Governed Portfolios **Investment update**

Quarter 3 2026

ROYAL LONDON
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Market update

YEAR	2023	2024	2025	YTD
1	Global Stocks 16.0%	Global Stocks 20.2%	EM Stocks 25.1%	Commodities 34.5%
2	Global HY 11.9 %	Multi Asset 10.0%	UK Stocks 24.0%	EM Stocks 25.3%
3	Corp Bonds 8.6%	EM Stocks 10.0%	Global Stocks 14.3%	Global Stocks 14.9%
4	UK Stocks 7.9%	UK Stocks 9.5%	Multi Asset 10.2%	UK Stocks 9.8%
5	Multi Asset 7.6%	Global HY 8.9%	Global HY 8.4%	Multi Asset 9.3%
6	Cash 4.7%	Commodities 7.3%	Commodities 7.8%	Cash 2.8%
7	EM Stocks 4.1%	Cash 5.2%	Corp Bonds 6.9%	Property 1.9%
8	Gilts 3.7%	Corp Bonds 1.7%	Gilts 5.0%	Global HY 0.6%
9	IL Gilts 0.9%	Property 1.6%	Cash 4.3%	Corp Bonds -0.8%
10	Property -0.7%	Gilts -3.3%	Property 1.6%	IL Gilts -1.0%
11	Commodities -13.1%	IL Gilts -8.3%	IL Gilts 1.3%	Gilts -2.4%

Source: Lipper, Royal London, as at 30 September 2026. Other than YTD, columns are full years.

Past performance is not a guide to future performance. Prices can go down as well as up. Investment returns may fluctuate and are not guaranteed so you could get back less than the amount paid in.

Multi Asset return = Governed Portfolio Growth. Governed Portfolio returns are net of 1% annual management charge.

All indices are total return in £ sterling, except commodities, which is in US dollars. Global stocks are excluding the UK.

Following strong performance in August, global equities paused in September and ended the month slightly lower. Renewed geopolitical concerns and a continued rise in bond yields offset the positive tailwind from strong corporate earnings. The Governed Portfolios continued to maintain a positive tactical position on equities amid continued corporate earnings strength and resilient economic data. Looking ahead, central bank rate hikes are likely to act as a headwind to the global economy. However, monetary policy acts with 'long and variable lags', meaning markets can remain resilient until the impact of tighter policy feeds through to the economy.

Commodity markets were mixed. Oil prices continued to rise, with Brent gaining a further 14% and finishing the month above $100 a barrel again, as official data showed vessel traffic through the Strait of Hormuz remained disrupted. Precious metals fell as bond yields continued to rise, with gold ending the month near $4,150 after falling around 6%.

The Governed Portfolios maintained a positive tactical position in broad commodities and a negative position in government bonds, driven by elevated geopolitical risks. The close relationship between oil prices and bond yields has made these positions complementary.

Government bonds recorded another difficult month as higher energy prices, resilient economic data and a more hawkish tone from central banks pushed yields higher. The Federal Reserve, ECB and Bank of Japan all raised interest rates in September, with the Fed delivering its first hike since 2023. The US 10-year yield rose for a seventh consecutive month, reaching 5.28% by month-end.

Markets with stronger earnings growth continued to perform relatively well. Japanese equities led the way, while US and emerging market stocks also outperformed. European and Asia Pacific shares continued to be held back by elevated energy prices, while the UK also lagged.

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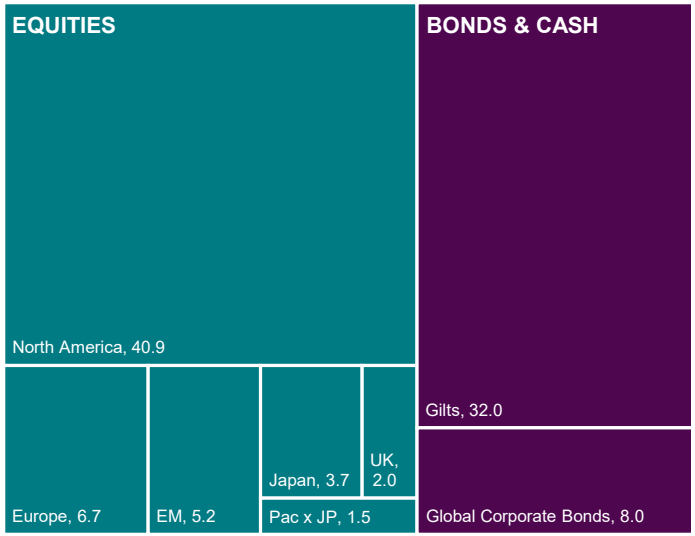
Sector performance was also supported by relative earnings trends. Technology and communications made strong gains as Magnificent 7 shares continued to recover. Communications was further supported by the release of Meta's AI agent, Muse, which was well received by markets. Meanwhile, the energy sector performed well as oil prices remained elevated, while European carmakers continued to struggle with competition from Chinese electric vehicle manufacturers. Sector-specific volatility remained elevated over the period, and active positioning across sectors was kept relatively subdued.

Summary

- Global equities ended September slightly lower as geopolitical concerns and rising bond yields offset strong corporate earnings and resilient economic data.
- Oil prices continued to rise as disruption through the Strait of Hormuz persisted. Brent gained a further 14% and ended the month above $100 a barrel, while gold fell around 6% to finish near $4,150.
- Government bonds weakened as higher energy prices and a more hawkish tone from central banks pushed yields higher. The Federal Reserve, ECB and Bank of Japan all raised rates, while the US 10-year yield reached 5.28%.
- Japanese equities led global markets, with US and emerging market shares also outperforming. European, Asia Pacific and UK equities lagged.
- Technology, communications and energy stocks performed strongly, while European carmakers struggled with competition from Chinese electric vehicle manufacturers.
- The portfolios maintained positive tactical positions in equities and broad commodities, and a negative position in government bonds, while keeping active sector positioning relatively subdued.

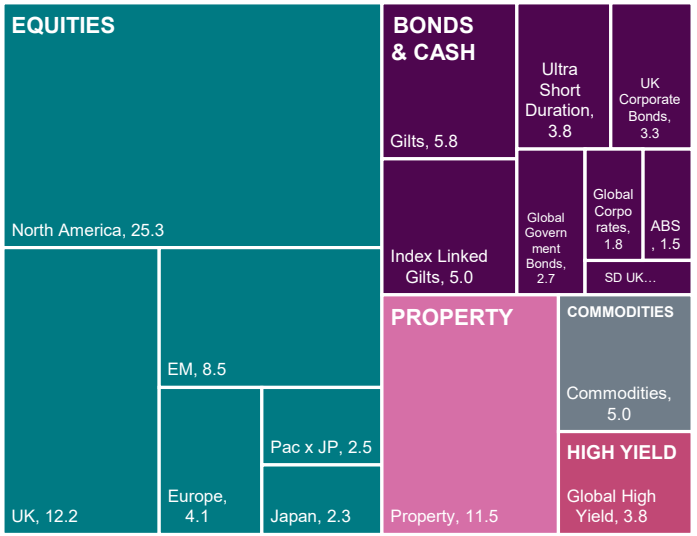
Strategic asset allocation changes

60/40 equity/bond balanced fund mix



A greater allocation to interest-rate sensitive assets including US tech stocks. Bonds are using weights of UKL0 Index (Bloomberg Sterling Aggregate Long Index).

GP Growth



A greater allocation to real UK assets and inflation hedges.

Source: Royal London Asset Management, as at 31 May 2026. The views expressed are the author's own and don't constitute investment advice. Diversification doesn't ensure a profit, or protect against loss, in declining markets.

16 tactical asset allocation changes in 2026 year to date

Government bond yields continue to rise across the major developed markets with higher energy prices due to ongoing geopolitical risks an important driver. Elsewhere, resilient economic data and a more hawkish tone from central banks have continued to add further upward pressure. Against this backdrop, we're maintaining our underweight position in bonds and overweight position in commodities. Despite these pressures, global equities have once again eclipsed all-time highs, with the S&P 500 marking its first record close since August. We're adding marginally to this asset class, noting strong corporate earnings.

Latest tactical positions as at 8 October 2026

Asset class	Overweight	Neutral	Underweight
Equities	^		
Property			–
Commodities	–		
High-yield bonds	v		
Government bonds			–
Index-linked bonds		–	
Corporate bonds		–	
Asset-backed securities		–	
Absolute return strategies (including cash)			v

Governed Portfolios' performance against ARC MPS

Governed Portfolios v ARC MPS

Here we show the performance of each Governed Portfolio against the most relevant ARC MPS Index. These indices represent MPS peer groups against which we can measure the performance of the Governed Portfolios.

Portfolio Name	Percentage change			
	6 months	1 year	3 years	5 years
Governed Portfolio Defensive	**3.22**	**6.36**	**19.71**	**15.28**
ARC MPS 0-20% Index	3.04	4.40	20.30	11.54
Difference	0.18	1.96	-0.59	3.74
Governed Portfolio Conservative	**5.31**	**8.78**	**26.52**	**24.93**
ARC MPS 20-40% Index	5.03	6.76	25.90	17.46
Difference	0.28	2.02	0.62	7.47
Governed Portfolio Moderate	**7.41**	**11.18**	**31.72**	**27.56**
ARC MPS 40-60% Index	8.23	10.19	33.58	25.95
Difference	-0.82	0.99	-1.86	1.61
Governed Portfolio Growth	**9.17**	**13.23**	**37.59**	**36.82**
ARC MPS 40-60% Index	8.23	10.19	33.58	25.95
Difference	0.94	3.04	4.01	10.87
Governed Portfolio Enhanced	**11.10**	**15.25**	**43.81**	**46.70**
ARC MPS 60-80% Index	11.42	13.25	40.53	34.70
Difference	-0.32	2.00	3.28	12.00
Governed Portfolio Dynamic	**13.78**	**18.17**	**50.22**	**55.53**
ARC MPS 80-100% Index	14.46	16.08	47.82	42.88
Difference	-0.68	2.09	2.40	12.65
Governed Portfolio Total Equity	**16.47**	**19.03**	**58.11**	**63.76**
ARC MPS 80-100% Index	14.46	16.08	47.82	42.88
Difference	2.01	2.95	10.29	20.88

- The Governed Portfolio range continues to compare favourably against ARC MPS benchmarks. All portfolios outperform their respective ARC comparator over one year and five years, while six-month performance remains competitive across the range. Longer-term outcomes are particularly strong within the higher-risk portfolios, with Governed Portfolio Growth, Governed Portfolio Enhanced, Governed Portfolio Dynamic and Governed Portfolio Total Equity outperforming their ARC benchmarks by between +10.9% and +20.9% over five years.
- Governed Portfolio Defensive and Governed Portfolio Moderate trail their ARC comparators over three years by 0.6% and 1.9% respectively, while Governed Portfolio Enhanced and Governed Portfolio Dynamic are modestly behind over six months. However, these differences are relatively small in the context of diversified multi asset portfolios and are more than offset by stronger one-year and five-year relative performance.
- Market leadership over the period has been driven by commodities, emerging market equities and global equities, while fixed income assets have generally lagged. This environment has been supportive of the higher-risk Governed Portfolios, with the range's diversified asset allocation continuing to deliver resilient medium- and long-term outcomes relative to ARC MPS benchmarks.

Source: Lipper, bid to bid, as at 30 September 2026, Royal London, as at 30 September 2026. All Governed Portfolio performance figures have been calculated net of a 1% fund management charge. All performance figures reflect the fund version of the Governed Portfolios. RLP Global Managed Fund performance has been used as a proxy for the Governed Portfolio Total Equity. Past performance isn't a guide to future performance. The value of all investments can go down as well as up, and your clients may get back less than they paid in.

Additional material

Governed Range factsheets

Royal London Asset Management fund commentaries and quarterly reports

Investment Clock updates

Latest investment performance

Outlook 2026 | Institutional | RLAM

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royallondon.com

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