

# W1M WEALTH PORTFOLIO REVIEW

January to March 2026

## What happened during the quarter

We've had to write such sentences many times during the 'turbulent twenties', but the first three months of 2026 stand out as another extraordinary period for us all.

Until recently, the year had been progressing reasonably well. That changed when missiles once again began landing in Iran, following the intense but brief Twelve Day War between Israel and Iran in 2025. As tensions across the Middle East escalated, investors were forced to reassess the outlook for the global economy, inflation, interest rates, corporate earnings and financial markets. It feels like an appropriate moment to revisit economist John Maynard Keynes' observation that "when the facts change, I change my mind."

With due respect to Keynes, we must recognise that changing course too sharply could be a mistake itself. Investment strategies deliver over the long term by being proactive rather than reactive as events unfold. By the end of 2025, two factors were already clear and needed to be reflected in portfolio positioning.

First, the geopolitical backdrop was becoming more precarious, not less, as we entered the new year. In periods like this, a focus on diversification and balance across portfolios becomes essential. While this guidance may feel familiar after several volatile years, recent market moves have once again highlighted why it remains a vital part of managing risk.

Of course, there are times when diversification feels less necessary, particularly after markets have fallen sharply and investor caution is already widespread. Years such as 2009, 2019 and 2022 provide good examples. That was not the environment at the end of 2025. After a very strong year for markets, there was little additional reward available from lower quality investments compared with higher quality alternatives. As a result, moving up in quality across portfolios was a sensible and deliberate step within our investment strategies.

We believe that these broad tactics should be helpful during the volatile period ahead.

The key question now is when the current storms might calm and whether markets will reassert the positive momentum that they

were enjoying at the start of the year. At the end of last year, we wrote that if economic momentum held, inflation continued to moderate and supportive interest rate cuts followed, then 2026 could still deliver good outcomes for our clients. The pressing question is whether that assessment has materially changed.

The honest answer is that - at least in the short term - we don't know.

**"The short-term direction of both the global economy and financial markets will depend largely on how long the conflict in the Middle East persists and how damaging it proves to regional infrastructure and global trade."**

In times like this, investors must work with assumptions and construct a base case. Our current view is that we may be approaching the end of the most intense phase of the conflict. While tensions remain elevated and risks persist, there is tentative evidence that US Iran negotiations may be constructive.

If some form of resolution is found relatively quickly, then we would be hopeful that the global economy can avoid a recession in the months ahead. Obviously, if global energy prices stay at current levels or rise further, we would need to reassess this view.

We need to remember that there are other economic factors at play. In the US, fiscal policy remains highly supportive, with the Trump administration laying the groundwork for strong consumer spending ahead of the midterm elections later this year. Higher energy prices and constrained energy flows present a greater challenge for Europe and parts of Asia, where production in some sectors has already been curtailed. The impact on the US should be less severe given its energy independence, although higher gasoline and natural gas prices remain economically and politically unhelpful. Overall, we continue to expect global growth to be solid but unspectacular

in 2026, while acknowledging that recession risks have increased.

Inflation prospects have undoubtedly worsened in the last month. After encouraging signs of disinflation earlier in the year, energy price rises and disruption to trade through the Strait of Hormuz are likely to push inflation higher again in the near term. The key question (currently unanswerable) is how long this pressure lasts. If hostilities ease in the coming months, the inflationary impact should prove painful but temporary, with more manageable conditions returning in late 2026 and into 2027. If not, our outlook would need to adjust.

We do not expect a repeat of the inflationary surge we saw following the outbreak of the Russia-Ukraine war in 2022. At that time, the economy was reopening from the COVID-19 pandemic, demand was at a high level, interest rates were exceptionally low and money supply growth was elevated. The conditions are seemingly not at play as they were back in 2022 to inspire a prolonged period of rising prices.

The most significant move that we have witnessed over the last month has been the extraordinary swing in market expectations of future interest rates and, by implication, bond yields. Using the UK as an extreme example, investors moved quickly from expecting rate cuts to pricing in rate increases after the Bank of England surprised markets by voting unanimously to hold rates. We do not share that view and continue to expect the next move in both UK and US interest rates to be lower, while remaining flexible in our thinking.

Before geopolitical tensions intensified, corporate earnings growth was broadly tracking expectations. Last year delivered healthy profit growth and encouragingly this broadened beyond the technology sector into other areas of the market. We have since reduced our earnings forecasts to reflect higher energy costs and related pressures. Even so, we still expect companies to grow profits, and if current conditions stabilise, earnings growth should regain momentum later this year. This remains a key support for equity markets over the longer term.

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We've had to use several assumptions in crafting this latest commentary, but if our refreshed 'base case' proves to be relatively precise then we believe that the outlook for asset markets is positive. Equity valuations have moderated through the recent sell off and working on the basis of future corporate profit expansion, then we can envisage equity markets progressing. We are being selective and expect to pursue a strategy of leaning out of recent winners and leaning into recent laggards. In bond markets, the yields on offer to investors have risen, reflecting short-term concerns over interest rates and inflation, as well as the limitations facing cash-strapped governments, but we view this as a more compelling opportunity and are adjusting portfolios to reflect this view.

While we always expected 2026 to be another year of high geopolitical drama and market volatility, the last month has been particularly intense. However, we must remember that this is nothing new for this turbulent decade. We believe there are two key principles that we should respect as we try and plot a path through the months ahead. Firstly, it is not just the recent experience for markets that has been bumpy and swings in sentiment are typical in most years. Certainly, the journey of an investor might seem more erratic than it used to be, but changeable conditions have always been common.

The second inescapable fact is that while volatility is unpleasant, it can be used to an investor's advantage.

**"If one has prepared portfolios for choppy waters then the potential for maximising opportunity as markets recover is high and after all this latest bout of turbulence calms down, this is where our focus once again will be."**

We hope that is sooner rather than later.

**Tom Becket, Co-CIO**

**Written on 24 March 2026**

## Responsible investing landscape

**"Sometimes a month happens in a year and other times a year happens in a month. March was firmly the latter. The world shifted."**

At the end of February, inflation was falling, central banks were cautiously easing and the path toward further rate cuts appeared well established. The global economy was slowing but broadly in fine fettle. Companies were delivering record profits at record margins, oil was an accommodating US\$60 per barrel (bbl) and financial markets had started the year on a solid footing.

There were, of course, pockets of concern. Valuations in parts of the market looked stretched, labour markets were beginning to soften, leverage remained elevated and liquidity in private assets was largely untested. But overall, the backdrop was stable and the outlook constructive. With optimism already well priced, our positioning leaned toward defence, quality and diversification, alongside sustainability. That proved timely.

Today, certainty is in much shorter supply. Oil has surged to US\$110/bbl, stagflation has re-entered the conversation, markets have repriced to reflect a renewed geopolitical risk premium and volatility has risen sharply. Leadership has flipped abruptly, with the worst performing funds in our portfolios quickly becoming the best and vice versa.

For sustainable strategies, the challenge is clear. Traditional energy and defence, areas where we have no exposure for structural reasons, have been the primary beneficiaries of the recent turmoil. Encouragingly, not all thematic

exposures have struggled. Cybersecurity, which had been under pressure amid concerns around AI disruption to software, rebounded strongly through March as focus rotated away from technology. The theme was further supported by M&A activity and a high-profile cyberattack, serving as a timely reminder of the structural importance of digital security. Currency also provided a helped performance, with the US dollar once again proving to be the cleanest safe-haven during the Iran conflict.

In contrast, many areas that had previously driven performance gave back ground. Transition metals, sustainable energy, healthcare and water and waste were among the weaker contributors in March, although all remain positive over the quarter as a whole.

It has been an even more dramatic period in fixed income, particularly in UK gilts (UK government bonds). What began as a consensus view of falling inflation and steady rate cuts has been violently repriced into something far less comfortable. Gilts have borne the brunt of that adjustment. In a matter of weeks, yields on medium-term gilts have risen sharply. This shift was driven less by changes in the economy's long-term outlook and more by investors quickly moving away from crowded positions.

The reaction, however, looks overdone. Markets are now implying a renewed hiking cycle from the Bank of England, a stance that sits uneasily alongside a domestic economy already losing momentum.

Growth is flatlining, the labour market is softening and, unlike 2022, there is no excess savings buffer to absorb further tightening. Policymakers themselves have struck a more measured tone,

acknowledging the supply-side nature of the shock and implicitly questioning the need for a forceful response. Against that backdrop, gilt yields, now at their most attractive levels since the financial crisis, are beginning to look less like a warning and more like an opportunity. We used the dislocation to add selectively to exposure during the month.

There remains a path back toward something resembling the previous equilibrium if the conflict de-escalates quickly. However, with the Iranian regime still in place, the geopolitical risk premium is unlikely to fully dissipate. The risk of renewed disruption to the Strait of Hormuz, and by extension global energy supply, remains a live one.

**Tom Hibbert, Chief Investment Strategist**

**Written on 24 March 2025**

## Quarter end asset allocation (%)

	Alternatives	Cash	Equity - Global	Fixed Interest - Government Bond	Fixed Interest - International	Fixed Interest - UK Corporate Bond	Total
Responsible Futures 3	4.7	9.8	44.3	22.9	13.5	4.8	100
Responsible Futures 4	3.1	7.8	64.4	11.9	8.1	4.7	100
Responsible Futures 5	1.3	2.5	80.3	9.8	4.2	1.9	100

## Quarter end performance

3 month performance to 31/03/2026	3 months		
Fund	Portfolio Return	Index*	CPI Benchmark Return
Responsible Futures 3	-1.3	CPI + 2.5	1.3
Responsible Futures 4	-1.4	CPI + 3	1.4
Responsible Futures 5	-0.9	CPI + 3.5	1.5

\*Please note, the CPI Benchmarks for each portfolio were as undernoted until 1st September 2022 and as above thereafter. Responsible Futures 3 - CPI + 3%; Responsible Futures 4 - CPI + 4%; Responsible Futures 5 - CPI + 5%.

Source: Ascentric and Canaccord Wealth

## Quarter end top 10\* holdings

Active funds	Direct equities	Passive funds
L&G Future World Climate Change Equity Fund	Greencoat UK Wind PlcFund	L&G Battery Value-Chain UCITS ETF
Baillie Gifford Responsible Global Equity Income Fund		Vanguard U.S. Govt Bond Index Fund
Robeco Gbl SDG Credits IEH Fund Hedged		L&G All Stocks Gilt Index Trust
Stewart Investors Global EM All Cap Fund		Candriam Equities L Oncology Impact Fund
Baillie Gifford Positive Change Fund		Guinness Sustainable Energy Fund
Robeco Smart Materials Equities Fund		Rize Cybersecurity and Data Privacy UCITS ETF
Royal London Ethical Bond Fund		Impax Environmental Markets Plc
TwentyFour Sustainable Short Term Bond		L&G Global Robotics and Automation Index Fund
Ninety One Global Environment Fund		
Regnan Sustainable Water and Waste Fund		

\* Where there are more than ten holdings, the top ten holdings have been listed.

Source: Ascentric and Canaccord Wealth

## Important information

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