Aberdeen MPS

Quarterly commentary

Q1 2026

Investors should remember that the value of investments and the income from them can go down as well as up and that past performance is not a guarantee of future returns.

This report is only for use by a financial adviser or a client who has received advise on investing in this managed portfolio service. It is not for use by non-advised investors or any other third party. For full important information and key risks, please refer to the end of this document.

Objective

The Aberdeen MPS aims to achieve a total return from both income and capital growth through a diversified portfolio of collective investment funds over the long term. It is intended for investors with a very low through to a medium high attitude to risk. The portfolio invests in a wide variety of assets, typically in equities, fixed interest, alternatives and money markets. This blend of assets should help to dampen down volatility over the long term.

Discrete annual returns - year to 31/03

	2022	2023	2024	2025	2026
Aberdeen MPS 1	1.55%	-5.05%	6.24%	3.31%	7.36%
ARC MPS 0 - 20% Index	0.63%	-4.48%	5.78%	3.47%	5.43%
Aberdeen MPS 2	4.62%	-3.26%	8.42%	3.71%	10.06%
ARC MPS 20 - 40% Index	2.13%	-4.64%	6.72%	3.54%	7.68%
Aberdeen MPS 3	6.48%	-2.45%	9.59%	3.82%	11.57%
ARC MPS 40 - 60% Index	3.63%	-4.17%	8.69%	3.06%	10.32%
Aberdeen MPS 4	7.89%	-1.34%	11.20%	4.32%	13.83%
ARC MPS 60 - 80% Index	5.10%	-3.44%	10.85%	2.42%	12.67%
Aberdeen MPS 5	10.17%	-1.14%	13.33%	4.59%	16.26%
ARC MPS 80 - 100% Index	5.94%	-2.98%	13.08%	1.84%	15.30%

Portfolio performance is based on Aberdeen MPS hosted on the Aberdeen Wrap platform. Performance figures are net of the Aberdeen Portfolio Solutions Ltd management fee and underlying funds OCF. Source: Aberdeen, Financial Express. As at 31.03.2026. ARC Private Client Indices are based on actual client portfolio returns provided by various investment management companies. These portfolio returns are allocated to one of four categories based on the volatility of their returns relative to world equities, and an average return is calculated for each category. Grouping portfolios by their volatility differs from the traditional approach, which compares portfolios which have similar asset allocations. Instead, investment managers may use whatever asset allocation they consider appropriate to achieve the desired levels of return and volatility.

Key points

- Global equities were volatile over the quarter, rising in January and showing more mixed performance in February, before a sharp decline in March driven by escalating geopolitical tensions in the Middle East left markets lower overall. Early support from resilient economic data, solid earnings and expectations of policy easing gave way to renewed macroeconomic uncertainty.
- Sentiment was periodically constrained by US trade tensions, geopolitical risks and bouts of technology sector weakness, contributing to intermittent market volatility.
- Risk appetite deteriorated sharply in March as the US-Israeli conflict with Iran intensified, triggering a broad sell-off in equities as higher energy prices complicated the disinflation narrative and prompted investors to scale back expectations for near-term rate cuts across the US, UK and Eurozone.
- After falling early in the year, yields on 10-year government bonds in most major economies rose amid concerns about the inflationary effects of the Iran war and, to a lesser extent, increased bond issuance linked to widening fiscal deficits. In particular, US 10-year Treasury yields moved higher as investors scaled back expectations for rate cuts from the US Federal Reserve in response to persistent inflation pressures and resilient economic data.

- Corporate bonds weakened as investor risk aversion increased. Credit spreads widened on investment grade bonds and, in particular, high yield bonds. Energy-driven inflation concerns reinforced higher-for-longer rate expectations for investment grade, while weaker risk appetite and heightened default and refinancing concerns weighed more heavily on high yield.

Market commentary

Global equity markets were volatile, rising in January and February before selling off in March to end the quarter lower. Early gains were supported by resilient economic data, solid earnings and expectations of central bank easing, despite intermittent trade tensions, geopolitical risks and technology sector weakness. However, sentiment deteriorated sharply in March as the US-Israeli conflict against Iran intensified, with the threat of disruption to global oil and gas supplies pushing energy prices higher. This led investors to scale back expectations for near-term rate cuts across the US, UK and Eurozone, with central banks expected to keep rates higher for longer.

UK equities ended higher over the period, supported by strength in energy and defence-related stocks. Gross domestic product (GDP) edged up by a lower-than-expected 0.1% sequentially in the fourth quarter, unchanged from the previous three months. Annual consumer price inflation (CPI) remained at 3.0% in February, with the core rate edging down to 3.1% from 3.2% in January, both in line with expectations. The Bank of England kept interest rates at 3.75% during the quarter but turned more cautious at its March meeting as the Iran war lifted energy prices and clouded the inflation outlook.

US equities ended the period lower in dollar terms and, to a lesser extent, sterling terms. Based on the second estimate, the US economy grew by an annualised 0.7% in the fourth quarter, below expectations. According to the US Federal Reserve's preferred measure, the core Personal Consumption Expenditures Price Index, annual inflation edged up from 3.0% in December to 3.1% in January, as expected but still above target. The Fed left the target range for the federal funds rate at 3.50%-3.75% during the quarter. Investors expect rates to remain on hold during 2026 because of the inflationary implications of the Iran war.

Europe ex-UK equities fell in both euro and sterling terms. Eurozone GDP increased by 0.2% sequentially in the fourth quarter, as expected, down from 0.3% in the previous three months. According to flash estimates, annual CPI rose from 1.9% in February to 2.5% in March, while the core rate edged down from 2.4% to 2.3%, both below expectations. The European Central Bank kept rates unchanged at 2.00% throughout the quarter but at its March meeting highlighted higher energy prices due to the war in the Middle East as an ongoing inflation risk.

Japanese equities rose in yen terms and, to a greater extent, sterling terms. Prime Minister Sanae Takaichi won a landslide victory in the 8 February snap election, strengthening her mandate amid investor concerns that increased public spending could weigh on Japan's fiscal outlook. GDP edged up by a lower-than-expected 0.3% sequentially in the fourth quarter. Annual core CPI eased from 2.0% in January to a lower-than-expected 1.6% in February, below the Bank of Japan's target. It kept its short-term rate at 0.75% during the quarter, signalling a gradual approach to further normalisation.

Asia Pacific ex-Japan equities rose in both local currency and sterling terms. Chinese equities declined notably as concerns about the economy persisted, the ongoing property sector downturn in particular. China's GDP grew 4.5% year-on-year in the fourth quarter of 2025, slightly higher than expected, bringing full-year growth to 5.0%, in line with Beijing's 'around 5%' target. Meanwhile, Indian equities declined sharply amid concerns about higher energy prices. The country's annual GDP grew by a stronger-than-expected 7.8% in the fourth quarter, down from 8.4% in the previous three months. The Reserve Bank of India left its benchmark rate unchanged at 5.25% during the quarter.

Global government bonds fell in sterling-hedged terms. Against an uncertain economic backdrop, major central banks maintained a cautious, data-dependent stance. After declining early in the year, 10-year government bond yields in the US, UK, Germany and Japan rose sharply later in the period as the Iran conflict pushed energy prices higher and stoked inflation concerns, prompting a repricing of rate expectations. Fiscal concerns and accompanying elevated issuance also contributed to the rise in yields.

Corporate bonds weakened as investor risk aversion increased. Credit spreads widened on investment grade bonds and, particularly, high yield bonds. Energy-driven inflation worries reinforced higher-for-longer rate expectations for investment grade, while weaker risk appetite and heightened default and refinancing concerns weighed more heavily on high yield. Across both segments, company fundamentals remained broadly solid, with generally healthy balance sheets, modest leverage and resilient earnings. However, a pick-up in longer-dated investment grade issuance linked to artificial intelligence and expectations of heavier supply more broadly mean technical conditions are becoming less supportive than in 2025, even if overall issuance is not yet overwhelming.

Portfolio commentary

The first quarter of 2026 started relatively strongly, with most asset classes performing well. Equities continued to 'climb the wall of worry', rising despite a challenging geopolitical environment. Meanwhile, the high inflationary environment that has persisted since the Covid pandemic appeared to be easing, allowing expectations of interest rate cuts to support fixed interest markets.

However, the US and Israeli military strikes on Iran at the end of February and the subsequent escalation into war proved too great a shock for markets to absorb. Brent crude spiked from roughly $60 at the start of the year to $104 by the quarter-end, an increase of more than 70%. Businesses are now factoring higher costs into their operations, while central banks – having only months earlier been preparing for a rate-cutting cycle – are signalling a potential return to tightening.

Equity market performance was highly volatile, with net oil-importing regions typically being hit the hardest. Europe ex UK, Asia ex-Japan and Japan all came under pressure as disruptions to oil and gas supply weighed on expectations for economic activity. The US equity market, which had not performed particularly strongly at the start of the year, held up relatively better in March. This resilience reflects both the broader risk-off environment and the fact that the US is a net exporter of hydrocarbons, providing it with a partial buffer that other regions lack.

Fixed income, particularly government bonds, performed poorly in March, resulting in negative returns across most categories for the quarter. UK gilts were hit especially hard as investors grew increasingly concerned that government support for elevated energy costs would require additional issuance. These supply concerns were compounded by uncertainty around the potential outcomes of the May local elections, which could shift Labour Party leadership towards figures perceived as more left-leaning. UK investment grade bonds fared slightly better due to their lower interest rate sensitivity, although spreads widened modestly over the quarter. Global investment grade corporate bonds lagged global government bonds, while global high yield debt also underperformed as wider spreads created significant headwinds. Emerging market debt, both hard and local currency, struggled amid the risk-off environment, with widening spreads and a stronger US dollar weighing on returns.

In periods of heightened uncertainty, currencies such as the US dollar tend to act as safe havens, and this again proved to be the case for sterling investors. US dollar strength helped to cushion the negative performance from US, Asian ex-Japan and emerging markets equities. There was also a notable divergence among currencies in regions that have already begun tightening cycles, with the Australian and New Zealand dollars showing particular strength.

Alternative assets held up well during the quarter, with global infrastructure being a key diversifier. Exposure to the US supported performance, while the inflation-linked nature of most underlying cash flows provided an additional boost. In an environment dominated by volatility and geopolitical uncertainty, these features made infrastructure one of the few assets delivering consistency.

Tactical asset allocation was negative for mandates during the first quarter.

MPS 1-2

MPS 1-2 mandates went into the quarter with an overweight to short-dated global government bonds and short-dated UK gilts, funded by being underweight global inflation-linked bonds and absolute return strategies. The overweight positions underperformed over the period, while the underweights outperformed.

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The first quarter proved to be a volatile period for most asset classes, and it was no less challenging for the active fund management industry.

Within UK equities, we continued to see strong performance from the JPM UK Equity Core Fund, but this was more than offset by the negative contribution from the Man Undervalued Assets and the Liontrust UK Growth Funds. It was also a very difficult environment for mid- and small-caps, with the Fidelity UK Smaller Companies and RGI UK Listed Smaller Companies Funds lagging larger-cap peers.

It was a similar story in European ex-UK equities. The value-oriented M&G European ex-UK Fund performed strongly, but its contribution was negated by the weaker performance of Fidelity European and BlackRock European Dynamic, alongside the European small-cap allocation.

Within US equities, the Vanguard US Equity Index Fund produced positive relative returns, while the T Rowe Price US Structured Research Equity Fund marginally lagged the benchmark. Pleasingly, US equities contributed positively overall.

The Artemis SmartGARP Global Emerging Markets Equity Fund and, to a lesser extent, the Redwheel Global Emerging Markets Fund were also notable contributors to relative returns.

Our actively managed fixed income strategies had mixed results. In global investment grade (IG), stronger relative returns from Capital Group were offset by weaker returns from Aberdeen. In UK IG, the Fidelity and Aberdeen Funds marginally outperformed, while Royal London performed strongly in the short-duration space. Global high yield was an area of weakness, with all managers lagging the broader benchmark over the quarter. In emerging market debt, the Barings Emerging Markets Sovereign Debt and Invesco Emerging Markets Local Debt Funds lagged their benchmarks.

Alternative assets proved to be an area of strength. Among absolute return strategies, the TM Fulcrum Income Fund performed strongly, more than offsetting slightly weaker returns from the BlackRock Absolute Return Bond Fund.

In global infrastructure, Cohen & Steers Global Listed Infrastructure was the strongest performer, offsetting slightly weaker returns from the Aberdeen Global Infrastructure Equity Tracker Fund.

Overall, Fund selection detracted marginally from returns during the quarter.

MPS 3

MPS 3 mandates went into the quarter with an overweight to short-dated global government bonds and short-dated UK gilts, funded by being underweight global inflation-linked bonds and absolute return strategies. The overweight positions underperformed over the period, while the underweights outperformed.

The first quarter proved to be a volatile period for most asset classes, and it was no less challenging for the active fund management industry.

Within UK equities, we continued to see strong performance from the JPM UK Equity Core Fund, but this was more than offset by the negative contribution from the Man Undervalued Assets and the Liontrust UK Growth Funds. It was also a very difficult environment for mid- and small-caps, with the Fidelity UK Smaller Companies and RGI UK Listed Smaller Companies Funds lagging larger-cap peers.

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Within US equities, the Vanguard US Equity Index Fund produced positive relative returns, while the T Rowe Price US Structured Research Equity Fund marginally lagged the benchmark. Pleasingly, US equities contributed positively overall.

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Global high yield was an area of weakness, with all managers lagging the broader benchmark over the quarter. In emerging market debt, the Barings Emerging Markets Sovereign Debt and Invesco Emerging Markets Local Debt Funds lagged their benchmarks.
Among absolute return strategies, the TM Fulcrum Income Fund performed strongly, more than offsetting slightly weaker returns from the BlackRock Absolute Return Bond Fund. The Nordea Diversified Return Fund struggled. In global infrastructure, Cohen & Steers Global Listed Infrastructure was the strongest performer, offsetting slightly weaker returns from the Aberdeen Global Infrastructure Equity Tracker Fund.
Overall, Fund selection detracted from returns during the quarter.

MPS 4

MPS 4 mandates went into the quarter with an overweight to short-dated global government bonds and short-dated UK gilts, funded by being underweight absolute return strategies. The overweight positions underperformed over the period, while the underweight outperformed.
The first quarter proved to be a volatile period for most asset classes, and it was no less challenging for the active fund management industry.
Within UK equities, we continued to see strong performance from the JPM UK Equity Core Fund, but this was more than offset by the negative contribution from the Man Undervalued Assets and the Liontrust UK Growth Funds. It was also a very difficult environment for mid- and small-caps, with the Fidelity UK Smaller Companies and RGI UK Listed Smaller Companies Funds lagging larger-cap peers.
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Within US equities, the Vanguard US Equity Index Fund produced positive relative returns, while the T Rowe Price US Structured Research Equity Fund marginally lagged the benchmark. Pleasingly, US equities contributed positively overall.
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Among absolute return strategies, the TM Fulcrum Diversified Core Absolute Return Fund performed strongly, more than offsetting slightly weaker returns from the BlackRock Absolute Return Bond Fund.
The Nordea Diversified Return Fund struggled. In global infrastructure, Cohen & Steers Global Listed Infrastructure was the strongest performer, offsetting slightly weaker returns from the Aberdeen Global Infrastructure Equity Tracker Fund.
Overall, Fund selection detracted from returns during the quarter.

MPS 5

The first quarter proved to be a volatile period for most asset classes, and it was no less challenging for the active fund management industry.
Within UK equities, we continued to see strong performance from the JPM UK Equity Core Fund, but this was more than offset by the negative contribution from the Man Undervalued Assets and the Liontrust UK Growth Funds. It was also a very difficult environment for mid- and small-caps, with the Fidelity UK Smaller Companies and RGI UK Listed Smaller Companies Funds lagging larger-cap peers.
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In global infrastructure, Cohen & Steers Global Listed Infrastructure was the strongest performer, offsetting slightly weaker returns from the Aberdeen Global Infrastructure Equity Tracker Fund.

Overall, Fund selection detracted from returns during the quarter.

Outlook

The outlook as we enter the second quarter is dominated by the events in the Middle East. The conflict has already persisted longer than initially anticipated, with ongoing disruption to oil and gas flows through the Strait of Hormuz. Any cessation would likely be welcomed by markets, but for now our central expectation is that the conflict continues, keeping oil prices elevated into the latter part of the year. Under this scenario, higher energy prices would place upward pressure on global inflation, prompting central banks to pause their rate-cutting cycles and, in some cases, potentially resume tightening, including in the Eurozone. Overall, elevated oil prices and tighter monetary conditions, combined with heightened uncertainty weighing on corporate investing and hiring, are likely to dampen global growth, although not to the extent of triggering a global recession.

Markets have clearly been moving on a mix of hopes and rumours around a potential end to the conflict, as much as on underlying economic fundamentals. The market's relatively glass-half-full interpretation suggests that, when a sustained de-escalation does occur, the initial reaction is likely to be driven by relief, rather than a reassessment of longer-term damage. With ultimate decision-making concentrated in the hands of President Trump, it is difficult to claim any clear edge in predicting near-term outcomes, and a short-term upside move in risk assets cannot be ruled out.

Conversely, downside tail risks of a more significant escalation or a further entrenchment of the conflict remain. If markets conclude that the US lacks the diplomatic or military leverage to rapidly reopen the Strait without deploying ground forces, and/or Iran intensifies strikes on regional energy infrastructure, oil prices could plausibly move towards $200. Such a scenario would drive a sharper inflation spike and a more pronounced economic slowdown, likely prompting central banks to resume rate hikes. Given the already fragile state of the cycle and the higher starting level of interest rates, this type of shock could be sufficient to tip the global economy into recession.

As ever, portfolios remain well diversified and deliberately constructed to deliver strong long-term outcomes. In the current uncertain environment, we are monitoring developments closely and stand ready to adjust positioning as opportunities arise.

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Risks
All investments involve risk. The risks of some of the funds may be comparatively high. The risk descriptions at the end of this document correspond to the main risk factors for each fund within the model. "General Risks" mostly apply to all funds within the model. A fund could potentially be affected by risks beyond those listed described in this document, nor are these risk descriptions themselves intended as exhaustive. For full information and key risks, please refer to the end of this document.

Credit risk: The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.

Interest rate risk: The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

Equity risk: The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

Emerging Markets risk: The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

Derivatives risk: The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.

High Yield Credit risk: The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

For more information visit aberdeenadviser.com

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