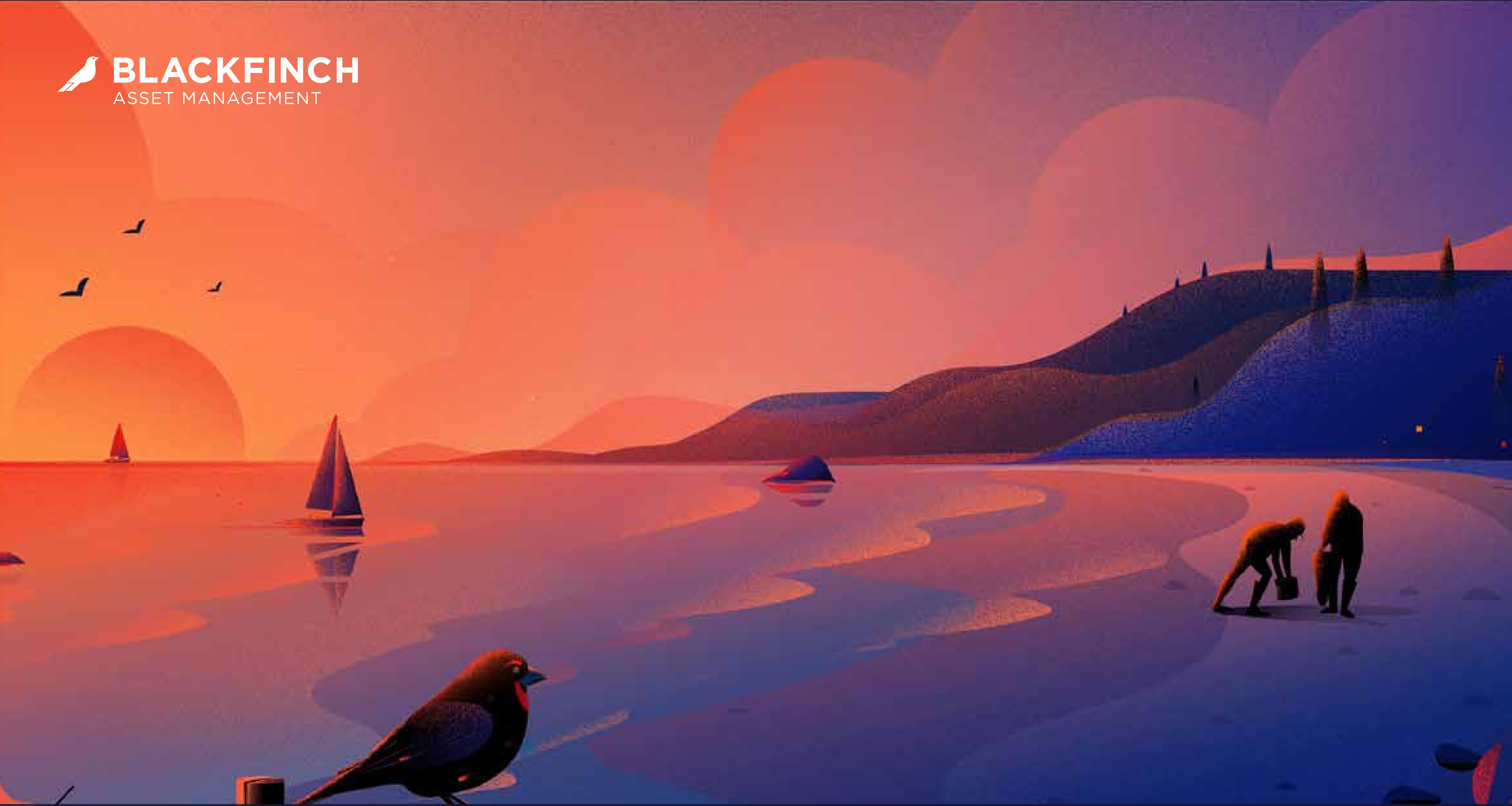
BLACKFINCH
ASSET MANAGEMENT



Quarterly Investment Report

Balanced Portfolio | Q2 2025 - 1st April 2025 - 30th June 2025

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PRI Principles for Responsible Investment

Your Investment Manager

Blackfinch

We're part of Blackfinch Group, an independent investment specialist with a heritage dating back over 25 years. We're a responsible investor working to build positive future prospects. We work closely with your financial adviser to deliver attractive risk-adjusted returns over the long term to help you meet your goals and aspirations. Our investment objectives are centred on delivering returns targeted at beating inflation, against which you and your financial adviser can easily measure us.

Responsible Focus

As a UN PRI signatory, we take multiple factors into account when assessing an investment. We positive screen for businesses with responsible practices and policies in place. We prioritise investments where there's active engagement on risk-management issues and fund managers value this approach

Our Approach

Our investment team includes dedicated specialists whose sole focus is the portfolios. We're active investment managers, buying into and selling out of investments, as market conditions dictate. We invest globally, aiming to both capture returns and manage downside risk. Transparency is central to how we work, so you can know where your money is invested at all times.

An Independent Specialist

As part of an independently owned company, we can look across many investments and strategies to find the most suitable ones. Your portfolio holds a wide range of investments, including shares (equities) and bonds (fixed income). We review, rebalance and restructure the portfolios on an ongoing basis.

Your Reporting

We aim to keep you as up to date and informed as possible. This quarterly investment report gives detail on financial markets and factors that have driven returns. The report is supplementary to monthly factsheets, featuring market commentary and details of portfolio activity. We also provide ad-hoc commentary on topics affecting your portolio's performance.

The Last Quarter
In Focus

Past performance is no guarantee of future performance.

Date of inception: 2nd July 2018.

All performance figures are quoted net of AMC and fund OCFs.

A Bird’s Eye View
Global Events
Impacting your Portfolio

Emerging Markets:

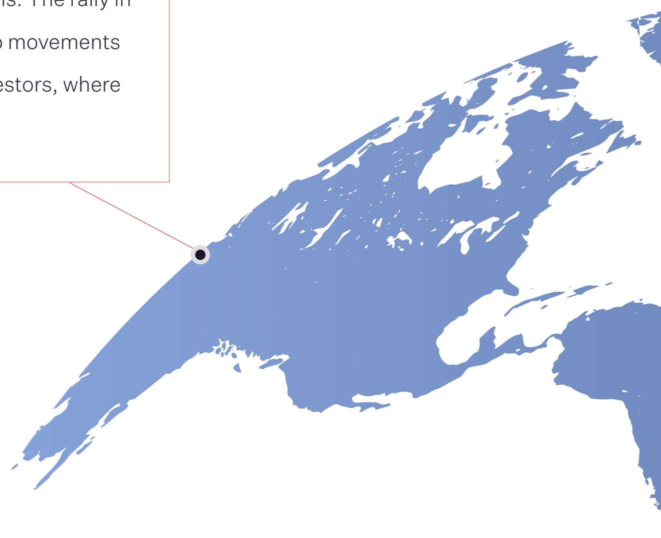
The Emerging Markets endured significant economic uncertainty from US President Donald Trump’s ‘flip-flopping’ over trade policy. The start of April saw significant volatility for the region as the scale of the “reciprocal” tariffs were much larger than expected, only for them to be walked back as the quarter progressed. The nations that felt the most impact were ones with trade surpluses with the US, most notably China. The deadline for this has been extended to 1 August, which could bring more clarity.

United Kingdom

The economic picture for the UK remains mixed. While it was the fastest growing economy in the G7 in the first quarter of 2025, growth was only up by 0.7%. While UK inflation cooled to 3.4% in May (a positive sign for the Bank of England), concerns over a stagnant economy have come to the fore for the rest of 2025. Interest rates were held at 4.25% by the end of the quarter, but there is now growing talk of potential rate cuts if conditions deteriorate. More importantly, the Autumn Budget presents a key moment for investor sentiment. With public finances under pressure and political stakes high, uncertainty around tax policy and capital gains treatment could cause shorter-term market volatility.

United States

Ignoring the talk of tariffs, corporate America looks robust. A more ‘real world’ reflection of the US market came with the Q1 corporate earnings results and outlook statements; where the S&P 500 recorded average earnings growth of 13%, far ahead of expectations. Businesses did comment on tariff uncertainty, but the main theme appeared to be business as usual, with many citing artificial intelligence uses that could improve efficiency and protect margins. The rally in the US is now showing signs of fatigue. High valuations and sharp movements in the US dollar have weighed on returns – particularly for UK investors, where a weaker dollar has reduced the impact of overseas performance.



Europe ex UK

European markets outperformed the likes of the US, spearheaded by a fiscal 'bazooka' in Germany and a weakening US dollar. The newly formed German government announced plans that shows they are embarking on a major spending spree to quickly reach NATO's new defence spending target, modernise the country's creaking infrastructure, and bring an end to its economic slumber. The eurozone's June inflation estimates provide some welcome reassurance that the stage is set for disinflation in the eurozone to continue, with several factors pointing to a clear downward trajectory in the coming months.

China

Chinese markets remain focused on Trump's pause on reciprocal tariffs coming to an end. Reports towards the end of the quarter suggested a deal between the US and China had been struck, but at the time of writing the details remain unclear. A deal with China has clearly been the goal all along, not just for Trump, but also Joe Biden before him. The outcome of trade talks, and any agreement on a global tariff framework, could shape the direction of travel for investment markets.

Japan

Unfortunately for many, the US and Japan failed to reach an agreement on tariffs at the Group of 7 summit, which surprised economists. The conclusion of negotiations is yet to be finalised, but the end of the tariff pause could see levies on Japanese imports increase to 24% from 10%. A falling dollar has been one of the key themes in Japan, where a stronger yen can have a cooling effect on inflation, as they import goods into the economy, but bad for earnings. Year to date, the dollar has lost 9.1% against the yen.

Market Commentary

The world experienced 'the Art of the Deal' first hand at the start of the second quarter, as US President Donald Trump delivered a 'Liberation Day' tariff regime unlike anything the world has seen since the 1930s. The idea behind the application of a financial tariff is that it creates a tax that is levied at the border when goods enter a country, thereby raising government revenue and improving its domestic economy. The reality isn't as simple. The tariffs sparked volatility in markets as they were at a much larger scale than expected, only for them to be walked back as the quarter progressed. While it's too early to draw conclusions, the range of outcomes has narrowed in a more positive direction – for instance, towards a more reasonable global tariff rate.

Geopolitical tensions escalated, with further conflict in the Middle East, between Iran and Israel, which added to global uncertainty. Markets appeared to look through the turmoil, with some indices reaching all-time highs before quarter-end. While the conflict caused a spike in oil prices (primarily through a potential supply constraint by the closure of the Strait of Hormuz – a key supply route), it subsided, and oil prices are down c.10% from the start of the year. This is a helpful deflationary force, particularly in Europe, and is further reason to think the European Central Bank's (ECB) interest rate policy will be flat or down, not back up.

The US continued to dominate headlines over the quarter. Of note was the scaling back of Trump's tariffs as well as a 90-day pause on "reciprocal" tariffs on nations with trade surpluses with the US, most notably China. The deadline for this has been extended to 1 August, which could bring more clarity. However, Trump's flip-flopping resulted in a new phrase: Trump Always Chickens Out, or TACO. Stock markets recovered during the quarter because of TACO, but US bond yields remain elevated which is a strong headwind for the US government which has significant borrowing.

But so far, corporate America looks robust. A more 'real world' reflection of the US market came with the Q1 corporate earnings results and outlook statements; where the S&P 500 recorded average earnings growth of 13%, far ahead of expectations. Businesses commented on tariff uncertainty, but the main theme appeared to be business as usual, with many citing artificial intelligence uses that could improve efficiency and protect margins. The rally in the US is now showing signs of fatigue. High valuations and sharp movements in the US dollar have weighed on returns – particularly for UK investors, where a weaker dollar has reduced the impact of overseas performance.

In May, the UK and US struck an "Economic Prosperity Deal" which rolled back a small number of tariffs for the UK, including a reduction in tariffs on US imports of UK cars and the elimination of tariffs on US imports of UK steel. While providing welcome relief to the UK car and steel industries, the agreement does not tackle the wider issue of the broad 10% levy applied to most UK exports under the IEEPA regime – meaning many UK businesses continue to face elevated costs and logistical uncertainty, albeit to a lesser

extent to some other geographies such as the EU.
The broader macroeconomic picture for the UK remains mixed. While it was the fastest growing economy in the G7 in the first quarter of 2025, growth was only up by 0.7%. Business confidence has been affected by recent tax hikes and unemployment is now at a four-year high. While UK inflation cooled to 3.4% in May (a positive sign for the Bank of England), concerns over a stagnant economy have come to the fore for the rest of 2025. Interest rates were held at 4.25% by the end of the quarter, but there is now growing talk of potential rate cuts if conditions deteriorate. More importantly, the Autumn Budget presents a key moment for investor sentiment. With public finances under pressure and political stakes high, uncertainty around tax policy and capital gains treatment could cause shorter-term market volatility.

Eurozone interest rates, managed by the ECB, are much further along in their cutting cycle than the US and UK, with the help of less troublesome inflation. Eurozone inflation edged up to 2.0% year-on-year by the end of the quarter, after falling below target in May. Core inflation – which removes the effects of food and energy costs – was also stable at 2.3%, with services up only marginally, and confirmed the Easter uptick was temporary. June's inflation estimates provide some welcome reassurance that the stage is set for disinflation in the eurozone to continue, with several factors pointing to a clear downward trajectory in the coming months.

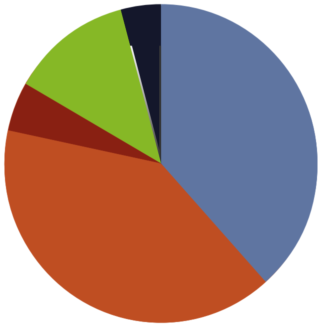
After fewer than 50 days in office, the German government formed an agreement in the final week of June for its draft budget for the current calendar year as well as the medium-term fiscal plans out to 2029. Over the government's potential term, the total federal deficit could amount to €850bn, nearly €600bn wider than last year's medium-term plan had shown. These plans show the government is embarking on a major spending spree to quickly reach NATO's new spending target, modernise the country's creaking infrastructure, and bring an end to its economic slumber. From a political perspective, it's also an attempt to curb the ascent of extremist parties and strengthen the political centre. We have subsequently seen European markets outperform the likes of the US, spearheaded by this spending 'bazooka' and a weakening US dollar.

As Q3 begins, markets remain focused on Trump's pause on reciprocal tariffs coming to an end. Reports towards the end of the quarter suggested a deal between the US and China had been struck, but at the time of writing the details remain unclear. A deal with China has clearly been the goal all along, not just for Trump, but also Joe Biden before him. The outcome of trade talks, and any agreement on a global tariff framework, could shape the direction of travel for investment markets.

Portfolio Breakdown
Balanced Portfolio

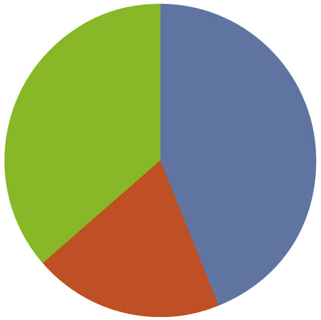
Investment Objective

The Balanced portfolio is designed to achieve a total return in excess of the Consumer Price Index plus 3% per annum, over a rolling 5 year basis net of fees. The portfolio is globally diversified and contains multi asset investments including fixed income, equities, property, alternatives and cash. As a UN PRI signatory, responsible investing is implemented through a positive screening approach whereby investments are not solely excluded based on the sector in which they operate. There is no guarantee that the objective will be met or that a positive return will be delivered over any time period. Capital at risk. All data is at 30th June 2025



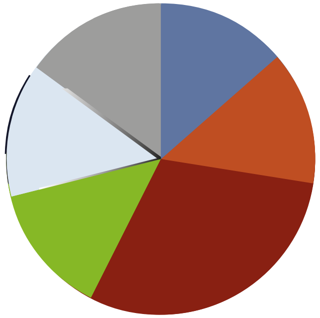
Tactical Asset Allocation

Fixed Income	38.50%
Equities	40.00%
Property	5.00%
Alternatives	12.50%
Cash & Equivalent	4.00%



Fixed Income Breakdown

Sterling Corporate	44.16%
UK Government	19.48%
UK Index Linked Government	0.00%
Global Bonds	36.36%



Equity Breakdown

United Kingdom	13.75%
Europe Ex UK	13.75%
North America	30.00%
Japan	13.75%
Asia-Pacific Ex Japan	0.00%
Thematic	13.75%
Emerging Markets	15.00%

Portfolio Holdings
Balanced Portfolio

Fixed Income

Man GLG - Sterling Corporate Bond	8.00%
Vanguard - UK Government Bond Index	7.50%
iShares - Corporate Bond Index (UK)	6.00%
PIMCO - Income	6.00%
iShares - ESG Overseas Corporate Bond Index (UK)	5.00%
L&G - Short Dated Sterling Corporate Bond Index	3.00%
Vanguard - US Government Bond Index	3.00%

Equities

Artemis - SmartGARP Global Emerging Markets Equity	6.00%
iShares - US Equity Index	6.00%
L&G - S&P 500 US Equal Weight Index	6.00%
Fidelity - Index Japan	5.50%
Blackfinch - NextGen Infrastructure	5.50%
HSBC - European Index	5.50%
Vanguard - FTSE 100 Index	5.50%

Property

Blackfinch - NextGen Property Securities	5.00%

Alternatives

TM Tellworth - UK Select	8.00%
Janus Henderson - Absolute Return	4.50%

Cash & Equivalent

CanLife - Sterling Liquidity	2.00%
Cash	2.00%

Portfolio Activity

Fixed Income

Fixed income assets were also caught up in the early-April market volatility, and while the losses were marginal compared to equity markets, they proved tariff fear was not confined to company balance sheets. Should tariffs feed through to consumer prices, this will inevitably reignite inflation fears, just as most countries were starting to believe the post-COVID inflation fight was almost over.

As with equities, fixed income markets recovered after tariffs pauses were announced and moved to positive territory after encouraging trade talks. However, inflation data, and the disparity between the interest rate projections from central banks, caused sizeable currency movements. Bonds priced in sterling performed well, while those linked to the US dollar lagged as the currency weakened against its peers, raising doubts about the status of US Treasuries as a global safe-haven.

Fixed income market volatility has proven a rich hunting ground for active bond managers in recent years, and last quarter was no different, with our active fund selections delivering robust positive returns.

Property

Renewed inflation concerns, and the belief that interest rates would therefore stay higher for longer than hoped, caused property assets to fall. The sector relies heavily on lending to fund its activity, and so any delay to interest rate cuts, or even the threat of rates moving higher, is a negative. However, as with both equities and fixed income, the initial early-quarter shock dissipated, and markets recovered through the period. The volatility benefitted our preferred active property fund, which returned 1.85% compared with a loss of 1.08% for the passive equivalent.

Portfolio Activity

Equities

The quarter began with heavy equity market selling, and a spike in volatility, as investors attempted to decipher the potential impact of US President Donald Trump's 'Liberation Day' tariff announcements. While many markets saw losses of up to 10% in the opening week of April, the rest of the quarter saw volatility dampen and markets claw back those short-term losses and move back into positive territory for the quarter, as tariff implementation was delayed and trade deals began to be struck.

At the start of the quarter, before the Liberation Day drawdowns, we chose to diversify equity exposure across the portfolio, reducing US equities while increasing exposure to Europe and Emerging Markets. This gave our regional equity exposure a balanced approach. These trades were prompted by our concerns over the impact of Trump's aggressive trade policy, and the risk it would tip the US into a recession later this year. The portfolio still has significant exposure to the US, which has been a major contributor to returns in recent years. While the initial market shock of the start of the quarter subsided, this does not necessarily mark the end of market volatility. With many trade negotiations still ongoing, and the end of tariff pauses expected soon, we believe equity market diversification is key.

Despite the early drawdowns and volatility, equity market returns were positive across all regions. No single area stood out and all regions contributed to returns, reinforcing the value of our diversified approach.

Alternatives & Cash Equivalents

While there were few places to hide from the fallout of Liberation Day among other asset classes, our selections in the diversified alternatives sector were largely unscathed, which helped to dampen portfolios from the worst of the declines. Such low-volatility, un-correlated returns demonstrate their value in times of market stress, grinding out robust positive returns against a backdrop of market fear and investor nervousness. Money market funds also posted a positive return, as well as a meaningful yield, given interest rates may stay higher for longer than investors were expecting.

Important Information

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The Blackfinch MPS Portfolio range may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making a decision.