

Hymans Robertson Investment Services (HRIS)

Our equity & bond exposures: Key takeaways for Advisers

July 2026

We recently completed our 2026 strategy review with portfolio changes coming into effect at the end of June. Following this review, we thought this was an opportune time to provide a reminder of our investment approach, alongside some of the key aims and characteristics of the equity and bond exposures in our portfolios.

Our investment approach

Robust institutional investing, for peace of mind

Our unique approach, adopted by many of the UK's largest institutional investors, brings the following benefits to the retail market:

 <p>Strategy-led Building lasting value through strategic conviction, not diminishing it through tactical speculation</p>	 <p>Forward looking Anticipating what's ahead using data-led evidence, not just assumptions based on the recent past</p>	 <p>Scenario tested Designing portfolios to be robust across 5,000 economic scenarios, not just one</p>
 <p>Independent fund selection Selecting funds purely on their merits from the whole of market, no in-house funds, no conflicts</p>	 <p>High quality & low cost Leveraging £350bn institutional scale to reduce costs, never sacrificing quality</p>	 <p>Robust governance Applying institutional-grade oversight at every stage, not operating without check or challenge</p>

In the remainder of the document, we then bring this to life by focusing specifically on the equity and bond elements, setting out the rationale for our current allocations. In the appendix we also discuss our strategic review in more detail, including some of the areas that we debated and analysed as part of the review.

Our equity positioning

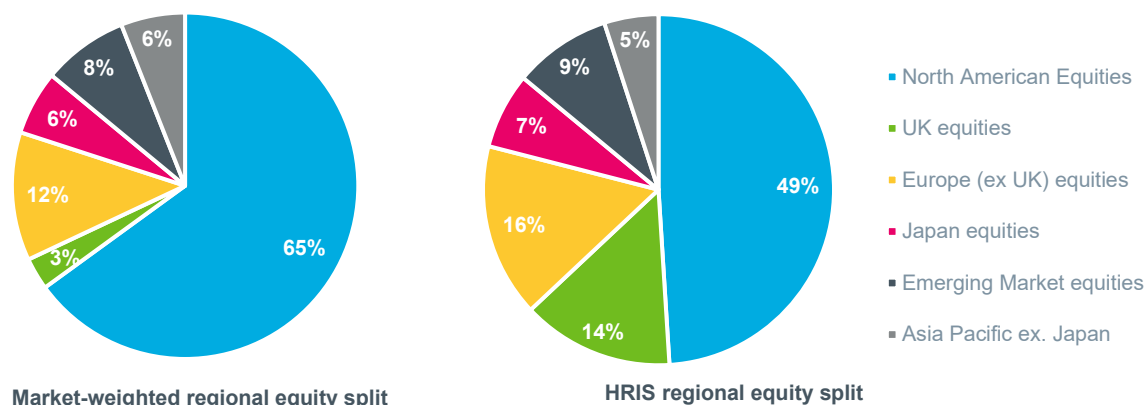
Equities: key points

- **Strategic role within portfolios:** The primary growth engine - over the long-term equities have generated strong returns in excess of inflation.
- **Primary elements of diversification that we seek to include:** Regional, sector, style, stock, fund and manager.
- **Main change as part of our recent annual strategic review:** increase multi-factor exposure to further support stock diversification.

Chart 1 below summarises the regional equity breakdown of our portfolios and for the “market” (based on the global equity market capitalisation “market cap” index). It is important to note that our regional split is based on our views - it is not built relative to the market cap index, we show the market cap index purely as a point of reference.

As shown, relative to the market cap, our most notable positions are a lower North American equity exposure and higher exposures to the UK and European markets. Key drivers of this positioning include our desire for style diversification e.g. the North American market gives us good exposure to more growth-oriented companies, including the technology companies; while Europe and the UK provide exposure to more value style companies such as Financials and Consumer Staples. We believe that over the long-term this regional and style diversification will be beneficial to end investors, particularly during periods of market volatility.

Chart 1: Regional equity positioning



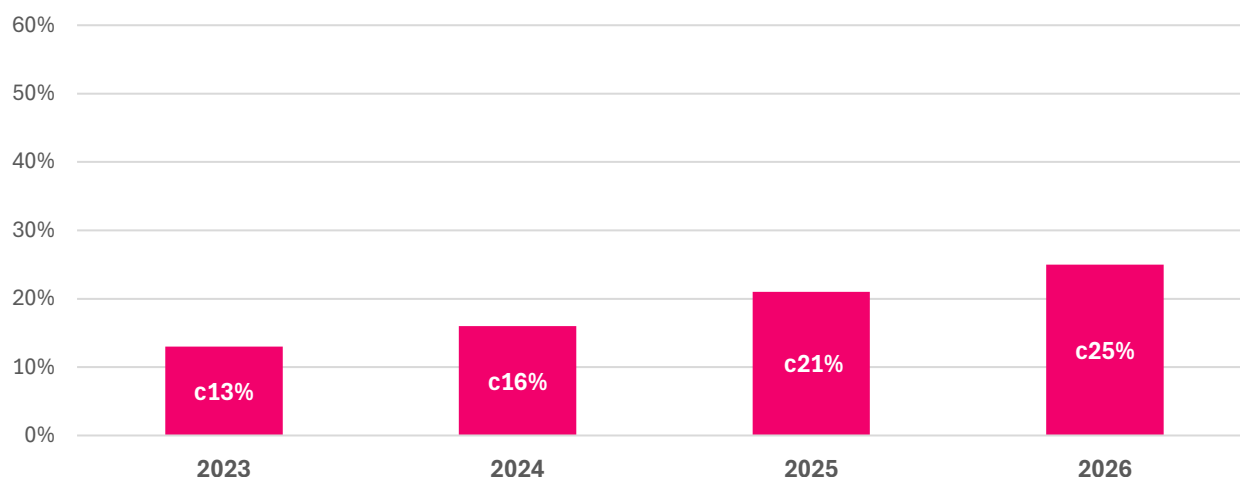
Source: Morningstar, HRIS representative portfolio. Actual allocations may vary slightly by portfolio and investment platform.

Although we hold significantly less in North America than the market, this region does represent a notable proportion of our equity exposures. This is based on a balanced view that takes into account the challenges that the US market faces at this time such as political uncertainty, expensive relative to history (especially larger companies) and high concentration with the top 10 stocks in the US representing almost a third of the total market. However, it also reflects positive aspects associated with the US including, the US being the largest global economy (and will likely act as a key engine for global growth) and it has exposure to several world-leading firms, most notably in the technology area.

In terms of implementation, we use a range of approaches to access the US market (and other equity markets), including multi-factor funds¹, a small cap fund and using (where cost constraints permit) active managers. As part of our 2026 strategy review, we increased our portfolios’ multi-factor exposure, continuing the trend over recent years (see table below). Our conviction in multi-factor, most notably the HSBC and Schroder funds that we hold, reflect our belief that it can provide a low cost approach to enhance outcomes and reduce risk (please speak to your HRIS contact if you wish further information on multi-factor investing).

¹ A **multi-factor fund** is a fund that looks to take overweight positions in stocks that look attractive across a range of “factors” e.g. value (cheap), quality, lower volatility etc with the aim of enhancing returns i.e. like a traditional active manager does. The multi factor funds we use have costs more akin to traditional passive funds

Chart 2: HRIS increases in Multi-Factor exposure over time



Source: Morningstar, HRIS representative portfolio. Figures are as a % of equities. Actual allocations may vary slightly by portfolio and investment platform.

As a result of our regional diversification and adopting multiple routes to accessing markets (e.g. multi-factor), our portfolios have considerably lower stock concentration. Compared to the “market”, we are less reliant on the performance of small number of stocks for future returns (see Chart 3 below). For example, the combined total of the top 10 equity holdings in the HRIS portfolio is over one third lower than combined top 10 holdings of the market cap.

Chart 3: Top 10 equity holdings

Top 10 holdings: Market Cap	Allocation	Top 10 holdings: HRIS	Allocation
Nvidia	4.9%	Nvidia	3.3%
Apple	4.0%	Apple	2.5%
Microsoft	2.9%	Microsoft	2.0%
Amazon	2.6%	Taiwan Semiconductor	2.0%
Alphabet A	2.3%	Amazon	1.8%
Broadcom	1.9%	Alphabet A	1.4%
Alphabet C	1.9%	Broadcom	1.1%
Taiwan Semiconductor	1.7%	HSBC	1.0%
Meta	1.4%	ASML	0.9%
Tesla	1.1%	AstraZeneca	0.9%
Total	24.7%	Total	16.9%

Source: Morningstar, HRIS representative portfolio. Actual allocations may vary slightly by portfolio and investment platform.

Our Bond positioning

Bonds: key points

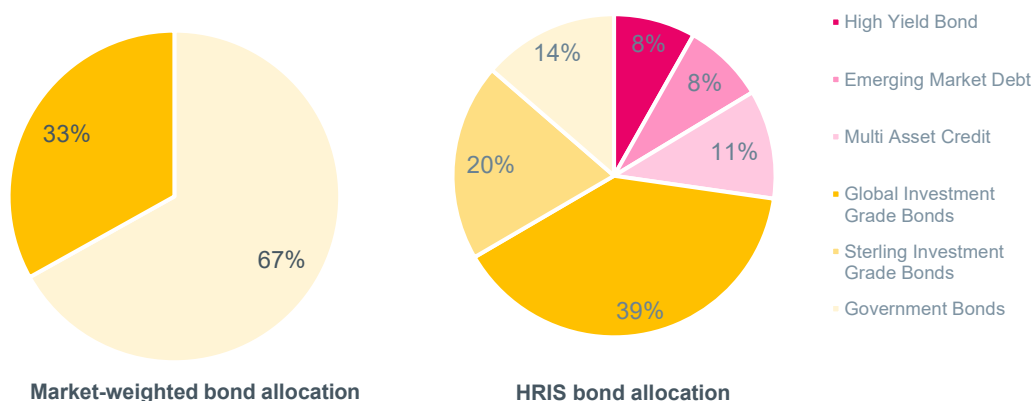
- **Strategic role within portfolios:** Government and high-quality investment grade bonds should provide a degree of protection at times of market stress. Other bonds, such as High Yield and Emerging Market Debt, have more of a ‘growth’ role, supporting returns and diversifying equity returns.

- **Primary elements of diversification that we seek to include:** Regional, “duration” i.e. bond interest rate sensitivity, bond issuer such as a government or company, bond quality “rating”.
- **Main change as part of our recent annual strategic review:** Nominal yields on bonds look attractive, with levels close to most attractive levels in nearly 20 years, so we retain bond duration positions. However, credit spreads (i.e. additional yield for holding credit, rather than Government, debt) are low, so where scope to do so, exposure to multi-asset credit increased to support greater dynamism in the bond portfolio.

We access the bond market through a range of asset classes including government bonds, investment grade bonds, high yield corporate bonds and emerging market debt. We also invest in multi-asset credit funds (i.e. funds which hold a range of bond asset classes). Chart 4 below summarises our bond allocation versus the “market” (as based on a global investment grade bond market capitalisation index - again the market allocation is just shown for reference). Relative to the market, our bond positions have a lower US and a higher UK exposure. They also have more in other bonds such as High Yield, Emerging markets and multi-asset credit funds.

Alongside cash, our bond holdings are determined by balancing capital preserving assets with more return seeking assets to enhance outcomes for our clients. When it comes to implementation, we have targeted active manager exposure in areas such as high yield bonds and multi-asset credit as there is evidence that active managers’ skills’ such as assessing risk of default, can add value, net of fees.

Chart 4: Bond positioning



Source: Morningstar, HRIS representative portfolio. Figures shown above are as a percentage of the fixed income (bond and alternative credit) allocation. Actual allocations may vary slightly by portfolio and investment platform.

As part of our 2026 strategy review, in certain mandates, we have increased our multi-asset credit exposure via TwentyFour’s Dynamic fund. Upping our exposure to this fund reflects the current historically low credit spreads and a backdrop of heightened volatility, in such an environment we believe TwentyFour’s active management (by tactically increasing or decreasing credit quality) has scope to support portfolio outcomes.

Summary

Equities and bonds are the cornerstones of our portfolios. Considerable thought, research and analysis goes into building how we gain exposure to these two key asset classes (please see appendix for more detail).

Our aim is always to build portfolios that align to our investment approach, most notably taking a long-term view and being well diversified. We believe the changes made at our strategic review very much align with our philosophy and should enhance client outcomes in a range of market conditions.



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Appendix: Additional Information

A summary of our investment approach is set out in Section 1 below. In Section 2 we provide some further details around some of the topics discussed during our 2026 strategic review.

Section 1: HRIS' investment approach

	HRIS Institutional approach
Approach to decision making	Firm-wide, team based and consistent, based on evidence and data
Asset allocation (asset classes, regions, styles)	'Maker' – different to market index weights and driven by evidence, including long-term valuations and scenario testing
Asset universe	Wide – multiple asset classes beyond equities and bonds
Tactical, speculative changes	No – portfolio changes are infrequent and evidence / valuation led, with low turnover
Fund types used	Selective use of passive, multi-factor and active
Costs	Highly Competitive, including accesses to funds with discounted OCFs in the region of 20-30%

Section 2: Additional portfolio changes considered as part of the 2026 strategy review

Details of the key changes made during our 2026 strategy review are summarised in this document. In the table below we provide some additional information on the areas discussed and analysed as part of the 2026 review.

Key economic and market activity	Further background
<ul style="list-style-type: none"> Strong equity market returns and reasonable returns from bonds, most notably non—government bonds since previous strategic review. On a forward-looking basis, long-term nominal asset class assumptions remain at reasonable level. Diversification and scenario modelling will support portfolio robustness. 	<p>Since last review:</p> <ul style="list-style-type: none"> Little change in Gilt curve at 10y maturity. US yields are around 50bps lower. Credit spreads are broadly unchanged since last year but are tighter. Strong performance across most equity regions over last year, with US lagging. Cyclically adjusted P/E continue to rise and continue to support diversification beyond US-centric indices. On a forward-looking basis economic growth and asset class assumptions slightly lower than this time last year, but still reasonable on a long-term basis. Near term inflation outlook and bond yields look higher. As part of our strategic review process, we assess a range of long-term investment risks and opportunities, including geopolitical uncertainty, persistent inflationary pressures, the impact of artificial intelligence, and rising fiscal deficits across developed markets. While these factors may contribute to periods of heightened volatility and sentiment-driven market behaviour in the short term, we remain confident that investors will be rewarded for taking risk over the long term. Our proprietary forward-looking scenario modelling, which forms a core part of our investment process, helps us assess potential outcomes and supports the construction of robust, resilient portfolios across a range of market environments.

Investment decisions ^[2]	Further background and rationale for this decision
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Asset class coverage	
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<ul style="list-style-type: none"> • Decision to maintain existing asset class coverage 	<ul style="list-style-type: none"> ○ Across our portfolio ranges, we typically use 8 main asset classes, accessing these asset classes in a range of ways to further support returns and diversification. ○ As part of our strategic review process, we continually assess whether any changes should be made to our investment universe. This year, our discussions included asset classes such as gold and commodities. Following detailed analysis and debate, we concluded that, while both asset classes offer certain attractive characteristics, there was insufficient justification to include them within our portfolios at this time. Factors influencing this decision included the current level of bond yields, questions about recent gold and commodities valuations and volatility, practical considerations regarding efficient implementation, and the fact that our existing asset allocation already provides exposure to some of the characteristics investors typically seek from these asset classes. We also noted that our listed infrastructure allocation has continued to provide valuable diversification benefits during recent periods of market volatility, supported in part by its exposure to sectors such as utilities and energy infrastructure. ○ In our role as investment manager, we will revisit our asset universe on a regular basis.
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Manager Fund coverage	
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<ul style="list-style-type: none"> • Confirmation that we remain comfortable with the funds that we use currently. • At a portfolio level we may implement some changes, but these are to support strategic changes, rather than highlight any specific concern with a fund or a manager 	<ul style="list-style-type: none"> ○ Across our portfolio ranges, we typically use a range of index-tracking funds, multi-factor funds and actively managed funds. ○ As part of our ongoing monitoring and research process, we assess our investment managers and funds across a wide range of quantitative and qualitative measures. These include the stability and quality of the investment team and business, fees and costs, fund size, investor flows, performance, and the level of risk taken relative to both benchmarks and peer groups. We also carry out horizon scanning to identify if any few funds should be introduced to portfolios. ○ We remain confident that all of our selected funds continue to be appropriate for investors and fulfil their intended role within the portfolio. As part of our strategic review, we considered both areas of strength and challenge across the fund range. This included: <ul style="list-style-type: none"> ○ Fidelity's strong recovery in performance and the recent headwinds experienced by Veritas, whose investment style has been out of favour in the prevailing market environment. ○ We also reviewed the interaction between our multi-factor allocations. While the HSBC and Schroders funds both employ multi-factor approaches, our analysis continues to demonstrate that they exhibit different performance characteristics across varying market conditions. This provides an additional source of diversification and reinforces our conviction in their complementary roles within the portfolio. ○ In our role as investment manager, we will revisit these decisions and negotiate fees with managers on a regular basis.
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Equity positioning	
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<ul style="list-style-type: none"> • Maintain current regional equity allocations. • Increase multi-factor allocations • Introduce standalone European exposure (Screened portfolios only) 	<ul style="list-style-type: none"> ○ Our overarching objective is to build a portfolio of equities which is diversified by region, sector and style. We provide more rationale for our equity exposure in this report. ○ Areas of focus of this year's review included the continued strong performance of the US, making it look expensive relative to its history. However, whilst this is true, the US continues to be the primary source of global earnings growth and therefore we want to retain notable exposure to this area. We also noted that, relative to several other regions, the US looks no more expensive than it did a year ago. ○ We also noted that stock concentration risk continues to be a feature of markets and therefore, where we had scope to, adding to our multi-factor exposure (or in the case of screened portfolios, adding to European exposure) should enhance reduced stock concentration risk.
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Alternative Credit

- Retain Alternative Credit exposure but where scope existed, trim the standalone positions to High Yield and Emerging Market Debt and increase our exposure to Multi-Asset Credit.
 - Our overarching objective of our Alternative Credit is to provide a degree of return and to diversify our equity exposure. We provide more rationale for our Alternative Credit exposure in the main section of this report.
 - Areas of focus of this year's review included: High Yield bond valuations remain high, although we had noted spreads had started to widen and all-in yields remain attractive. We also noted Emerging Market Debt continues to offer a more attractive yield than High Yield bonds; however, this region may face challenges if we continue to see higher US rates and inflation.
 - We also carried out analysis which suggested that Multi-Asset Credit funds (i.e. those which tactically allocate between bond markets) may add more value, on a relative basis, should High Yield and Emerging Market Debt spreads widen. As a result, we decided to increase multi-asset credit exposure in our portfolios
 - We assessed different routes of implementation but agreed TwentyFour's Dynamic Bond Fund offered the appropriate balance between net of fee return potential, asset coverage and portfolio dynamism e.g. the manager changing credit exposure.

Investment grade bonds and cash

- Maintain current durations, positions and exposures.
 - Our overarching objective of our investment grade bonds is to provide a degree of return and a degree of protection at times of market stress. We provide more rationale for our investment grade exposure in the main section of this report.
 - Areas of focus of this year's review, included the fact that, whilst the UK economy grew 1.3% for the year, forecasts for 2026 and 2027 have edged down and, while forecast inflation upgrades have been modest so far, inflation is still expected to average above target at 2.6% and 2.3% in 2026 and 2027, respectively. It was also noted that political uncertainty, such as challenges to the UK PM, alongside increased fiscal uncertainty give scope for high bond issuance at a time when, in the UK, pension funds are likely to provide lower demand. We also noted credit spreads remain relatively tight despite some widening earlier in the year.
 - As a result, following debate we agree that while nominal yields look attractive there is considerable uncertainty, and therefore global diversification is important, we would not add to portfolio interest rate duration at this time.

^[2] The final implications of these decisions will vary according to the portfolio range and risk target.

Risk warning

The value of your investments and the income from them may go down as well as up and neither is guaranteed. Investors could get back less than they invested. Past performance is not a reliable indicator of future results. Changes in exchange rates may have an adverse effect on the value of an investment. Changes in interest rates may also impact the value of fixed income investments. The value of your investment may be impacted if the issuers of underlying fixed income holdings default, or market perceptions of their credit risk change. There are additional risks associated with investments in emerging or developing markets. The information in this document does not constitute advice, nor a recommendation, and investment decisions should not be made on the basis of it. The material provided should not be released or otherwise disclosed to any third party without prior consent from HRIS.