HYMANS ROBERTSON

INVESTMENT SERVICES

Market Digest

APRIL 2026

This commentary provides a review of global markets in April 2026, takes a closer look at the outlook and current topical themes, plus a market commentary covering the 12 months to 31 March 2026

> Apr 2026 highlights

Equity markets generated strong returns in April, although the UK market lagged

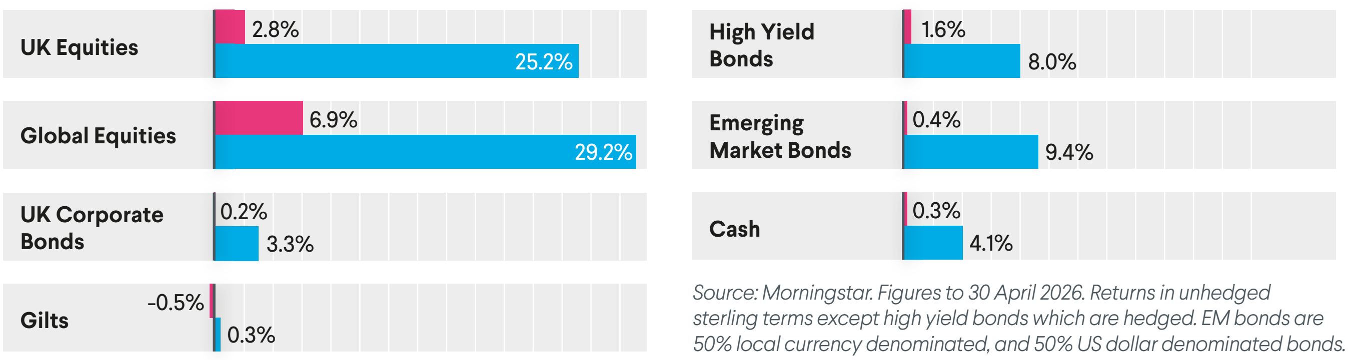
Bond markets were mixed as central bankers signalled the possibility of interest rate rises

Higher risk portfolios outperformed lower risk portfolios over the month

- Our model portfolios typically invest in a combination of asset classes, as shown in the chart below.
- Despite the continuing deadlock in the Middle East, equity markets looked beyond the conflict in April.
- Renewed optimism supported a strong equity rally, particularly in areas of the market linked to the Artificial Intelligence (AI) sector.
- Overall, global equities rose 6.9%, with some regions - most notably Asia-Pacific and Emerging Markets - delivering significantly stronger returns. The UK market was the laggard this month, reflecting its relatively low exposure to the Technology sector.
- Central bankers, including the Bank of England, took a 'wait-and-see' approach to interest rates. While no hikes were announced in April, policymakers suggested they may be required if the energy shock is sustained.
- Bond markets were more mixed. Expectations of higher interest rates, driven by the likely inflationary impact of the energy shock, weighed on bond prices.
- High-yield bonds benefitted from the risk-on environment and their lower sensitivity to interest rate movements.
- With equities outperforming bonds and cash, higher risk portfolios delivered stronger returns than lower risk portfolios over the period.

Our model portfolios typically invest in a combination of the asset classes shown in this chart

This chart shows percentage asset class returns for April 2026 *April 2026* *12 months*



Source: Morningstar. Figures to 30 April 2026. Returns in unhedged sterling terms except high yield bonds which are hedged. EM bonds are 50% local currency denominated, and 50% US dollar denominated bonds.

Outlook and topical market themes

Markets have rebounded strongly as investors look beyond near-term geopolitical risks

Rising yields reflect ongoing inflation concerns and the potential for higher interest rates

Market moves over the month highlight the importance of staying focused on long-term fundamentals

Equity investors are starting to look beyond the conflict

The ceasefire announced in early April was enough for equity markets to bottom out and begin a strong rally through the rest of the month. This comes despite the Strait of Hormuz remaining unnavigable, meaning energy markets continue to face a significant supply shock. This is a powerful reminder that markets don't focus on the present but instead look ahead and price assets based on expectations of future risks. The strong recovery in equity markets suggests investors believe the worst-case scenario - severe disruption to global energy infrastructure - has fallen away. This episode is also an important reminder around how quickly the world view of investors can change, reinforcing the value of taking a long-term approach to portfolio management.

Strong corporate earnings in the US have supported sentiment and helped drive recent gains. By early May, around two-thirds of US companies had reported Q1 results, with 84% beating analysts' expectations - the highest proportion since Q2 2021. Continued investment in AI remains a key driver, helping to explain the strong performance of semiconductor stocks since the start of April.

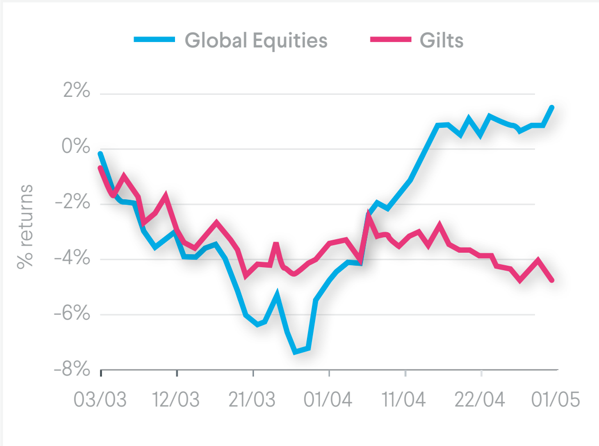
Bond markets are seeing things differently

As is often the case, the bond market is less optimistic than the equity market. The gilt market in particular has been under pressure from rising yields, as higher bond yields lead to lower prices, reflecting inflation concerns linked to the energy shock.

While the impact of higher fuel prices is already being felt, higher household energy bills are not expected to feed through until July. More timely indicators, such as Purchasing Managers' Index surveys, suggest substantial inflationary pressures are already feeding through to the services sector. Without a rapid easing in the energy supply shock, the Bank of England may feel compelled to raise interest rates over the summer. However, valuations still matter. With gilt yields now above 5%, we believe gilts can offer attractive income opportunities for investors, even against this uncertain backdrop.

Chart of the month

Equity and bond markets initially fell together but diverged over April



Key takeaways

- The chart shows the divergence between equity and bond markets following the ceasefire announcement in early April
- Despite the ongoing closure of the Strait of Hormuz, equities have rallied on improving sentiment and strong earnings
- Gilt yields, however, have continued to rise, weighing on performance and reflecting ongoing concerns around inflation and interest rates.

Annual market summary: covering the 12 months to 31 March 2026

12m > 31 Mar

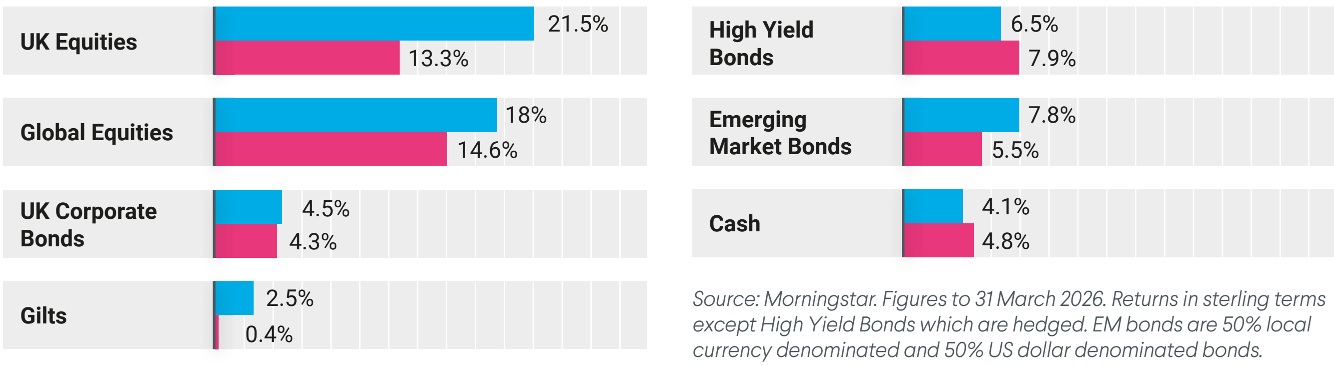
Equity markets remained resilient despite volatility driven by tariffs, geopolitical tensions and inflation concerns

Central banks took a more cautious approach as rate cuts slowed and markets priced in a prolonged pause

Bond markets delivered positive returns, with corporate and high-yield bonds outperforming government bonds

Our model portfolios invest in a combination of asset classes shown in this chart

This chart shows percentage asset class returns for the 12 months ending 31 March 2026 versus the three years ending 31 March 2026. *1 year* *3 years (p.a.)*



Source: Morningstar. Figures to 31 March 2026. Returns in sterling terms except High Yield Bonds which are hedged. EM bonds are 50% local currency denominated and 50% US dollar denominated bonds.

Market volatility and recovery

The period began with President Trump's 'Liberation Day' and subsequent market disruption and volatility. Markets recovered quickly, following a tariff postponement and indications of positive trade talks, but volatility persisted. This recovery continued over the third quarter of 2025 as better-than-expected corporate earnings, strong performance in the technology sector and the Federal Reserve resuming interest rate cuts, increased investor confidence. In the final quarter of 2025, overall equity performance remained strong despite concerns relating to the technology sector around the high valuations of these companies and the level of AI spending.

Geopolitical escalation and market impact

These trends continued into 2026, until the US and Israel's attacks on Iran at the end of February and subsequent escalations caused a sharp fall in global equities, which ended the quarter negative. The energy sector rallied, benefitting most from the surge in global oil prices.

Central bank policy developments

Over the period, the Bank of England cut interest rates by 0.75% to 3.75%, and the Federal Reserve resumed rate cutting in late 2025, also cutting rates by 0.75% to 3.75%. Most central banks took a cautious stance in the first quarter of 2026, pausing rate cuts in light of escalations in the Middle East and the potential inflationary impact. Markets have moved from pricing in further rate cuts to pricing in a prolonged pause, and in some cases, the risk of renewed rate hikes over the remainder of 2026.

Equity market performance

Overall, the 12 months to 31 March 2026 were positive for equity performance, despite market volatility following tariff introductions and geopolitical events. The Asia-Pacific ex Japan and Japanese markets ended the period as the top performing regions.

Fixed income and credit markets

Bond performance was positive across the different markets. Gilt returns were positive as a result of falling

Annual market summary continued

gilt yields over the period (bond prices rise as yields fall) as inflation receded in the final quarter of 2025, although yields rose considerably over the first quarter of 2026.

Corporate bonds outperformed government bonds over the period, supported by strong earnings growth. High-yield bonds delivered strong 12 month returns as credit spreads (the additional yield received on corporate over government bonds) fell over the period (bond prices rise as spreads fall). Emerging market bonds delivered strong 12 month returns, benefitting from a weakening of the US dollar.

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