

Managed Portfolio Service

Passive Income MPS 2

As at 30 September 2025

Market commentary:

As summer arrived, markets started to become more relaxed about the trade war and political theatre in Washington. Instead, investors turned their attention back to fundamentals and the dominant AI theme. There was little change in the economic backdrop with respect to growth across most regions, however, greater concern arose in the US after a significant downward revision to payroll data and weakness through the summer months. Whilst the US dollar is weaker in 2025, it stabilised versus major peers during the quarter and made some ground back versus the pound.

The risks to inflation that we have been flagging for some time started to emerge in earnest in the UK, with inflation now expected to reach double the Bank of England target before year end. In the US, inflation pressures also arose, although there were signs that companies absorbed some price pressures through margins rather than passing them on to consumers amidst economic uncertainty.

Bond markets started to price in greater inflation uncertainty, with longer-dated bond yields moving higher throughout the quarter in many markets. Fiscal uncertainty also loomed over the UK and US bond markets, however, in the US this was counteracted by the Fed quickly responding to weaker employment statistics via a “risk management” rate cut in September. At a time of political pressure on the central bank, significant dispersion arose amongst the Fed’s voting members, with one suggesting interest rates should fall to below 3% by year end.

Back in the UK, inflation pressures similarly complicated the Bank of England’s path. Sticky price increases in core goods, housing, and services make calibration difficult. The UK yield curve steepened slightly as markets struggled to pin down the inflation and growth trade-off.

The leadership rotation in global equities gained traction again this quarter. While the US market continued to deliver gains and be powered by the AI theme, its returns stood amongst some other good performances. China stole the

show as AI technology continued to emerge and attract investors to the offshore market, where tech sector valuations are much lower than those seen in the US. Broader emerging markets also performed well. Strong returns from TSMC in Taiwan and a continued rally in Korea were however weighed down by weakness in Indian equities.

Europe and the UK also advanced, particularly large caps in the UK. However, returns fell short of other regions. In Japan, the equity market picked up after a hard-fought trade deal with the US and the reassertion of good company fundamentals, not least that they continue to undertake large-scale buybacks.

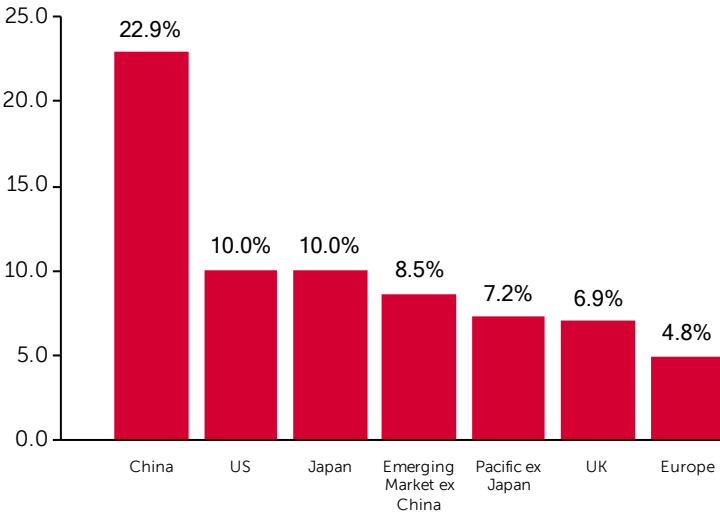
Outlook

The improving mood through the summer brings year- to-date returns in many equity markets into double-digit territory. However, the weaker dollar over the course of the year has eroded returns for UK investors significantly.

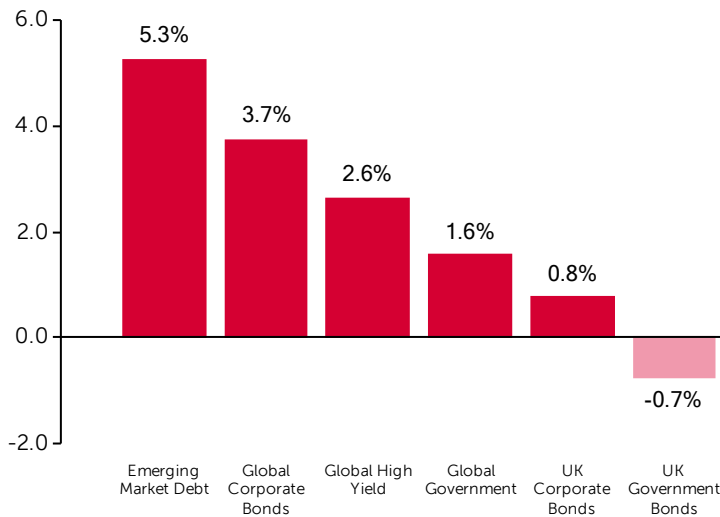
The contrast between the equity and bond markets is becoming interesting, particularly in the US where bond yields are increasingly displaying fears over the economic growth trajectory, whilst equities remain squarely focused on AI, the associated capex and signs of strong sentiment in M&A activity. Bond markets are often early to point out cracks in the economy that may worry equities later, however they can also cry wolf. Meanwhile, gilt investors in the UK have other issues to worry about, namely inflation and how it can be tamed without causing economic damage. Plenty of headlines regarding these problems stand between us and the end of the year, however, as we often see, they may just prove to be noise best avoided by those managing portfolios.

The value of investments can go down as well as up and your client may not get back their original investment. Past performance is not a guide to future performance and some investments need to be held for the long term.

Equity performance - last quarter



Fixed income performance - last quarter



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Portfolio commentary

The diversified equity allocation within Passive Income MPS 2 benefited from the broad market rally seen in the third quarter. UK equities ended the quarter strongly, largely supported by gains in large-cap names. That said, investor sentiment remains cautious, with fiscal policy and the upcoming Q4 Budget still a source of concern.

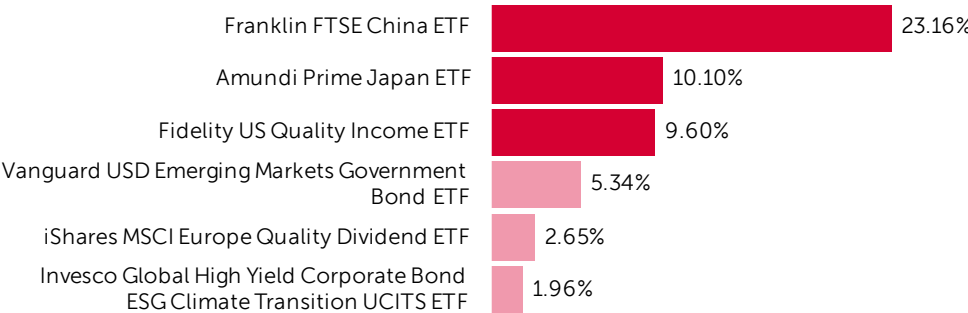
In the US, attention shifted away from the political theatre in Washington and back towards resilient company fundamentals.

Emerging markets were the strongest contributors, as investors looked beyond developed markets. Strong results from Taiwan's TSMC and Korean equities lifted the index, though the standout performers were Chinese equities - particularly within the technology and consumer discretionary sectors. Since the release of DeepSeek's R1 AI model earlier in the year, investor focus has remained on Chinese AI innovation and its potential for cost efficiencies.

Elsewhere, Japanese equities also rallied strongly, supported by optimism around the long-awaited US trade deal and SoftBank's new partnerships with American firms.

Overall, AJ Bell Passive Income MPS 2 rose 7.22% over the quarter.

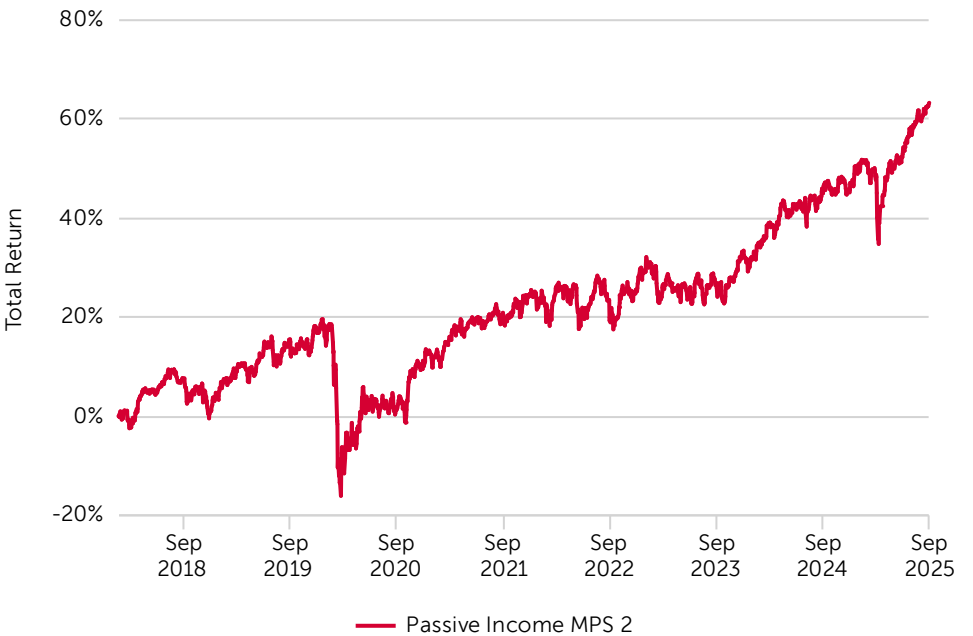
Q3 2025 best/worst performers



Performance

Cumulative (%)	3 months	6 months	1 year	3 years	5 years	Since inception
Passive Income MPS 2	7.22	10.55	12.61	36.81	61.04	63.32

The above table displays the total return of the fund on a cumulative basis. This is taken from the most recent month end.



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Passive Income MPS 2

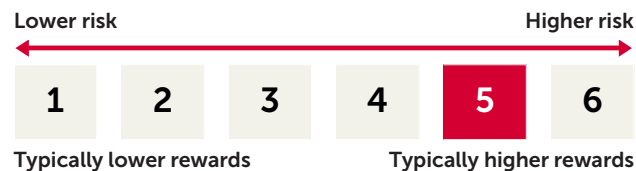
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Portfolio snapshot

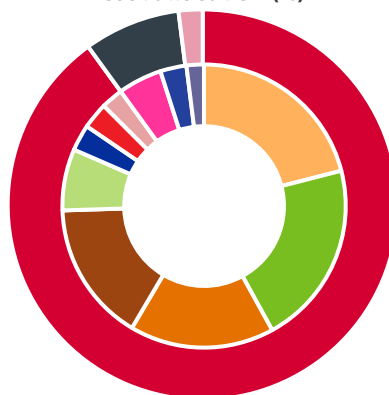
Number of holdings	12
Inception date	19 Feb 2018
Underlying OCF	0.24%
Annual Investment Management Charge	0.15%
Indicative Total OCF	0.39%

Top 10 holdings

Holding	Weight (%)
iShares Core FTSE 100 ETF	21.00
Fidelity Emerging Markets Quality Income ETF	16.50
Fidelity US Quality Income ETF	11.00
Invesco S&P 500 High Dividend Low Volatility ETF	10.00
Franklin Templeton European QualDiv ETF	8.00
iShares MSCI Europe Quality Dividend ETF	8.00
Amundi Prime Japan ETF	7.00
Invesco Global High Yield Corporate Bond ESG Climate Transition UCITS ETF	5.00
Amundi MSCI Emerging Markets ex China ETF	3.00
Vanguard Pacific ex-Japan Stock Index	3.00

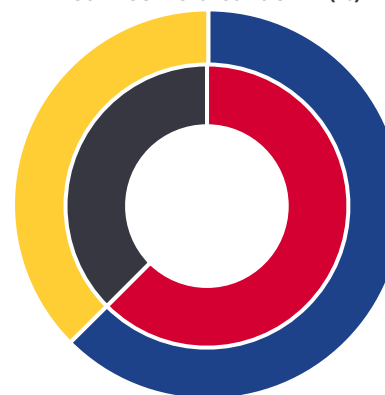


Asset allocation (%)



Equity	90.00
North America equity	21.00
UK equity	21.00
Emerging markets equity	16.50
Europe ex-UK equity	16.00
Japan equity	7.00
Asia Pacific ex-Japan equity	3.00
Emerging markets ex-China equity	3.00
China equity	2.50
Fixed Income	8.00
Global high yield bonds (GBP hedged)	5.00
Emerging market debt	3.00
Cash	2.00
Cash	2.00

Fixed income breakdown (%)



GBP Bonds	62.50
Global high yield bonds (GBP hedged)	62.50
International Bonds	37.50
Emerging market debt	37.50

Equity breakdown (%)



Sector	
Financial Services	22.47
Technology	11.85
Industrials	11.32
Consumer Defensive	9.06
Communication Services	8.75
Consumer Cyclical	8.02
Healthcare	7.96
Energy	6.42
Utilities	5.03
Basic Materials	4.66
Real Estate	4.47

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Indicative Total Ongoing Charges Figure (OCF) is inclusive of the AJ Bell Investments Annual Management Charge (fee of 0.15%) and the ongoing charges of underlying investments. MPS transaction costs reflect the aggregated transaction costs reported by underlying products. In some instances products may deploy pricing mechanisms which can result in negative costs. Additional costs will be incurred while using the MPS. These include (where applicable) platform costs and dealing costs. Any charges payable to your financial adviser will apply in addition. Therefore, the actual performance of your portfolio might differ from the stated past performance. There is no set minimum investment into the MPS, however, the structure of the underlying investments means that the portfolios work more efficiently for investments above a certain size. For this MPS, this is around £25,000.

Performance reflects the headline model and includes the underlying costs of the holdings and the annual investment management charge. It does not include any transaction costs that would have been incurred through rebalancing or changing any underlying holdings. This model was launched on 19 Feb 2018. Cash performance is measured using the AJ Bell Investcentre platform interest rates.

Allocation and performance information contained in this document is representative of the standard Passive Income MPS 2 model held on AJ Bell Investcentre. The implementation of this model may vary when held via other platforms, for example, where access to certain share classes is restricted. This may lead to differences in allocation, performance and cost.

Based on target weights at portfolio rebalance. Totals may not sum to 100% due to rounding.



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