Managed Portfolio Service

Quarterly report – Q2 2026

Brewin Dolphin

Introduction

Welcome to the RBC Brewin Dolphin Managed Portfolio Service (MPS) 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.

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.

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 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.

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.
- Property Real Estate Investment Trusts (REITs) rose over 9% while Absolute Return rose a more modest 1.1%. However, demand from central banks for gold slipped and the yellow metal fell -12%.
- 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.

MPS performance

MPS performance	Q2 2026	2026 YTD	1yr	2yr	3yr	4yr	5yr	2025	2024	2023	2022	2021	2020
Cautious Portfolio	4.1	3.8	10.4	17.2	28.2	28.5	18.5	9.4	6.9	6.8	-10.1	3.7	6.7
Cautious Higher Equity Portfolio	5.7	4.8	12.1	19.2	31.6	33.4	22.9	9.7	8.2	7.4	-9.9	5.5	6.6
Income Portfolio	6.8	5.8	13.8	21.2	34.7	37.8	27.1	10.3	9.2	7.7	-9.5	6.8	6.8
Income Higher Equity Portfolio	8.6	7.0	15.5	23.1	38.3	43.5	32.6	10.4	10.7	8.3	-8.8	8.4	6.8
Balanced Portfolio	10.2	8.1	17.1	24.8	41.3	48.5	36.0	10.6	11.8	8.8	-9.0	10.8	7.6
Growth Portfolio	12.3	9.9	20.1	28.0	46.6	56.4	42.3	11.4	13.6	9.1	-9.2	13.8	9.9
Global Equity Portfolio	15.1	11.9	23.2	31.4	52.6	66.2	50.7	11.8	15.8	9.8	-8.9	16.3	9.7

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.

MPS performance highlights Q2 2026

Asset Allocation

What worked and why?

Q2 2026 has seen equity markets deliver a strong double-digit return, with technology names rallying together with financials. Although energy firms have given back some performance amidst the stabilisation of the U.S.-Iran conflict, the overweight to equities continues to represent a source of excess performance.

The underweight to bonds was also helpful in a period where they rose but only weakly.

What didn't work and why?

The gold position was reduced over the quarter, but the tactical overweight has generated a mild drag as its price has shown a notable correction from its all-time high shown during the year. The price of gold has historically been negatively correlated to interest rates, which have gone up amidst the prospect of higher inflation.

Fund Selection

What worked and why?

The exposure to technology stocks within the DWS Quality Growth strategy in the MI Select Managers North American fund has been the most significant contributor. The exposure to the large-cap tech names delivered returns well in excess of the broader U.S. equity market.

The active UK equity strategies also outperformed over the quarter, driven by a rerating in smaller companies in particular.

The WisdomTree Enhanced Commodity Carry and within the MI Select Managers Alternatives fund has been a great contributor to excess performance, profiting from the volatility and the lower energy prices that followed the stabilisation of the geopolitical conflicts in the Middle East.

What didn't work and why?

The GQG Partners US Equity strategy has detracted from performance. It's defensively positioned and should do well in a situation where equity markets slip.

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

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. Gold has had a meteoric rise over the past few years, but it's stumbled recently as central bank buying was interrupted by conflict in the Middle East. We're positive on gold over the long term, but a neutral position makes sense until momentum re-establishes itself – with Absolute Return strategies offering good diversification in the meantime.

Fund Selection

In April, we completed the transition to the new MI Select Manager Global and Emerging Opportunities fund, which provides cost-effective exposure to Asian and emerging market equities. As part of this, we introduced the Invesco Emerging Markets ex China strategy, with strong exposure to the Taiwanese and Korean chip manufacturers that drove the quarter's gains.

In May, we removed the Brown U.S. Sustainable Growth strategy from the MI Select Managers North American fund. Performance has been disappointing, and our analysts now favour alternative approaches to U.S. equity investment. We've increased exposure to several existing strategies within the fund without significantly changing the types of companies that the fund is investing in.

We also removed the Schroder European Recovery fund. It's performed well recently, but our analysts now have higher conviction elsewhere, and we've replaced it with broad European index exposure.

Over May and June, in light of the Investment Committee's guidance to decrease the gold overweight position in favour of an increase to Absolute Return strategies, we reduced the holdings in physical gold exchange-traded commodities within the MI Select Managers Alternatives fund, while a number of Absolute Return funds were increased (including the MW TOPS Titans, Fulcrum Income and SCOR Atropos Catbond funds).

MI Select Manager fund weights

Fund Weights

Date	MI Select Managers Fund	Mandate	Weight (%)
30/06/2026	MI Select Managers Bond Instl Inc	BNY Mellon Global Credit	12
		BNY Mellon Gilt	29
		Colchester Global Sovereign	19
		Man GLG Sterling Corporate Bond	14
		DWS US TIPS	20
		Other Global Credit Funds	6
30/06/2026	MI Select Managers NA Equity Instl Inc	DWS US Quality Growth	38
		DWS US Value	20
		BNY Mellon US Equity Income	22
		Baillie Gifford American	9
		GQG Partners US Equity	9
		Scottish Mortgage Investment Trust	2
30/06/2026	MI Select Managers UK Eq Inc Instl Inc	Man GLG UK Equity Income	38
		Ninety One UK Equity Income	38
		CT UK Equity Income	24
30/06/2026	MI Select Managers UK Equity Instl Inc	JPM UK Core	55
		Redwheel UK Equity Income	27
		Ninety One UK Equity	10
		Teviot UK Smaller Companies	8
30/06/2026	MI Select Managers Alternatives	Commodities and other alternatives	50
		Schroder Global Cities	23
		Muzinich Global Tactical Credit	13
		Absolute Return funds	14
30/06/2026	MI Select Managers Global and Emerging Opps	RBC GAM Emerging ex. China	38
		China Equity Index Futures	38
		Invesco Asia & Emerging ex. China	24

Investment 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 those of the U.S.

The euro exchange rate remains cheaply valued vs the dollar (relative to estimates of the purchasing power parity conversion rate), which 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 European economic growth prospects are subdued. A big boost to German defence and infrastructure spending should help close the growth gap with the U.S. somewhat.

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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