

Market Outlook

Global financial markets faced a more challenging backdrop over the third quarter of 2026 albeit still delivered positive returns, with geopolitics once again at the forefront of market movements. The resurgence of tensions between the US and Iran reversed the de-escalation seen in the previous quarter, with Brent crude again rising above \$100 a barrel as surging energy prices added to inflationary pressures across key developed economies. Government bond yields moved higher as a result, with markets reassessing the outlook for inflation and monetary policy. The rise in the land and broader energy costs increased concerns that inflation could remain above central bank targets for longer than previously expected, reversing earlier expectations that interest rates could begin to fall which weighed on overall fixed income performance over the quarter. Corporate fundamentals, however, remained a source of support, as strong earnings growth from key AI names lifted sentiment over the quarter, although investors became more discerning towards the theme, as the bar for revenue and capital expenditure continues to be raised in order for the sector to justify their current valuations.

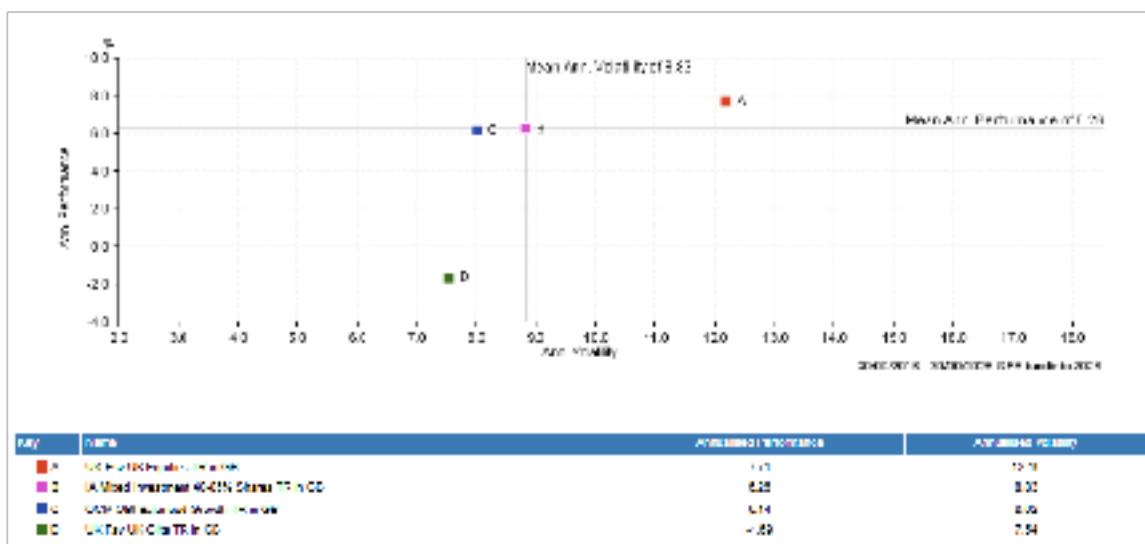
Central bank policy remained a key driver of sentiment over the quarter, as both the Federal Reserve and the European Central Bank raised interest rates in response to rising inflation. The Bank of England held interest rates at 3.75% at both its July and September meetings, although a 6-3 vote split in September, signalled growing concern within the committee that higher energy prices could lead through to more persistent domestic inflation. Against this backdrop the OBI Volatility Managed portfolios edged higher over the quarter. However, fixed income and infrastructure asset weighed on performance as the prospect of tighter monetary policy led through. Across the OBI Suite, the focus on active management, diversification and disciplined volatility management helped portfolios navigate a more volatile environment while maintaining a focus on downside resilience. Looking ahead, the outlook remains sensitive to the trajectory of the US-Iran conflict and its impact on energy prices alongside the pace and extent of further monetary tightening.

Portfolio Positioning

Following a period of strong performance across the OBI Volatility Managed Suite over the quarter, we have taken the decision to take some profits and modestly reduce risk within the portfolios. While our medium-term outlook remains favourable, several factors could drive heightened volatility over the coming months which include developments in the Middle East, a potentially significant UK Budget and continued uncertainty surrounding interest rates, inflation and sovereign debt.

Within the OBI VM portfolios, we have raised cash from strongly performing Asian assets, together with global, UK and European positive holdings, allowing us to reduce broad asset class exposure while retaining the selective active positions. The proceeds from the sale have been invested in to money market assets in order to generate an attractive yield, whilst also reducing portfolio volatility and providing liquidity to redeploy should attractive opportunities arise later in the year.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 10 years. Over the long term, we would expect the OBI portfolio to exhibit a lower level of volatility than the benchmark.

Important Information

All data in this document has been extracted from Amlytics as of 1st October 2026. Past performance cannot be used as a guide to future performance and the value of your investment will fall as well as rise in value. You may not get back all of your investment and the final value of your investment will depend on the performance of your portfolio. Performance figures quoted include fund manager charges but exclude adviser, discretionary, custodian and switch charges. Unless stated, income is reinvested into the portfolio. The information contained in this document is for information purposes only. It does not constitute advice or a recommendation or an offer or solicitation for investment. Portfolio Expense is based on the Fusion platform and may vary for other platforms. Annualised Volatility and Max Loss Figures as detailed by FE Analytics over 5 years to period, where max loss represents the worst running return.

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