that their bid for Warner Brothers would derail the business. We did not think that this would be the case and initiated a position around the lows of 2026. News that Netflix walked away from the bid with their heads held high was taken well and shares have since rallied.

We also began to build positions in semiconductor giants **Nvidia** and **Broadcom** after shares in both businesses have essentially moved sideways for three quarters since their remarkable positive runs before then. Both businesses have continued to grow at remarkable rates, thus their valuations have caught up and now appear to us far more reasonable. Our final new investment of the quarter was in the Chinese gaming and social media leader **Tencent**. Tencent's scale is remarkable, for example their Weixin messaging platform has 1.4bn monthly users in China and seven of the top ten mobile games downloaded in China last quarter were Tencent owned. Their shares are currently trading on their lowest rating for many years on AI concerns. We do not think that this is correct, their unrivalled scale and ongoing high cash generation puts them in a strong position to survive and thrive in a world of AI.

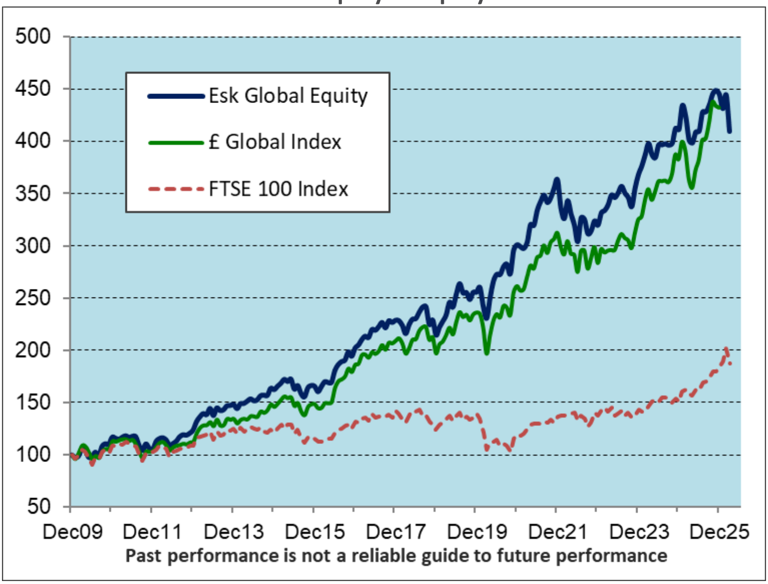
Regular readers will see that **LVMH** has moved out of our top positions as the whole luxury sector has come under pressure this year. The Middle East is a crucial market for luxury goods, which is also being reflected in our **Ferrari** and **Hermès** investments. We continue to view all three companies as owning unique brands that have stood the test of time but admit that the near-term outlook is difficult.
***Fred Mahon**, April 2026*

Calendar Year Performance:

YTD	2025	2024	2023	2022	2021
-7.9%	+8.4%	+12.0%	+15.6%	-11.7%	20.9%

Source: Church House - bid price to bid price, accumulation units

Esk Global Equity vs Equity Indices



Source: Church House Bid prices of income units (i.e. capital return, excluding income)

Church House Human Capital

	31 Mar 2026	31 Dec 2025	Quarter
CH Human Capital*	87.4	100.5	-13.0%
CH Global Index in £	1856	1877	-1.1%

*Source: Bloomberg *Bid-to-bid price. Income shares*

It has been a nasty start to the year with tensions in the Middle East flaring up and all forecasts of a 'goldilocks' market in 2026 being well and truly put in the shredder. These conditions have proven particularly harsh for small and medium sized businesses the world over – the area of the market where the Human Capital Fund is focused. This short-term market move is at odds with the growth that is evident in the underlying portfolio, made up of exciting and innovative businesses.

To illustrate this, we recently pulled together all the data on Human Capital portfolio companies' earnings for 2024, 2025 and expected 2026 figures. To calculate this, we took the earnings of each company and adjusted for our shareholding to give us total portfolio earnings per share in the Fund. The results made for interesting/encouraging reading – portfolio earnings over the year to December 2024 (the year of Human Capital's launch) was 3.17p, increasing by 19% to 3.77p over the year to December 2025. Our expectation for 2026 is an increase of 12% to 4.24p, albeit we are still early in the year and acquisition activity from our companies should increase this number to more than the 15% level as 2026 progresses.

The market will go through periods when certain themes are in or out of favour and it is our responsibility to be disciplined with our process and not let outside noise distract from this. Just as in 2022 when quality-growth came under great pressure, the market will move on. We cannot say when this will happen, but it will.

In the meantime, we have taken advantage of market weakness to add two new names to the Fund:

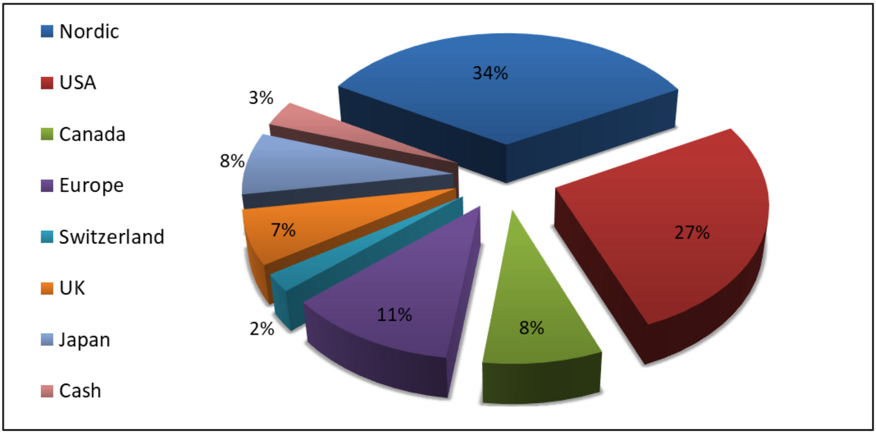
1. **Next Generation Technology Group**: is a Japanese company that specialises in the acquisition of small and mid-sized local businesses typically in manufacturing, aerospace components, industrials, and technology sectors. Japan has a generational challenge with the thousands of niche businesses founded during the 1980s boom years still being under family ownership and looking for long-term owners now that their founders are typically at (or past) retirement age. NGTG presents an attractive home for these businesses as proven perpetual owners located onshore. It is a buyers' market for private businesses in Japan and NGTG is a fantastic way to access this opportunity through a listed holding company.

Top 15 Holdings - 31 March 2026	
Chapters Group	5.3%
Lagercrantz Group	5.1%
Addtech AB	5.0%
Diploma	5.0%
Lifco AB	4.9%
Savaria Corp	4.7%
Bergman & Beving	4.6%
Roko AB	4.4%
Comfort Systems	4.3%
Federal Signal Corp	3.9%
Perimeter Solutions	3.8%
Topicus.com	3.7%
Tetra Tech	3.7%
Indutrade AB	3.7%
Noritsu Koki	3.6%

2. **Nemetschek**: is a German company which develops and distributes software used in architecture, engineering and construction. It was founded in the 1970s by Georg Nemetschek, who's family still owns around 45% of the business. The company helps customers with construction planning, computer aided design and product visualisation. We first met Nemetschek in February 2024 and were very impressed but felt that at 40x earnings their valuation was too high. We took advantage of the broad software sell-off at the start of this year to revisit the business and initiated a position in early March.

Fred Mahon, *April 2026*

CH Human Capital, Split by Country of Listing – 31 Mar 2026



Source: Church House

Calendar Year Performance:

YTD	2025	2024 part
-13.0%	+1.8%	-1.3%

Source: Church House – Bid price to bid price, accumulation units

Church House Tenax Multi-Asset Strategy

	31 Mar 2026	31 Dec 2025	Quarter
CH Tenax Multi-Asset*	185.2	190.1	-2.6%
Cash Return (SONIA)**	119.2	118.1	+0.9%

*Source: Bloomberg *Bid-to-bid, Tenax 'A' accumulation shares **Compounded SONIA (BoE)*

Tenax entered 2026 with a higher than usual cash position, a result of trimming equity positions that had performed well over 2025. Our willingness to hold cash was a reflection of limited opportunities with equity markets having had a strong run and credit spreads at record tight levels.

The outbreak of hostilities in Iran at the end of February brought about a broad-based market sell-off as investors de-risked, taking profits and positioning for a higher inflationary environment. However, the situation was and remains highly uncertain, and making drastic changes to the portfolio feels counter-productive.

Instead, we used some of the cash available to increase our weighting in Floating Rate Notes (FRNs). These FRNs are AAA-rated and issued either by supranational institutions or banks that achieve the AAA rating linking them to a pool of mortgages. As they are of the highest quality, they are issued at a minimal spread to SONIA (sterling overnight interest rate) and the interest they pay 'floats' alongside the moves in interest rates, so the capital values barely move and the FRNs trade close to par.

CH Tenax Portfolio - Allocation to Asset Classes – 2026

2026	31-Dec-25	31-Jan-26	27-Feb-26	31-Mar-26	YTD
Cash	5.2%	3.7%	5.0%	3.8%	-1.4%
Gilt / AAA Fixed	1.2%	1.2%	1.2%	1.2%	0.0%
FRN (AAA)	8.6%	8.5%	8.3%	12.7%	4.1%
Floating Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Interest	54.9%	57.6%	56.5%	55.7%	0.8%
Index-Linked	0.8%	0.8%	0.8%	0.8%	0.0%
Infrastructure	3.5%	3.4%	3.3%	3.1%	-0.4%
Convert / ZDP	3.5%	2.7%	2.6%	2.7%	-0.8%
Alternative / Hedge	0.0%	0.0%	0.0%	0.0%	0.0%
Property / Real	5.1%	5.2%	5.3%	4.5%	-0.6%
Equity	17.1%	16.9%	16.9%	15.5%	-1.6%

Source: Church House

Floating Rate Notes have long been a key component of Tenax. By their very nature they reduce the interest sensitivity of the fund, which is especially useful in an environment where interest rates are expected to rise as they allow the fund to benefit from the higher rates without losing capital value.

The duration, or interest rate sensitivity of the Fund, remains low. For some time, we have felt that the risk of volatility further out along the interest rate curve does not warrant the marginal pick up in yield on offer. For example, by late March the yield on the two-year Gilt had risen 100bps (1%) versus the ten-year Gilt yield rising 70bps since the start of the month. Yet, in price terms the two-year fell 1% while the ten-year fell 5% thanks to the longer duration of the latter.

Tenax Portfolio – Duration* and Redemption Yield** (Fixed Interest holdings)

2026	*31-Dec-25*	*31-Jan-26*	*27-Feb-26*	*31-Mar-26*
Overall Duration*	2.8	2.9	3.0	2.7
Redemption Yield**	5.1%	5.2%	5.1%	5.9%
Fixed Int. Duration	3.2	3.3	3.4	3.3
P/folio Running Yield	4.0%	4.1%	4.1%	4.3%

Source: Church House

Within equities, **BAE Systems** has had a strong quarter, although it was not immune to the sell-off in March. Both **Barclays** and **Standard Chartered** were also hit due to profit-taking, as well as concerns on the impact on growth. We feel the shares remain attractive in the long-term and both have the ability to profit from the market volatility through their trading desks. Nonetheless, we were right to trim twice in the final quarter of 2025 and we will reduce further should the situation in Iran worsen.

***Cranley Macfarlane**, April 2026*

Calendar Year Performance:

YTD	2025	2024	2023	2022	2021
-2.6%	+11.4%	+5.2%	+6.2%	-7.5%	1.4%

Source: Church House, NAV to NAV, 'A' accumulation shares

**Duration represents the number of 'periods' that it will take to repay an initial investment in a fixed interest security. It is not the same as the life of the bond or time to maturity, which will be longer. It can also be viewed as a measure of the sensitivity of the price of a bond to a change in interest rates.*

***Redemption Yield represents the total return expected from the bond(s) taking into account interest received and capital gain as the bond(s) move to 'par value' (100p) at maturity. The 'Running Yield' shown is the current expected annual income for the whole portfolio, as a percentage.*

Viktor Orban

US Vice President J D Vance with Hungarian PM Viktor Orban
7th April 2026

© Getty Images

The demise of Viktor Orban could be a seminal moment for Europe and, particularly, for Ukraine, that has been rather overshadowed by the war in Iran (and Trump's social media antics that come with it). After 16 years in office, the illiberal leader of Hungary (and friend of Putin) has been defeated in a landslide by Péter Magyar who defected from Orban's party in 2024. This has the potential for major geopolitical consequences; Magyar is in a position to release billions of euros of frozen EU aid for Ukraine, restore relations with the EU and clamp down on corruption.

Even the public endorsement of JD Vance was not enough to save Orban. Of course, the US Vice President should not be attempting to influence another country's election, but his meddling backfired anyway. Supporting the losing candidate didn't do much for Vance's reputation in the US, nor did it appear to help Orban, whose voters were hoping for Trump's appearance. Extreme populists across Europe who previously endorsed Orban are now rushing to distance themselves from him… could he be the first to fall? ***Rose Taylor***, *April 2026*.