

This report is for client use. For further information on MPS speak with your financial adviser.

Model Portfolio Service (MPS)

Client quarterly investment update

April 2026



M
&G

Contents

Introduction	3
Overview of markets in the first quarter	4
Middle East: What's the message for markets looking ahead?	5
Central banks and inflation: Navigating the extended "Higher for longer" phase	6
Geopolitical spill-overs: Implications for interest rates, real assets and currencies	7
Passive	8
Hybrid	9
Global ESG Themes	10
For more information	11

Our MPS Solutions

Passive

A range of six risk-managed portfolios predominantly invested in passive funds.

Hybrid

A range of six risk-managed portfolios invested in a blend of active and passive funds.

Global ESG Themes

A range of five actively managed multi-asset portfolios with Environmental, Social and Governance (ESG) objectives.

Introduction

The first quarter of 2026 was challenging for markets, particularly towards the end of the period as uncertainty increased following the conflict in the Middle East between the US and Iran. This led to global equities falling by -1.2% over the quarter when measured in pounds sterling.

Against this backdrop, our portfolios returned between -0.5% and +0.3%. In this quarterly report, we reflect on the key drivers of markets in Q1 2026 and how we see them evolving through the second quarter of the year.

The views expressed here are subject to change without notice. Neither M&G Wealth Investments LLP, nor any of its associates, any director, or employee accepts any liability for any loss arising directly or indirectly from any use of this document. We can't predict the future, past performance isn't a guide to future performance. The value of your investment can go down as well as up so you might get back less than you put in.



Overview of markets in the first quarter

Commentary reflects the general views of individual fund managers and should not be taken as a recommendation or advice as to how any specific market is likely to perform. Returns shown are total returns in Sterling, unless we've added a note stating otherwise.

Markets delivered negative returns across several asset classes during the quarter, reversing some of the momentum seen in 2025. Performance was impacted by a pullback in the technology sector and escalating geopolitical tensions, in particular the conflict in the Middle East involving the US and Iran.

While Artificial Intelligence (AI) remains a long-term structural theme, higher valuations combined with increased uncertainty led investors to take profits. This resulted in a rotation towards cheaper areas of the market, most notably energy, which rose sharply over the quarter as oil prices increased. Short-term shifts like these are common as markets adjust to new information.

Global equities declined by -1.2% over the quarter in sterling terms. Within equity markets, AI-related stocks experienced a gradual sell-off as investors reduced exposure to areas seen as more vulnerable to technological disruption, such as parts of the software sector. In contrast, investors moved towards lower-valued sectors including Energy and Financials.

US equity markets were weaker, with the S&P 500 falling -2.4% and the technology-focused Nasdaq 100 declining -3.9%. European markets showed more resilience. The FTSE 100 was a standout performer, rising 3.4% due to its heavier exposure to commodities and energy companies, while the FTSE World Europe (ex-UK) declined by -2%.

China underperformed, with the MSCI China index falling -7.1% following a strong run in 2025. Despite this, broader Emerging Markets proved more resilient, recording a modest decline of -0.8%, supported by strong demand for AI-related hardware in countries such as South Korea and Taiwan. Differences in performance across regions and sectors highlight why diversification plays an important role in managing risk.

Economic growth in the US remained positive, although momentum slowed from late 2025. The Atlanta Fed's GDPNow estimate points to annualised GDP growth of around 1.3% for Q1 2026. Growth was impacted by severe winter weather, a cooling labour market and higher energy prices linked to the Middle East conflict.

The Federal Reserve held interest rates steady at 3.50–3.75% in January and March, adopting a cautious “wait and see” approach amid ongoing uncertainty and persistent inflation. The Fed highlighted that developments in the Middle East were clouding the economic outlook and reducing the likelihood of near-term interest-rate cuts.

In the UK, the Bank of England also held interest rates at 3.75% in February and March, signalling continued caution given persistent inflation and renewed energy-price pressures. In Europe, the European Central Bank kept deposit rates at 2.0%, while raising its 2026 inflation forecast to around 2.3%. GDP growth in the region remains steady at approximately 1.2%, supported by low unemployment and ongoing public spending.

Germany's increased investment continues to support growth, contrasting with political uncertainty in France, where budget instability and government reshuffles have kept investors cautious. In China, industrial output rebounded and high-tech manufacturing performed strongly. GDP growth in 2026 is projected to be in the 4.5%–4.8% range, supported by a 300 billion yuan government bond programme aimed at business investment and household upgrades.

Tariff developments during the quarter reflected shifts in US trade policy rather than an easing of tensions. In late February, a Supreme Court ruling brought an end to tariffs imposed under the International Emergency Economic Powers Act (IEEPA). At the same time, a new global 10% tariff on most imports was introduced, representing a broad reset of trade policy rather than a full rollback.

Middle East: What's the message for markets looking ahead?

Looking ahead, the conflict in the Middle East is expected to remain a key source of market volatility through the second quarter and beyond. The primary risk is less about a single shock and more about the potential for prolonged disruption, particularly to energy supply routes centring on the Strait of Hormuz where around 20% of global oil supply travels through. This could keep oil prices elevated and financial conditions tighter than markets had expected at the start of the year.

While this uncertainty can create short-term market movements, portfolios are constructed with these types of risks in mind. Shipping bottlenecks, rising insurance costs and higher energy prices have begun to feed through to inflation expectations, placing pressure on growth and reducing the likelihood of earlier interest-rate cuts. In some regions, investors have even begun to factor in the risk of higher interest rates.

From a market perspective, the key question is not whether geopolitical risks exist – markets have already started to reflect these – but how long they persist and how widespread their impact becomes. Brent crude oil – which establishes the prices for approximately 60% of global oil trade – has already risen from around \$60 per barrel at the start of the year to over \$100 during the conflict.

Higher oil prices affect a wide range of everyday costs, including household energy bills, transport, food prices and potentially mortgage rates if central banks are forced to keep interest rates higher to control inflation. These factors influence both consumer behaviour and business profitability, which is why markets remain highly sensitive to developments in the region.

While the US is relatively insulated as a net energy exporter, Europe and parts of Asia remain more exposed due to their reliance on imported energy. As a result, regional differences in market performance are likely to persist.

There are several possible paths forward. A contained conflict could lead to structurally higher energy prices without triggering a sharp global slowdown. A more severe scenario involving broader escalation or sustained supply disruptions could push energy prices significantly higher, increase inflationary pressures and weigh more heavily on economic growth. While this is not our base case, it remains an important risk.

Against this backdrop, diversification and an awareness of assets sensitive to changes in energy prices remain important. Markets are likely to remain headline-driven in the near term, with periods of heightened volatility. Ensuring portfolios remain resilient across a range of growth and inflation outcomes remains central as we move through Q2.



Central banks and inflation: Navigating the extended ‘higher for longer’ phase

Central banks appear increasingly committed to keeping interest rates higher for longer than markets had anticipated earlier in the year. Recent inflation trends, particularly those linked to energy prices and supply-side disruption, have reinforced a cautious policy stance and reduced the scope for early interest-rate cuts. This cautious approach reflects a focus on maintaining longer-term economic stability.

Inflation has already begun to move higher, with US CPI rising from 2.4% to 3.3% year-on-year, and Euro Area inflation increasing from 1.9% to 2.5%.

Rather than focusing on the precise timing of interest rate cuts, attention has shifted to how long interest rates need to remain elevated to prevent inflation expectations from becoming embedded. With supply-driven inflation harder to address through monetary policy, central banks are likely to remain data-dependent and measured, even as growth slows.

As a result, uncertainty around policy is likely to remain elevated. Markets are expected to stay sensitive to inflation releases, central-bank messaging and geopolitical developments that influence energy prices. This could lead to continued volatility across bond and equity markets through the second quarter.

From an investment perspective, this environment favours selectivity. Assets and companies with pricing power, strong balance sheets and exposure to inflation-linked revenues, such as infrastructure, may be better positioned. Until there is clearer evidence that inflation is easing sustainably, central banks are likely to prioritise price stability over short-term support for growth or asset prices.

Central banks remain focused on stability, taking a careful approach to managing inflation and interest rates.



Geopolitical spill-overs: Implications for interest rates, real assets and currencies

The market impact of geopolitical risk is likely to remain complex and uneven. Higher and more volatile energy prices continue to feed directly into inflation expectations, shaping the behaviour of bond yields, equity markets and currencies.

In bond markets, elevated inflation increases the risk that yields remain higher for longer, limiting the traditional defensive role of fixed income during periods of uncertainty. In the UK, investors have repeatedly revised their expectations for interest rates. Markets initially expected two 0.25% interest rate cuts this year, then moved to pricing in up to three rate hikes at the height of the war, before settling on expectations of two rate hikes in 2026.

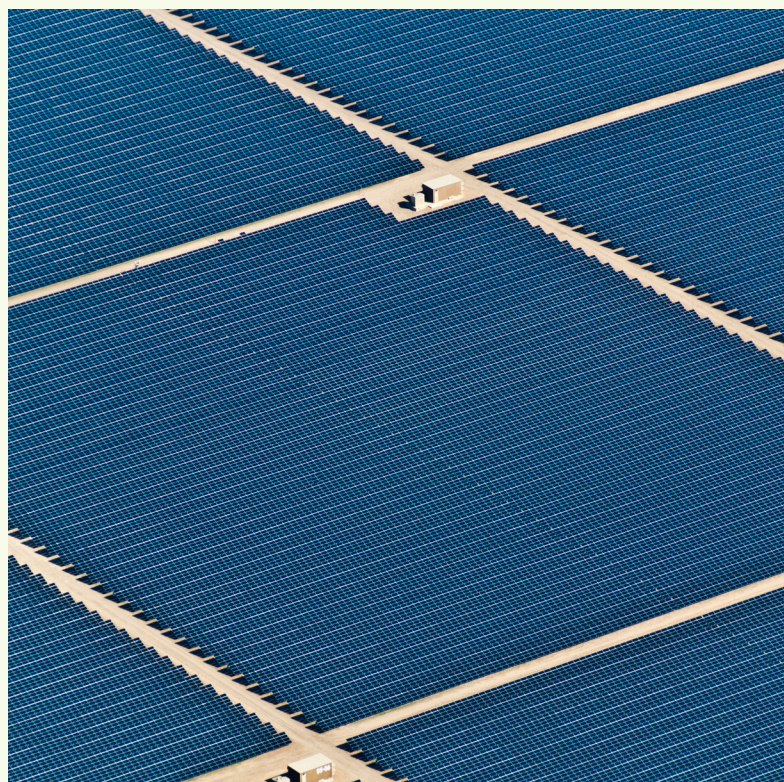
Equity markets are also likely to remain selective, with performance increasingly driven by sector exposure, cost structures and companies' ability to manage pricing pressures rather than broader market themes.

Currency movements may continue to reflect differences in energy exposure and policy credibility rather than a broad move into traditional safe-haven assets. Net energy-exporting economies may see ongoing support for their currencies, while regions that rely heavily on energy imports could remain more vulnerable. For sterling-based investors, exchange-rate movements remain an important channel through which global shocks affect returns.

More broadly, the evolving geopolitical backdrop has forced a reassessment of assumptions around stability, supply security and policy coordination. This increases the risk of policy missteps and may prolong the adjustment period across markets.

In this environment, maintaining discipline becomes increasingly important. Diversification across asset classes, regions and sources of return remains essential. Selective exposure to real assets such as property and infrastructure equities can improve resilience, while elevated volatility reinforces the importance of robust risk management.

Different parts of the world are responding in different ways, creating opportunities for well-diversified portfolios.



Passive

Performance

The Passive models returned between -0.4% and +0.3% in Q1 2026. The fallout from the war in the Middle East offset the gains we saw in the first two months of the year.

Performance was better than multi-asset peers across all of the models. Our models hold more in Asia and Japan equities which performed well. Holding less in US equities than peers added to performance as US equities underperformed other equity markets. The models also hold listed infrastructure equities which performed well during the quarter.

Passive Model performance

	31.03.25 to 31.03.26	31.03.24 to 31.03.25	31.03.23 to 31.03.24	31.03.22 to 31.03.23	31.03.21 to 31.03.22
Passive 1	7.64%	3.18%	6.07%	-4.99%	2.28%
Passive 2	10.47%	3.22%	7.51%	-4.41%	5.17%
Passive 3	12.62%	3.23%	8.37%	-3.48%	7.32%
Passive 4	14.90%	3.26%	9.16%	-2.42%	7.67%
Passive 5	16.78%	3.34%	10.05%	-1.63%	8.04%
Passive 6	18.67%	3.33%	10.78%	-1.15%	8.95%

Absolute and relative to IA sector peers

	Q1 2026	1 year	3 years*	5 years*
Passive 1	-0.42%	7.64%	5.61%	2.74%
Rel to IA 0 – 35%	0.48%	1.25%	0.43%	0.96%
Passive 2	-0.24%	10.47%	7.02%	4.26%
Rel to IA 20 – 60%	0.73%	1.58%	0.28%	0.73%
Passive 3	-0.07%	12.62%	7.99%	5.46%
Rel to IA 20 – 60%	0.90%	3.73%	1.25%	1.93%
Passive 4	0.08%	14.90%	8.99%	6.35%
Rel to IA 40 – 85%	1.77%	3.85%	0.87%	1.46%
Passive 5	0.17%	16.78%	9.91%	7.13%
Rel to IA 40 – 85%	1.86%	5.73%	1.79%	2.24%
Passive 6	0.29%	18.67%	10.74%	7.90%
Rel to IA 40 – 85%	1.98%	7.62%	2.62%	3.01%

Source of performance data: FE Analytics. Performance is to 31.03.26.

* 3-year and 5-year performance figures are annualised.

We can't predict the future, past performance isn't a guide to future performance. The figures are intended only to demonstrate performance history of the portfolio over the period shown.

Investing comes with risk. The value of your investment can go down as well as up and you may not get back what you put in. If you're invested in a M&G Wealth Investments LLP model portfolios, then please speak to your financial adviser if you have questions about the risks.

Hybrid

Performance

The Hybrid models returned between -0.5% and -0.1% in Q1 2026. The fallout from the war in the Middle East offset the gains we saw in the first two months of the year.

Performance was better than multi-asset peers across all of the models. Our models hold more in Asia and Japan equities which performed well. Holding less in US equities than peers added to performance as US equities underperformed other equity markets. The models also hold listed infrastructure equities which performed well during the quarter.

Hybrid Model performance

	31.03.25 to 31.03.26	31.03.24 to 31.03.25	31.03.23 to 31.03.24	31.03.22 to 31.03.23	31.03.21 to 31.03.22
Hybrid 1	8.48%	3.83%	6.11%	-4.17%	1.66%
Hybrid 2	10.67%	3.83%	7.45%	-3.44%	3.87%
Hybrid 3	11.84%	3.72%	8.02%	-2.70%	5.22%
Hybrid 4	13.50%	3.87%	8.65%	-2.02%	5.04%
Hybrid 5	15.03%	3.99%	9.17%	-1.32%	4.87%
Hybrid 6	16.72%	3.99%	9.48%	-1.37%	5.03%

Absolute and relative to IA sector peers

	Q1 2026	1 year	3 years*	5 years*
Hybrid 1	-0.08%	8.48%	6.12%	3.09%
Rel to IA 0 – 35%	0.82%	2.09%	0.94%	1.31%
Hybrid 2	-0.29%	10.67%	7.27%	4.37%
Rel to IA 20 – 60%	0.68%	1.78%	0.53%	0.84%
Hybrid 3	-0.47%	11.84%	7.80%	5.10%
Rel to IA 20 – 60%	0.50%	2.95%	1.06%	1.57%
Hybrid 4	-0.46%	13.50%	8.59%	5.68%
Rel to IA 40 – 85%	1.23%	2.45%	0.47%	0.79%
Hybrid 5	-0.50%	15.03%	9.29%	6.20%
Rel to IA 40 – 85%	1.19%	3.98%	1.17%	1.31%
Hybrid 6	-0.54%	16.72%	9.93%	6.60%
Rel to IA 40 – 85%	1.15%	5.67%	1.81%	1.71%

Source of performance data: FE Analytics. Performance is to 31.03.26.

* annualised figures

We can't predict the future, past performance isn't a guide to future performance. The figures are intended only to demonstrate performance history of the portfolio over the period shown.

Investing comes with risk. The value of your investment can go down as well as up and you may not get back what you put in. If you're invested in a M&G Wealth Investments LLP model portfolios, then please speak to your financial adviser if you have questions about the risks.

Global ESG Themes

Performance

The Global ESG Themes models returned between -0.4% and -0.1% in Q1 2026. The fallout from the war in the Middle East offset the gains we saw in the first two months of the year.

Performance was better than multi-asset peers across all of the models. Our models hold more in Asia and Japan equities which performed well. Holding less in US equities than peers added to performance as US equities underperformed other equity markets. The models also hold listed infrastructure equities which performed well during the quarter.

Global ESG Themes Model performance

	31.03.25 to 31.03.26	31.03.24 to 31.03.25	31.03.23 to 31.03.24	31.03.22 to 31.03.23	31.03.21 to 31.03.22
GESGT 1	7.21%	3.70%	6.63%	n/a	n/a
GESGT 2	8.88%	2.82%	7.38%	n/a	n/a
GESGT 3	10.13%	2.26%	7.75%	n/a	n/a
GESGT 4	11.47%	1.80%	8.06%	n/a	n/a
GESGT 5	12.83%	1.07%	8.44%	n/a	n/a

Absolute and relative to IA sector peers

	Q1 2026	1 year	3 years*	5 years*
GESGT 1	-0.41%	7.21%	5.83%	
Rel to IA 0 – 35%	0.49%	0.82%	0.65%	n/a
GESGT 2	-0.37%	8.88%	6.32%	
Rel to IA 20 – 60%	0.60%	-0.01%	-0.42%	n/a
GESGT 3	-0.28%	10.13%	6.65%	
Rel to IA 20 – 60%	0.69%	1.24%	-0.09%	n/a
GESGT 4	-0.14%	11.47%	7.03%	
Rel to IA 40 – 85%	1.55%	0.42%	-1.09%	n/a
GESGT 5	-0.08%	12.83%	7.33%	
Rel to IA 40 – 85%	1.61%	1.78%	-0.79%	n/a

Source of performance data: FE Analytics. Performance is to 31.03.26.

* 3-year and 5-year performance figures are annualised.

We can't predict the future, past performance isn't a guide to future performance. The figures are intended only to demonstrate performance history of the portfolio over the period shown.

Investing comes with risk. The value of your investment can go down as well as up and you may not get back what you put in. If you're invested in a M&G Wealth Investments LLP model portfolios, then please speak to your financial adviser if you have questions about the risks.

For more information

Please speak to your financial adviser for specific information on your investments. You can access more information in our [monthly factsheets](#), [weekly market commentary](#) and [quarterly investment update](#).



Client guides

These documents provide an overview of the key aspects of the model portfolio service.

M&G Wealth Investments LLP offers three strategies, each with different risk profiles. The investments within each portfolio are designed to align with a specific attitude to risk and time horizon for investing.

Passive
client guide

Hybrid
client guide

Global ESG
Themes
client guide



Monthly factsheets

These documents provide an overview of each strategy, including the costs, underlying investments, geographic exposure and past performance.

Passive 1

Hybrid 1

Global ESG
Themes 1

Passive 2

Hybrid 2

Global ESG
Themes 2

Passive 3

Hybrid 3

Global ESG
Themes 3

Passive 4

Hybrid 4

Global ESG
Themes 4

Passive 5

Hybrid 5

Global ESG
Themes 5

Passive 6

Hybrid 6



[mandg.com/adviser](https://www.mandg.com/adviser)

Issued by M&G Wealth Investments LLP, which is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales with company number OC305442.
Registered office: 10 Fenchurch Avenue, London EC3M 5AG.
M&G Wealth Investments LLP is a subsidiary of M&G plc, incorporated and registered in England and Wales. Registered office: 10 Fenchurch Avenue, London EC3M 5AG.
Registered number 11444019. M&G plc is a holding company, some of whose subsidiaries are authorised and regulated, as applicable, by the Prudential Regulation Authority and the Financial Conduct Authority.