

## Investment Review Q1 2026

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**“There are decades where nothing happens and there are weeks where decades happen.”**

**Vladimir Ilyich Lenin**

The first quarter of 2026 was another one full of drama and volatility, with a strong initial start in January and February reversed in March, as the war in Iran made itself felt via a huge spike in the cost of oil. The initial good progress in markets and portfolios was also not without its own dramas and reversals too, highlighting important issues unconnected to the war, which has, understandably, taken up all investors' attention since. Importantly, the strong global economy which has been the rock upon which much of the last few years' performance has been built is still in reasonable shape. How we proceed from here depends crucially on the duration of high oil prices and the reaction of central banks as they adjust their policies (or not) to deal with the consequences of that price spike. However this ends up playing out, we do at least start from a position of relative strength in the global economy and much less of an inflation issue than in previous years. That at least gives us a 'buffer' of sorts to deal with the next few months of uncertainty.

The story of strong overall market returns in January and February was also, perhaps counterintuitively, played out against a background of high price volatility and skittishness in investor sentiment. There were dramatic rallies and then

sell offs in the gold and silver markets, reflecting strong inflows of 'hot' short term retail money and then equally strong reversals a month or so later. The software sector in the USA fell c. -30% over the quarter as investors reacted to the potential impacts of new artificial intelligence (AI) products, many of which looked good enough to replace the expensive services the software companies had been selling so effectively.

Bond markets made solid progress but were also not without incident. For example, there was a brief but unnerving sell-off in Japanese government bonds, as investors fretted over the potential impact of a new government's spending policies. We can add into the mix a complex geopolitical environment, characterised on the one hand by a positive stabilisation in China/US relations and a more alarming rhetoric surrounding the future of Greenland. The fact that the arrest and transportation to the USA of the Venezuelan president was a footnote to other more impactful market events serves to illustrate just how extraordinary and eventful the times we are currently living through really are.

For all this complexity, the defining event of the quarter from an investor perspective was very simple to describe. A US/Israeli war with Iran forced a large (circa 50%) increase in the price of oil, as supplies are blocked in by Iran choosing to effectively close the Strait of Hormuz. The global oil market lost around 15% of its gross supply in an instant and prices reacted accordingly. The longer the supply is disrupted, the higher the oil price will stay, acting as a tax on growth and

boosting inflation. Higher inflation in turn usually needs higher interest rates to control it, or a slowdown in end demand. Neither outcome is a good one for stock or bond markets, which fell in tandem globally as they factored in a deteriorating outlook. There was some discrimination, with those countries importing oil falling the most whilst those exporting oil remaining relatively resilient, but the overall picture was one of retreat. Outside of oil and gas prices, nearly every other asset fell during March, handing back all or most of the gains made in the year to date.

Forming an outlook in this environment starts with a healthy dose of humility, as probability weighting any particular scenario is fraught with difficulty. Such is the nature of the 'fog of war', but we do, unfortunately, have plenty of precedents and looking at those helps us shape the likely path from here. History suggests that, eventually, the supply shock passes and passes fairly quickly. The reasons revolve around the physical constraints on the combatants – constraints from munitions or from achievement of military objectives - and from the constraints placed upon the combatants by the rest of the world, as the pain of higher oil prices is felt globally. The costs quickly start to outweigh the benefits for all parties, leading to a settlement process. As we write, the oil market expects a high, volatile price for at least another month before falling steadily over the next year. The stock market drawdowns so far are also small enough to imply agreement with this relatively optimistic scenario as a central case. As mentioned earlier, the global economy is also currently believed to be strong enough to absorb the

negative effects of the oil price rise, without spiralling off into recession. There is also still plenty of historical government fiscal stimulus in the economic pipeline, helping to prop up demand and mitigate the worst of the war effects.

Taking all of these influences together, we can see why the consensus outcome from the Iran war is for the event, ultimately, to be manageable. However, there are so many cross currents that it is difficult to be sure of any scenario.

Portfolio wise, we had been positioning in advance for a year in which returns would be harder to come by when compared to the previous few years. The appropriate risks were being taken for each risk profile, but we were also consistently broadening out portfolio diversification as far as we could. The diversification benefit is the single best protection we feel during tougher times. It is also the means through which opportunities for the longer term are captured and there are more and more of these being presented as valuations

become more attractive across the board. Long term opportunity has always been the flip side of shorter-term threats, and we believe the most likely scenario as we write is that the current war related turbulence will eventually pass and most likely turn out to be manageable.

With thanks for your continued support,

**The Saltus Asset Management Team, April 2026**

	Quarter	Benchmark Quarter	Year to Date	Benchmark Year to Date	Benchmark
MAP 2	-0.78%	1.14%	-0.78%	1.14%	CPI plus 2%
MAP 3	-1.52%	1.26%	-1.52%	1.26%	CPI plus 2.5%
MAP 4	-2.07%	1.38%	-2.07%	1.38%	CPI plus 3%

	UK Equities	US Equities	Europe (ex UK)	Japan	Asian	Other Equities	Property	Alternatives	Bonds	Cash
MAP 2	3.7%	14.9%	4.7%	3.6%	3.1%	3.3%	0.0%	32.9%	28.8%	4.9%
MAP 3	6.2%	24.8%	6.8%	6.0%	5.2%	5.5%	0.0%	23.0%	18.5%	4.1%
MAP 4	8.4%	33.9%	8.8%	8.1%	7.0%	7.5%	0.0%	17.0%	6.0%	3.2%

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