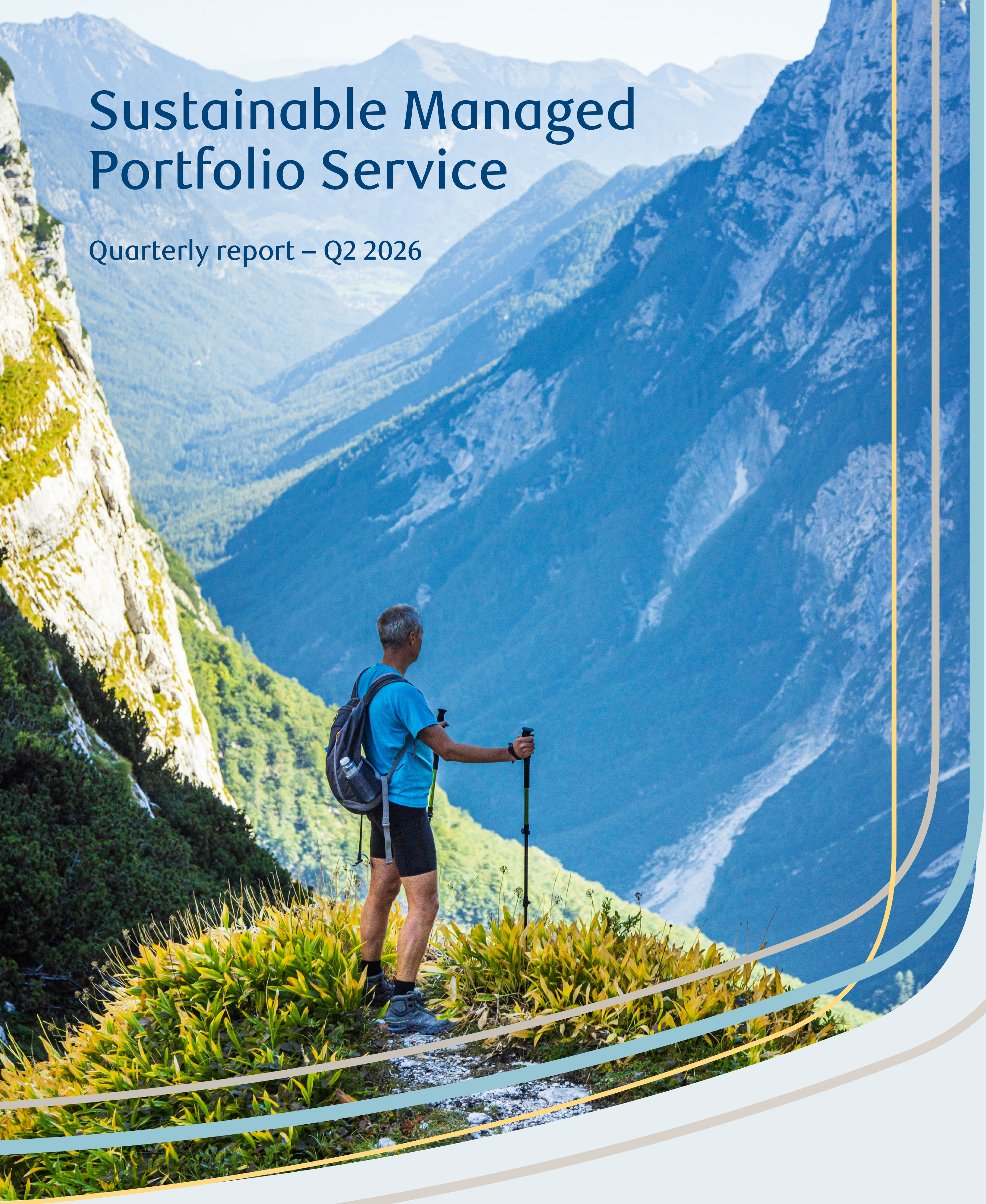
Sustainable Managed Portfolio Service

Quarterly report – Q2 2026



This portfolio is not in scope of the UK Sustainable Investment Labelling and Disclosure requirements and does not carry an FCA sustainability label.

RBC Brewin Dolphin

Introduction

Welcome to the RBC Brewin Dolphin Sustainable Managed Portfolio Service (SMPS) investment review. In this report, we cover information and events that influenced performance during the second quarter of 2026.

After a volatile start to the year, the second quarter brought a welcome shift in mood.

The conflict in the Middle East dominated headlines over the last month following American and Israeli strikes in Iran. In retaliation, Iran blocked the Strait of Hormuz, leading to a spike in energy prices and fears of a rising inflation that will affect people around the globe. This episode also highlights one of the benefits from transitioning to renewables and away from fossil fuels – lower reliance on energy from geopolitically unstable regions. News that Iran and the U.S. were working towards a ceasefire allowed markets to move beyond near-term energy concerns and focus on the potential winners in the AI race.

The standout theme of the quarter was technology. The adoption of AI has prompted a surge of demand for processing power and memory, driving strong price rises – particularly among Asian chip manufacturers. Although these firms are ramping up production, supply is expected to remain constrained for some time yet. Our overweight position in Asia and Emerging Market equities meant portfolios were well placed to benefit.

The International Energy Agency projects that global data centre energy consumption will more than double by 2030 – equivalent to the total energy consumption of Japan. Microsoft's carbon footprint is up 30% since 2020, and major institutional investors are pressing Amazon, Microsoft and Alphabet for clearer disclosure on water consumption and energy use tied to their data centre expansion.

Facing growing price pressures, central banks adopted divergent stances. The European Central Bank hiked rates in June to combat energy-driven inflation. The Federal Reserve (the Fed) held rates but adopted a hawkish tone under new Chair Kevin Warsh, pressured by robust labour market data. The Bank of England also remained on hold citing price pressures. Inflation risks persisted due to elevated energy costs, though gold dipped as central bank demand weakened.

In the UK, political uncertainty mounted after Labour's heavy local election losses in May and Andy Burnham's by-election win in June, which cleared the way for him to run for prime minister. Markets weighed the impact of potential Labour leadership changes on government spending, but the new leadership will face the same fiscal constraints as the outgoing one.

Women held 28.3% of board seats globally in 2025. This is an increase from 2024, but the pace of growth slowed. MSCI's report on women's board representation on corporate boards shows all-male boards continue declining globally, with the sharpest drop in emerging markets (16.1% to 12%). However, growth in senior leadership roles remain uneven, with female representation among board chairs, CEOs and CFOs stagnating – potentially impacting for the opportunities for future female directors.

In late March, a California jury found Meta and Google negligent and awarded $6 million in damages in a bellwether case tied to around 2,000 pending lawsuits. The case centred on a young woman who began using Instagram and YouTube from a young age, testifying that compulsive use led to depression, body dysmorphia and withdrawal from family. A separate New Mexico jury also ordered Meta to pay $375 million for misleading users about platform safety. The firms have said that they will contest the verdicts, but it is the first time juries have held tech companies accountable for harm caused by platform design choices.

Key highlights:

- **Equities and bonds:** rose over the quarter, but alternatives were mixed. Equities were fuelled by AI-driven tech gains, with Asia & Emerging Markets leading the rally (up 19.4%). North American equities advanced 14%, also driven by the AI theme, while Japanese equities rose 11.5% on yen stability and corporate governance reforms. Developed Europe ex UK added 11.9%, while the UK market trailed (although still up 4.1%) due to domestic growth concerns.
- **Bonds:** also rose, with UK Corporate Bonds leading (up 2.9%) as tightening credit spreads benefitted higher-yielding issues. Global Corporate Bonds also did well (up 1.9%), while Global Inflation-Linked Bonds lagged (0.8%) due to moderating inflation expectations. UK Sovereign Bonds gained 2.0%.
- **Cash:** rose supported by steady short-term interest rates in the UK and stable liquidity conditions.

Sustainable MPS performance highlights Q2 2026

Asset allocation

What worked and why?

Q2 2026 has seen equity markets delivering a strong double-digit return, with technology names rallying together with financials. Energy names have given back amidst the stabilisation of the Middle Eastern conflict.

The overweight to equities continues to represent a source of excess performance.

What didn’t work and why?

The small overweight to cash was unhelpful during a quarter when risk assets rose.

Fund selection

What worked and why?

Emerging markets performed very well through Q2, so the two largest contributors to outperformance were the two funds with the greatest exposure here: L&G Future World EM and Pictet Global Environmental Opportunities. Both have significant exposure to semiconductors and memory names, which delivered very strong performance on booming demand from AI data centres. Baillie Gifford Positive Change also benefitted from significant exposure to the same theme.

What didn’t work and why?

Evenlode Global Income and Schroders Global Sustainable Value detracted over the quarter. Both funds have a value focus, and the second quarter saw strong outperformance by growth stocks. This was down to the combination of strong performance from tech-related sectors alongside some mean reversion from the value sectors that were performing very well on the back of geopolitical uncertainty (the Iran conflict), and the consequential rising inflation and interest rates. As market expectations moved back towards a settlement, value sectors underperformed.

The value of investments can fall and you may get back less than you invested.

Sustainable MPS portfolio changes Q2 2026

Asset allocation

Over May and June, the Investment Committee reduced the gold overweight position to neutral and increased Absolute Return. Sustainable MPS doesn't include gold, so inflation-linked bonds were reduced as a proxy.

Fund selection

There were no fund changes in April.

In May, the Brown US Sustainable strategy was removed, and the L&G Future World ESG North America Index fund was increased.

In June, there were no major fund changes, although we have switched share classes of the Schroders Global Cities fund as we have negotiated a cheaper rate for RBC Brewin Dolphin clients.

SMPS performance

SMPS performance (%)

	Q2	2026 YTD	1yr	2yr	3yr	4yr	5yr	2025	2024	2023	2022
Income Portfolio	6.6	4.5	8.9	12.2	20.1	24.4	14.5	5.5	4.4	7.5	-11.7
Income Higher Equity Portfolio	7.9	5.2	10.0	12.9	21.7	28.3	18.0	5.6	5.1	8.3	-11.7
Balanced Portfolio	9.0	5.7	11.0	13.3	22.5	30.8	20.9	5.6	5.4	8.5	-11.5
Growth Portfolio	10.7	6.6	12.5	14.4	24.9	36.2	25.6	5.7	6.4	9.4	-11.6
Global Equity Portfolio	12.7	7.5	14.4	16.1	28.3	43.5	31.8	6.3	7.8	10.7	-11.7

Inception date: 26 April 2021.

All figures shown above are calculated to 30 June 2026.

Performance Calculation: All income is reinvested. Performance is shown inclusive of underlying fund charges but gross of RBC Brewin Dolphin's investment management charge. Deduction of this charge will have the result of reducing the illustrated performance. Neither simulated nor actual past performance are reliable indicators of future performance.

Funds in focus Q2 2026

TB Evenlode and TB Evenlode Global Income

Evenlode's approach is grounded in a simple conviction: preserving and enhancing client assets requires understanding and managing the full spectrum of risks companies face. Its three key drivers for prioritising environmental, social and governance (ESG) are clear and pragmatic.

First, Evenlode manages long-term risks through a balanced framework that examines all the risks a company is likely to encounter throughout its lifecycle. Second, it recognises that successful companies foster strong relationships across their entire ecosystem – not just with shareholders and management, but with customers, suppliers, employees, governments, and local communities. Third, Evenlode believes ESG considerations help define its own corporate purpose as a business.

Evenlode's ESG approach is embedded at the investment level, driving consistent implementation. Its investment style naturally steers away from fossil fuels and capital-intensive sectors. It has developed a comprehensive ESG risk scoring matrix with multiple questions that eliminates preconceived bias, with ratings discussed at weekly investment meetings and directly influencing maximum position sizes.

Its engagement activities reflect a long-term commitment to meaningful dialogue rather than short-term intervention. Evenlode sets clear objectives for each engagement, documenting progress through a structured four-step process: initiation, acknowledgement, discussion and action. This systematic approach allows it to monitor success and refine its strategy continuously.

Evenlode holds substantial credentials as a signatory to the UN Principles of Responsible Investing and the UK Stewardship Code and has been an active member of the Net Zero Asset Managers initiative since 2021. Its commitment to transparency is evident through comprehensive annual publications covering responsible investment, emissions analysis, Task Force on Climate-related Financial Disclosures (TCFD) disclosures and net zero roadmaps, complemented by quarterly stewardship reports.

While we would ideally prefer the strategy to carry an SDR (Sustainability Disclosure Requirements) label, we recognise that Evenlode's integrated and rigorous approach to ESG demonstrates genuine commitment to responsible investment principles. We therefore remain supportive of both strategies.

Marcus Stuart-Smith
Analyst

Trium ESG Emissions Improvers

The fund aims to provide positive returns in all market environments through its long/short investment strategy, which has very low sensitivity to broader market movements while simultaneously looking to drive environmental improvements. The combination of these two aims makes the fund a unique offering within the alternative space.

The fund typically targets companies in high-emitting sectors – energy, resources, materials, utilities, industrials and transport – which reflects the portfolio manager's philosophy of investing in companies with strong decarbonisation potential that may be underrepresented in other ESG funds. A company's ability to make meaningful reductions to its emissions profile is therefore key to investments on the long side of the portfolio.

The fund also has the ability to short companies where there are challenges to decarbonisation – typically where the cost of doing so isn't financially viable.

Assessment of, and engagement with, companies on ESG risks and opportunities is a key part of the investment process. A recent example of Trium's engagement is with leading construction materials producer Saint-Gobain. The team held three group meetings with the CEO, CFO and investor relations team in 2025 where they engaged on the company's emissions targets delivery, challenged whether its sustainable construction product portfolio is commercially self-sustaining or dependent on regulatory support, discussed improving nature-related reporting and potential asset rotation, with a focus on acquisitions and disposal that improve the company's ESG profile.

At the end of the year, the company launched its new 'Lead and Grow' strategic plan for 2026 to 2030 – explicitly positioning sustainability and climate adaptation as the primary growth lever.

In summary, this fund allows us to invest in a product that can help to achieve environmental improvement without being subject to the rise and fall in stock markets over time. We think its targeted approach to tackling the issue is a differentiator and allows the fund to focus on achieving real-world outcomes.

Michaela Melia
Analyst

Sustainable MPS Income
30 June 2026

Carbon intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing Carbon Risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio companies total Scope 1[1] and Scope 2[2] Carbon Emissions divided by their annual Sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest Carbon Emissions (such as Utilities) also have the highest potential for reducing their Carbon Emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

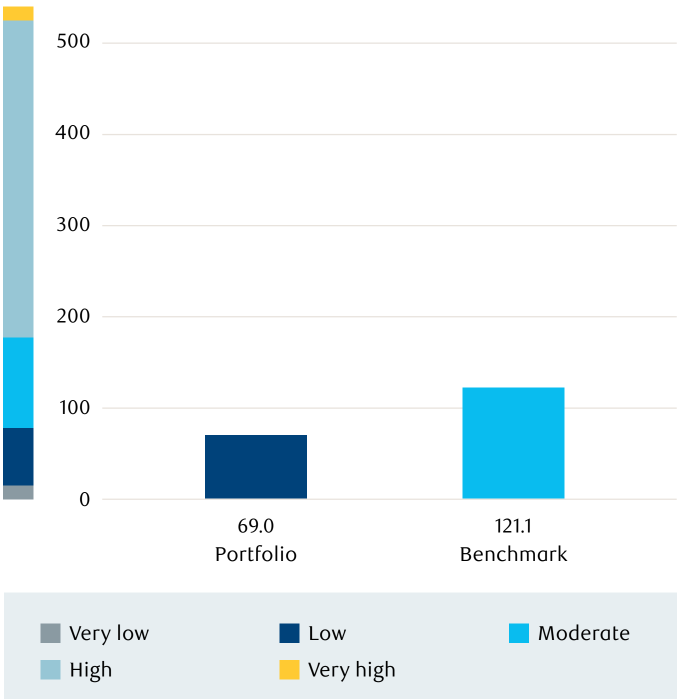
References:

[1] Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

[2] Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison:45% Global equity, 55% Global aggregate bonds.

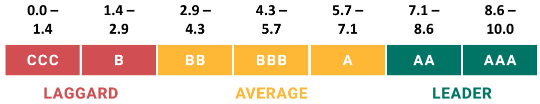
Carbon intensity vs benchmark (TCO_2e / $m sales)



MSCI ESG ratings

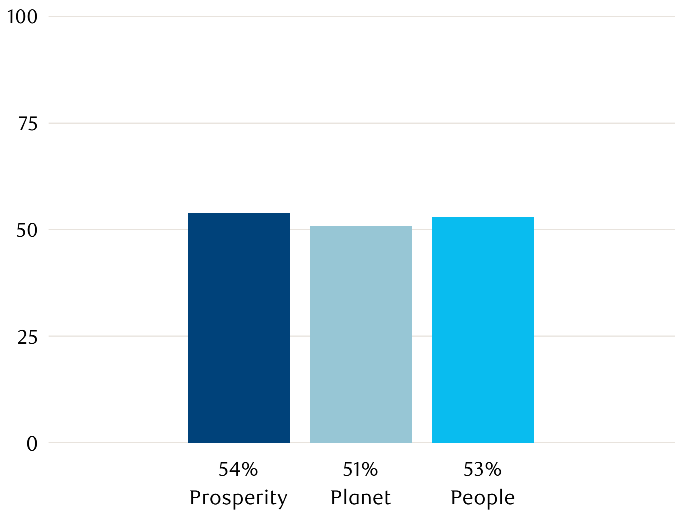
ESG Quality Score 7.0

MSCI ESG RATINGS A



MSCI's ESG ratings are designed to measure a company's resilience to financially material, environmental, societal and governance risks. They are not meant to serve as a measure of corporate goodness, a barometer on any single issue or a synonym for sustainable investing. Certain information ©2022 MSCI ESG Research LLC. Reproduced by permission.

SDG alignment



The UN SDG Alignment provides a framework for considering a broad set of seventeen sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

Sustainable MPS Income Higher Equity 30 June 2026

Carbon intensity

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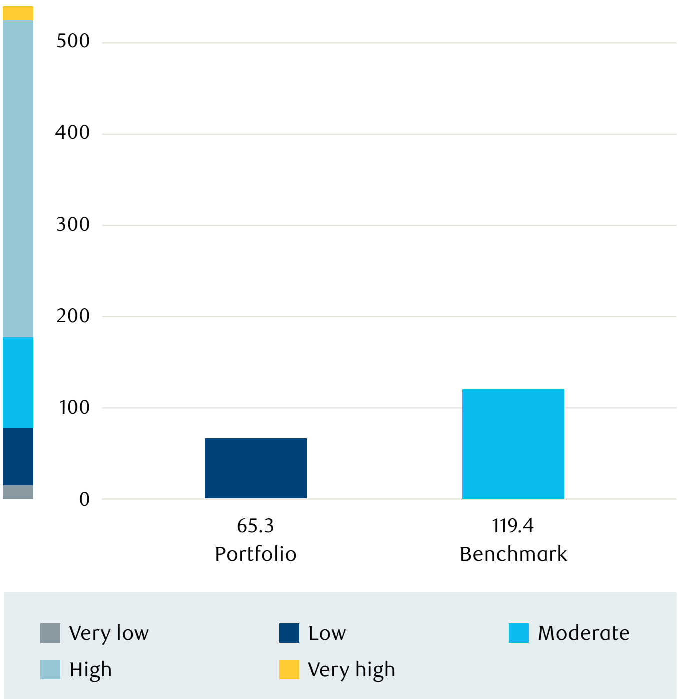
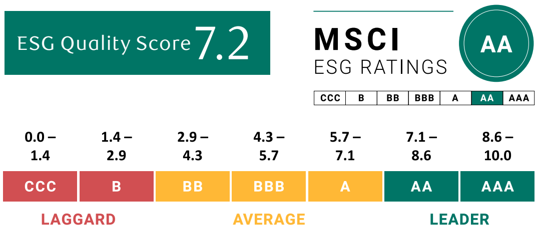
[2] Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 55% Global equity, 45% Global aggregate bonds.

Carbon intensity vs benchmark (TCO_2e / $m sales)



MSCI ESG ratings



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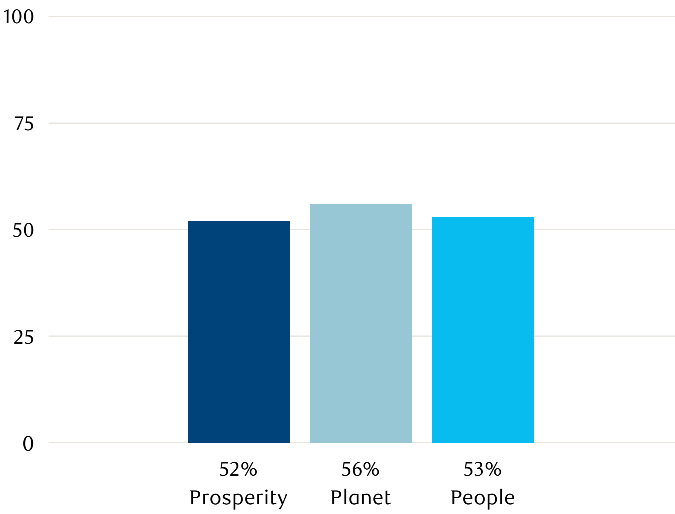
SDG alignment



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Sustainable MPS Balanced
30 June 2026

Carbon intensity

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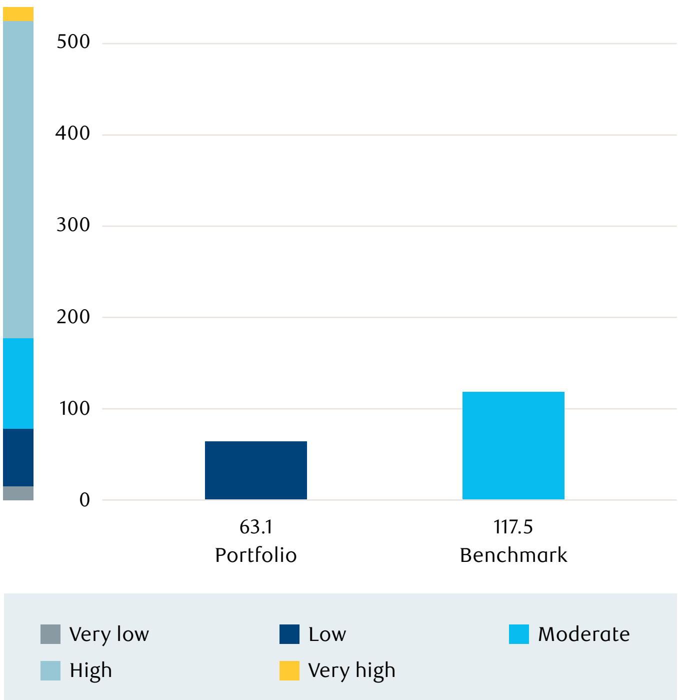
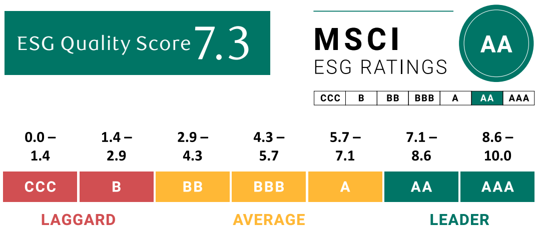
[2] Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 70% Global equity, 30% Global aggregate bonds.

Carbon intensity vs benchmark (TCO_2e / \$m sales)



MSCI ESG ratings



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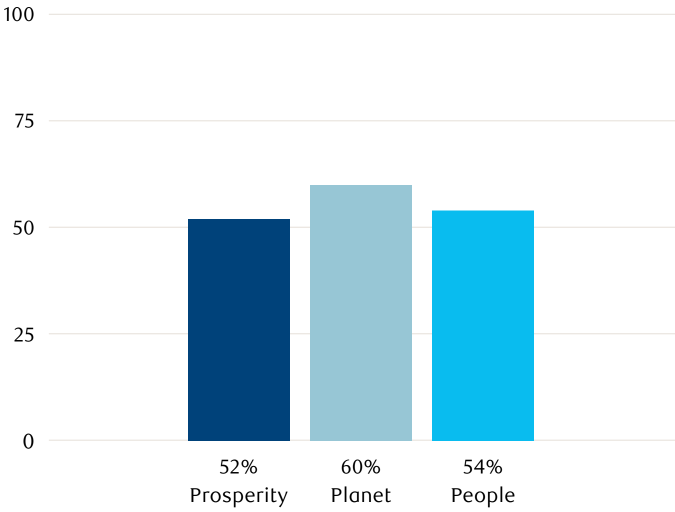
SDG alignment



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Prosperity

Planet

People

Sustainable MPS Growth
30 June 2026

Carbon intensity

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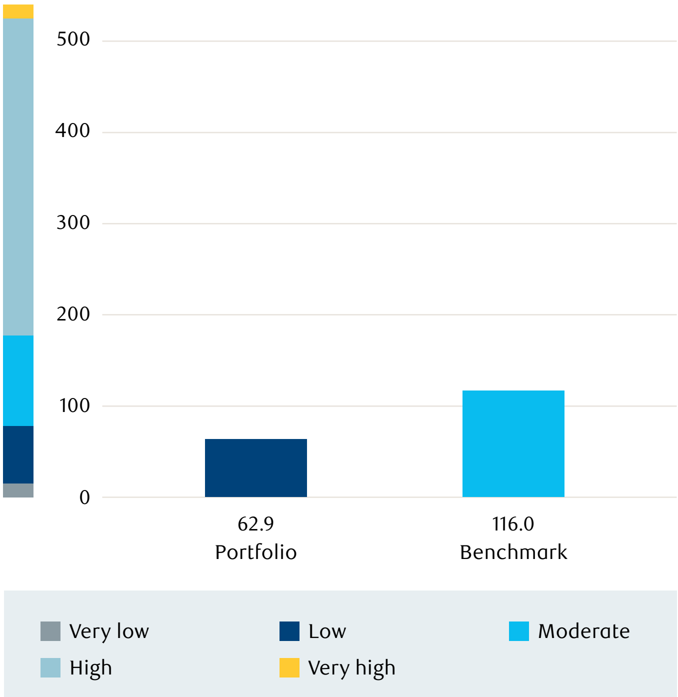
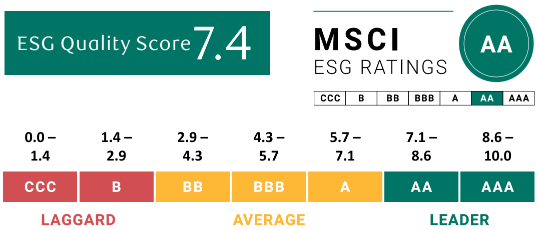
Benchmark for comparison: 85% Global equity, 15% Global aggregate bonds.

Carbon intensity vs benchmark (TCO_2e / \$m sales)



MSCI ESG ratings



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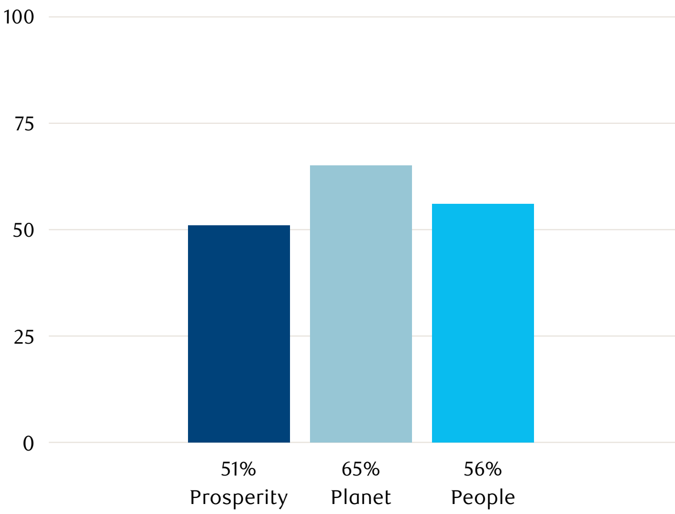
SDG alignment



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Prosperity

Planet

People

Sustainable MPS Global Equity 30 June 2026

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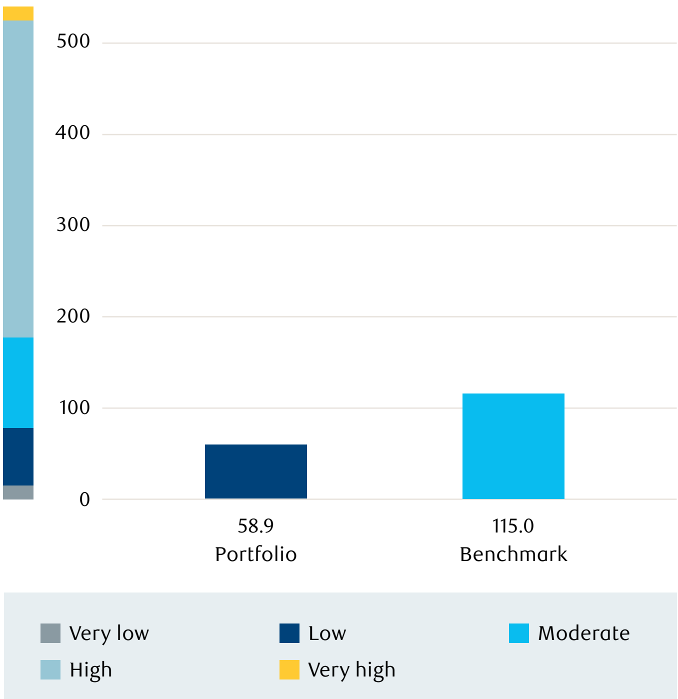
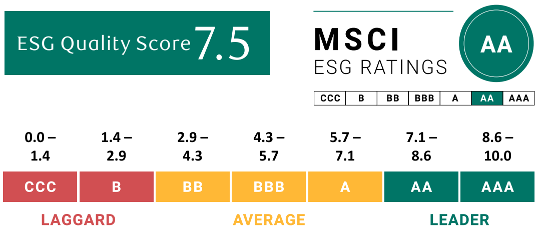
Benchmark for comparison: 100% Global equity.

Carbon intensity vs benchmark (TCO_2e / $m sales)



MSCI ESG ratings



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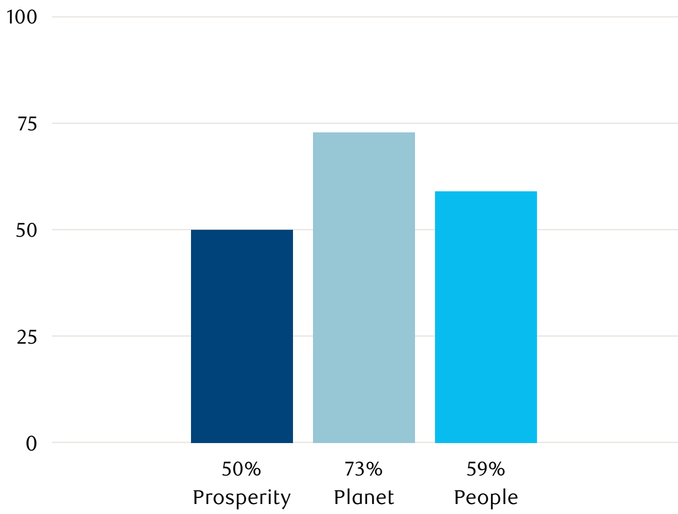

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Prosperity

Planet

People

Asset Allocation Committee investment outlook

These views are implemented across our portfolios but there may be deviations where asset classes or suitable investments are unavailable or excluded.

Cash

We hold an overweight in cash, which provides ammunition we can deploy when the outlook for other typically higher-yielding cash asset classes improves.

Bonds

There's been a tight link between the oil price and bond yields since the Iran war began. For now, it's probably safe to assume that the higher the oil price goes, the more bond yields will rise, and vice versa. There's a limit to this, however. If energy prices rose far enough (and remained high), the market's focus would eventually shift from inflation risks to recession risks, thereby acting as a cap on yields.

We retain a small underweight in fixed income, but an overweight to Gilts. Underpinning our optimism on Gilts vs the global government bond benchmark is our base case view that underlying UK inflation pressure should moderate vis-a-vis other regions. The Iran crisis is the key risk to this view, as Gilts have a relatively high beta to the oil price.

While the UK fiscal backdrop is indeed a worry, the immediate political risk stemming from the upcoming change in government should be probably be discounted.

We continue to favour global inflation-linked bonds over global conventional government bonds. With credit spreads still tight, we favour government bonds over corporate bonds. This positioning acts as a partial portfolio hedge against an unexpected downturn in global economic growth.

Global Equities

The Fed has reduced its policy rate since the 2024 peak, and we expect the global economy to continue to expand.

In the relatively few times historically the Fed has eased policy outside of a recession, global equities performed very well. Add in the surge from the data centre build-out and optimism around the potential for AI to boost productivity, and we believe the case to remain overweight global equities is intact. However, we believe only a small overweight is appropriate. For one, earnings optimism is very high at a time when corporate profits are well above trend.

Meanwhile, there is limited scope for jobs growth in many countries, particularly the U.S. given the plunge in net migration. The upshot is that there's limited room for the aggregate income growth required to drive consumer spending.

Furthermore, equity valuation multiples are elevated, and stagflation risks have picked up given the energy supply backdrop.

Paradoxically, AI also represents a market headwind in some ways. White collar jobs and business models (software for instance) are at risk. In addition, there are concerns about AI app 'moat depth', which raises questions about whether AI company revenues will be big enough to justify their high levels of investment. Investors will need to absorb new supply from AI IPOs.

Finally, there circularity concerns, with the major players funding one another through interdependent spending and long-term supply contracts.

Alternatives

As previously highlighted, we have recently cut our tactical gold exposure to neutral. However, our sense is that the long-term arguments for owning some gold still appear valid.

Among these, there remains a strong case for central banks to continue buying gold to diversify their reserves away from U.S./Western assets.

Notably, gold's weight in China's foreign exchange (FX) reserves remains below 10%, which is substantially less than the global average. If we are correct that China is indeed a long-term buyer, it will likely look at pullbacks in the gold price as attractive opportunities to add to its holdings. China has by far the world's biggest war chest of FX reserves, and given its expanding current account surplus, it has a ballooning quantity of FX it needs to deploy.

In addition, we continue to believe the dollar will depreciate over the longer term. If that view is correct, that would be supportive of USD-priced gold.

UK Equities

Given the UK's relatively high weightings in value-oriented sectors such as financials and commodities, and low exposure to growth-oriented sectors such as tech, UK relative performance is closely linked to global value vs growth style performance. Some exposure to the value style that the UK is so heavily weighted in is appropriate, in our view.

Although the domestic economic outlook is less important for UK equity relative performance, given the high international exposure of the names that make up the UK large-cap index, it still matters. Indeed, there is a positive relationship between the performance of UK vs global GDP and UK vs global equity performance.

The UK economic growth outlook appears lacklustre. This is offset somewhat by the fact that the UK equity market trades on very undemanding valuation multiples compared to most markets.

U.S. Equities

The U.S. should maintain the productivity growth advantage it has enjoyed against the rest of the developed world.

Meanwhile, the U.S. equity market has outsized exposure to surging demand for AI goods and services. Nevertheless, we hold a tactical neutral position in the U.S., for several reasons.

While we believe that AI will be a transformative technology, there are lingering questions about whether the returns generated by providers of AI services will be high enough to justify the massive levels of investment in the space. Against that backdrop, consensus earnings expectations for U.S. tech are very elevated, and it trades on relatively high valuation multiples. In addition, the S&P 500, excluding the 'Magnificent Seven', also trades on a large price-to-earnings (P/E) premium to the world ex U.S. market.

Furthermore, our sense is that the dollar has scope to decline further over the medium/longer term. A weak dollar would weigh on U.S. equity relative performance in common currency terms. Weaker labour force growth due to the Trump administration's immigration clampdown is an additional concern.

Europe ex UK Equities

We remain modestly overweight Europe ex UK. The region's valuation metrics are significantly less demanding than that of the U.S.

The euro exchange rate remains cheaply valued vs the dollar relative to estimates of the purchasing power parity conversion rate (the theory suggesting that identical products should cost the same in different countries when priced in a common currency). This suggests it has scope to strengthen further over the longer-term. If correct, that would support Europe ex UK equity relative performance in common currency terms.

We expect only modest corporate profit growth given subdued European economic growth prospects. But a big boost to German defence and infrastructure spending should help marginally narrow the growth gap with the U.S. Europe would also perform relatively well if some of the hot air comes out of the AI trade, as the region has relatively low exposure to it.

Japan Equities

Japanese equity relative performance has recently improved, powered primarily by its banks and the AI exposed names that make up an increasingly big part of the index. Encouragingly, Japan continues to trade on relatively depressed price-to-book multiples.

Japan is also experiencing a healthy dose of inflation, with wage growth strengthening. Importantly, inflation expectations have also picked up. However, the country's demographics amount to a major structural headwind for Japanese equity relative performance over the longer term.

Meanwhile, with the unemployment rate low and labour force participation high, Japan does not have much scope to put idle economic resources to work to drive cyclical growth.

Finally, relative to the world ex U.S. equity market, Japanese equities are not cheap on a P/E basis. With this in mind, and at a time when we want to balance our positioning across both AI and anti-AI plays, there doesn't appear to be a compelling reason to boost our Japanese equity exposure above neutral.

Asia ex Japan Equities

Asia ex Japan has been a strong outperformer over the past year. Notably, the region has held up well since the Iran conflict began, an impressive feat given how reliant the region is on imported oil and gas.

Within Asia ex Japan, there's been massive divergence among regions. Taiwan and Korea have outperformed on the back of the boom in semiconductor demand. We would want to be out of these names, particularly Korea, at the first sign that AI demand is shifting. It's not clear we are at that point yet. China continues to battle headwinds, with the housing market its biggest challenge. Nevertheless, there have been positive developments in other areas, and the equity market trades on an undemanding valuation multiple.

After a long period of outperformance, Indian equities have been strongly underperforming since late 2024. AI and macro-related headwinds are among the reasons. How this plays out remains an open question. While challenges remain, there are still key offsetting reasons to like Indian equities; the most convincing is probably the potential for long-term economic outperformance.

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