SARASIN & PARTNERS

Sarasin Model Portfolios

Quarterly commentary Q3 2026

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Ben Gilbert
Fund Manager



Edward Lloyd
Co-Fund Manager

Quarter highlights

- Global markets remained resilient, supported by strong earnings, robust economic activity and continued investment in AI infrastructure.
- The Legal & General Japan Fund contributed as Japanese equities were supported by strong earnings and yen appreciation.
- The L&G Global Infrastructure Fund detracted as rising bond yields weighed on the sector.
- We initiated a position in the Royal London Absolute Return Government Bond Fund, financed by a reduction in the Troy Trojan Fund. We also added to the Fidelity Index US Fund and reduced the Vanguard FTSE UK All Share Index Fund.
- We continue to focus on companies with strong fundamentals and improving earnings prospects to help limit downside during periods of economic uncertainty.

The value of investments and any income derived from them can fall as well as rise and investors may not get back the amount originally invested.

Economic review

Global markets remained resilient over the quarter, supported by robust economic activity, healthy labour markets and continued investment in artificial intelligence (AI) infrastructure. Corporate earnings were generally strong, particularly within technology-related sectors. Firm consumer demand helped sustain activity across major economies, despite heightened geopolitical tensions in the Middle East and energy-price volatility.

The monetary policy environment tightened. With inflation remaining above target across most developed economies, the US Federal Reserve raised interest rates for the first time since 2023, and the European Central Bank delivered a further increase following its June hike. Investors increasingly priced in additional rate rises, and US Treasury yields climbed to their highest levels in nearly two decades as markets reassessed the outlook for inflation and fiscal pressures.

In focus

DBS Group

DBS Group, Singapore's largest bank by assets, contributed positively to performance during the quarter. The company delivered strong results, with second-quarter net profit rising 9% year-on-year to a record S$3.08bn (£1.82bn), while wealth assets under management exceeded S$500bn. This supported the shares' strong performance, while rising expectations for higher interest rates in September provided an additional tailwind for banking-sector stocks.

We favour DBS for its leading Asian banking franchise, growing wealth management platform and disciplined capital allocation. Its wealth business provides exposure to the long-term growth of Asian private wealth, while diversified fee income reduces reliance on lending margins.

Fund review

The Legal & General Japan Fund contributed positively to performance over the quarter, with Japanese equities leading regional markets, supported by robust corporate earnings and yen appreciation. The Fidelity Index Pacific ex-Japan Fund was also a notable contributor, benefiting from exposure to Singapore and Hong Kong, where financial stocks, including DBS, performed strongly.

The L&G Global Infrastructure Fund faced a more challenging quarter as rising bond yields weighed on infrastructure stocks. The sector's interest rate sensitivity pressured valuations, offsetting its defensive characteristics. The Vanguard Global Small Cap Index Fund also detracted from performance as small caps experienced a tougher quarter, giving back some of their strong earlier gains, while higher interest-rate costs remained a headwind given their greater exposure to floating-rate debt.

Fund transactions

We initiated a position in the Royal London Absolute Return Government Bond Fund, attracted by the strength of the investment team and its track record of delivering cash-plus returns. The strategy offers diversification benefits through returns that are uncorrelated with both bond and equity markets.

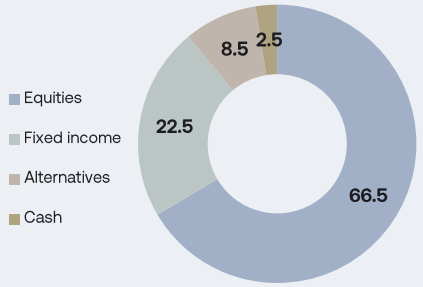
We added to the Fidelity Index US Fund given strong earnings growth. A resilient US economy and the market's insulation from higher energy prices supported the investment case.

We reduced the Vanguard FTSE UK All Share Index Fund given the weaker UK growth outlook and the market's sensitivity to higher energy costs.

We trimmed the Troy Trojan Fund to fund a new position in the Royal London Absolute Return Government Bond Fund, broadening the portfolio's sources of return and diversification.

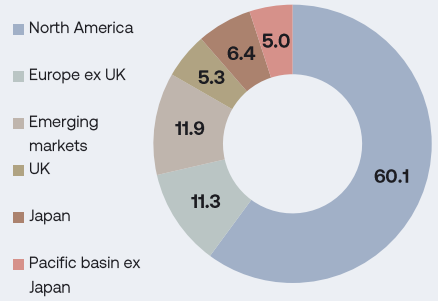
Model Portfolio example

Asset allocation (%)



Asset allocation of Sarasin Balanced Model Portfolio as at 30 September 2026.
Source: Sarasin & Partners

Geographic allocation (%)



Geographic allocation of Sarasin Balanced Model portfolio as at 30 September 2026.
Source: Sarasin & Partners

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Outlook

We believe the global backdrop remains broadly constructive, supported by expected earnings growth. Spending on AI, energy security, defence and climate resilience is likely to underpin activity across many sectors. However, higher interest rates and bond yields, alongside geopolitical developments, are likely to contribute to periods of market volatility, though the longer-term drivers of corporate investment remain intact.

We continue to focus on companies with strong fundamentals and improving earnings prospects, which we believe can help limit downside risk during periods of economic uncertainty. We remain selective in areas where valuations look particularly stretched. Key risks we are monitoring include further monetary tightening and the possibility that returns from AI investment fall short of what markets are pricing in.

About our Model Portfolio service

The Sarasin Model Portfolios are five risk-rated multi-asset model portfolios designed to support long-term real return objectives. Financial advisers who would like to find out more about how the Sarasin Model Portfolios could help your clients, please contact us directly on:

+44 (0)20 7038 7037 | sales@sarasin.co.uk

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Key risks

It is important that investors are aware of the various risks prior to making an investment decision. The primary risks of the models have been outlined below:

Capital: The value of your investments can go down as well as up, and you may not get back the full amount you invested.

Market: Investment returns are subject to market conditions. Volatility in financial markets may negatively affect portfolio values.

Concentration: Portfolios that are not well diversified or are concentrated in specific asset classes, sectors or geographies may carry higher risk.

Liquidity: Some investments may be difficult to sell quickly at a fair price, particularly during periods of market stress.

Currency: If your portfolio includes overseas investments, fluctuations in exchange rates may affect the value of your investments.

Credit: Fixed income and other debt instruments carry the risk that issuers may default on their obligations, which could impact the portfolio's value.

Inflation: Inflation may reduce the real value of investment returns over time.

The risk factors outlined above represent key considerations relevant to the model portfolios. This list is not intended to be exhaustive, and advisers should be mindful of additional risk factors that may be relevant depending on client-specific circumstances and prevailing market conditions.

Sarasin & Partners LLP
50 George Street
London, W1U 7DY
T +44 (0)20 7038 7000
sarasinandpartners.com

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Capital at risk. The investments of the Model Portfolios are subject to normal market fluctuations. The value of the investments of the Model Portfolios and any income derived from them can fall as well as rise and investors may not get back the amount they originally invested. If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

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