

Managed Portfolio Service

# Passive Income MPS 1

As at 31 December 2025

**Market commentary:**

The fourth quarter concluded a broadly positive year for markets, particularly for riskier asset classes such as equities. In contrast to the summer, the prevailing AI narrative shifted somewhat; however, just as sentiment appeared to wane, corporate earnings provided renewed optimism.

Markets, for the most part, endured the second-longest US Government shutdown on record. The resulting patchy economic data from the US made it somewhat difficult to ascertain underlying trends. Nevertheless, the Federal Reserve saw enough in the employment data to lower rates decisively, delivering two further cuts before year end.

After inflation in the UK hovered at nearly double the 2% target during the summer months, it subsided to 3.2% by November. This enabled the Bank of England to implement a final rate cut in December, which supported gilts across the curve, as did the smooth passage of the UK Budget. A similar trend in inflation was observed in the US, following a gap in coverage due to the Government shutdown. US inflation eased to 2.7% in November, allowing the Fed to focus on the employment aspect of its mandate.

Corporate bonds enjoyed another positive quarter, ending 2025 on a strong note. Credit spread compression and higher starting yields helped them outperform government bonds this year. Consequently, those segments of the bond market carrying greater risk, such as high yield bonds, proved to be more attractive allocations in 2025.

Despite headlines highlighting US markets reaching all-time highs, returns in sterling terms were comparatively muted over 2025 due to the weakness of the US dollar. In the fourth quarter, US market returns were supported by Alphabet's rise to challenge Nvidia in AI chip design, while the latter remained steady. The healthcare sector performed well after leading companies reached drug pricing agreements with the US Government. UK and European equities were also buoyed by financials, with healthcare stocks performing strongly. The UK market additionally benefited from the

materials sector, which rallied on the back of rising precious and industrial metal prices.

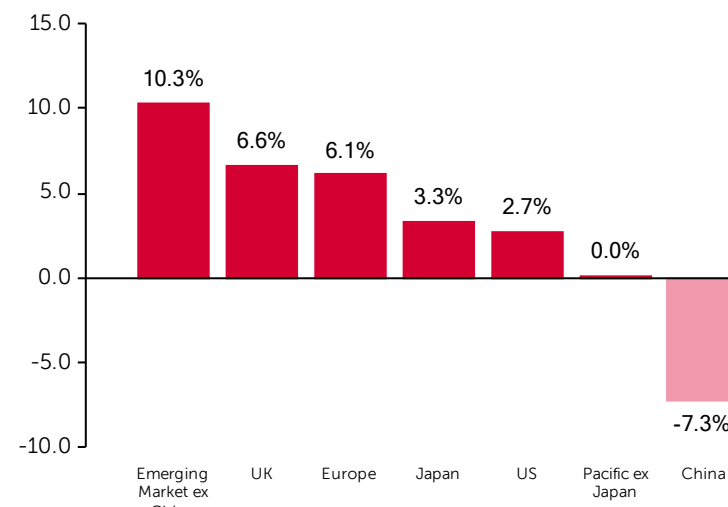
Emerging markets ex China continued their rally in the final quarter of 2025 as the AI theme and its supply chain attracted attention. Technology-heavy markets such as South Korea and Taiwan benefited, while Chinese equity markets and their AI leaders declined, reflecting their underlying reliance on consumer spending amid weaker economic data.

Looking ahead, AI is likely to remain a key theme, particularly for markets heavily exposed to the technological development and supply chains. As 2025 demonstrated, other themes across markets may attract less attention but remain significant.

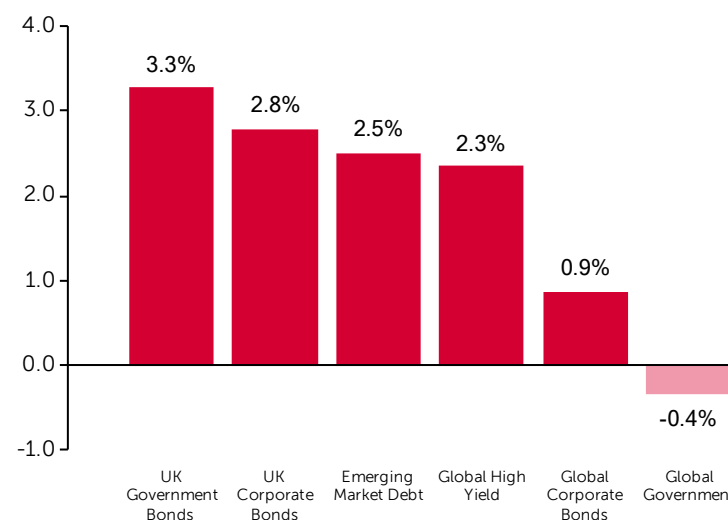
The rise in industrial metal prices towards the end of 2025 prompts questions about our position in the global economic cycle and the fragility of supply chains. This, in turn, brings inflationary dynamics back into focus. Despite some short-term relief, we believe there are considerable risks to maintaining inflation in line with central bank targets over the long term.

As ever there is a wide range of possibilities ahead of us, and therefore it is useful to return to one of our core investment principles: diversification. We see a continued need for a strong emphasis on diversification within bond and equity allocations in 2026.

Equity performance - last quarter



Fixed income performance - last quarter



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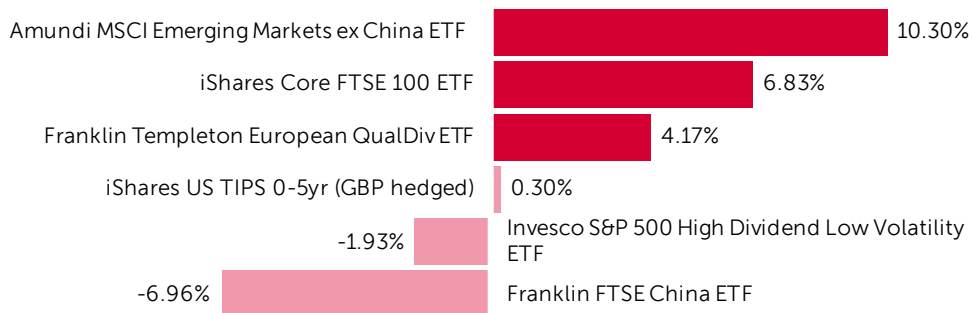
## Portfolio commentary

Markets ended 2025 on a positive note. Despite concerns ahead of the Budget, UK corporate bonds continued to outperform government bonds in the final quarter as credit spreads remained tight. The Bank of England's late-year rate cut helped anchor the gilt curve, while two cuts from the Federal Reserve sustained a benign global rates backdrop. Emerging Market debt, which had struggled earlier in 2025, recovered to deliver a positive finish. Global high yield bonds extended their gains into the final quarter, albeit with less momentum than in previous periods.

On the equity side, both the UK and Europe capped strong years with positive fourth-quarter returns, supported by broad-based sector participation. In North America, which had been under scrutiny amid concerns over an AI-driven bubble, investor sentiment was underpinned by robust corporate earnings. However, sterling translated returns were more muted over the quarter due to currency effects. Emerging Markets ex-China was the strongest-performing portfolio holding during Q4, benefiting from strength in technology supply chains in South Korea and Taiwan.

Overall, Passive Income MPS 1 gained 2.99% over Q4 and delivered a return of 11.72% for the full year 2025.

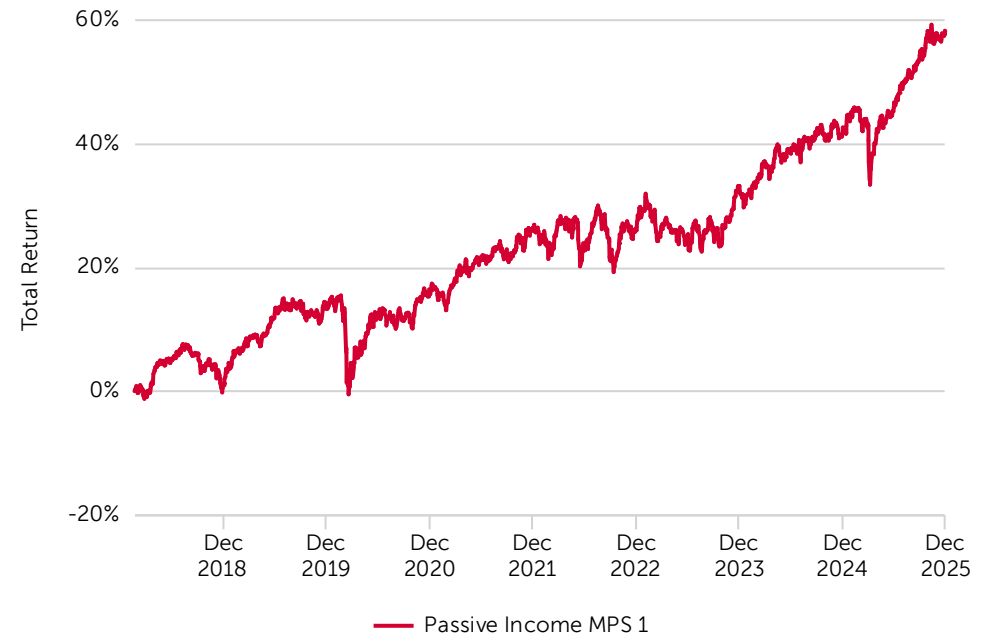
## Q4 2025 best/worst performers



## Performance

Cumulative (%)	3 months	6 months	1 year	3 years	5 years	Since inception
Passive Income MPS 1	2.99	8.91	11.72	25.50	36.68	58.21

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



Past performance is not indicative of future performance. The value of investments may go down as well as up and the income generated by investments is not guaranteed and may fluctuate. You may receive back less than the amount that you invested.

# Passive Income MPS 1

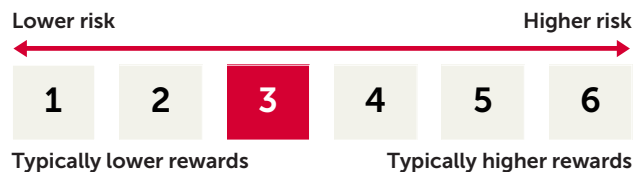
As at 31 December 2025

## Portfolio snapshot

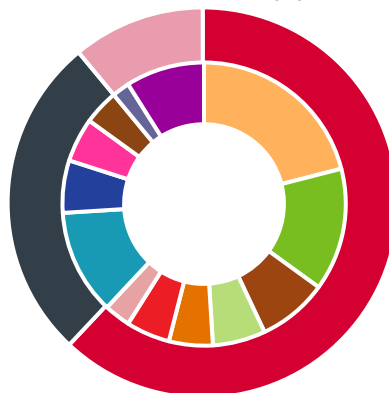
Number of holdings	15
Inception date	19 Feb 2018
Underlying OCF	0.18%
Annual Investment Management Charge	0.15%
Indicative Total OCF	0.33%

## Top 10 holdings

Holding	Weight (%)
iShares Core FTSE 100 ETF	14.00
Invesco GBP Corporate Bond ETF	12.00
Fidelity US Quality Income ETF	11.00
Invesco S&P 500 High Dividend Low Volatility ETF	10.00
Amundi Prime Japan ETF	6.00
iShares £ Ultrashort Bond ETF	6.00
Vanguard USD Emerging Markets Government Bond ETF	6.00
Amundi MSCI Emerging Markets ex China ETF	5.00
Fidelity Emerging Markets Quality Income ETF	5.00
Invesco Global High Yield Corporate Bond ESG Climate Transition UCITS ETF	5.00



### Asset allocation (%)



<b>Equity</b>	<b>62.00</b>
North America equity	21.00
UK equity	14.00
Europe ex-UK equity	8.00
Japan equity	6.00
Emerging markets equity	5.00
Emerging markets ex-China equity	5.00
China equity	3.00
<b>Fixed Income</b>	<b>27.00</b>
UK corporate bonds	12.00
Emerging market debt	6.00
Global high yield bonds (GBP hedged)	5.00
International government bonds (GBP hedged)	4.00
<b>Cash</b>	<b>11.00</b>
Cash	2.00
Cash equivalent	9.00

### Fixed income breakdown (%)



<b>GBP Bonds</b>	<b>77.78</b>
UK corporate bonds	44.44
Global high yield bonds (GBP hedged)	18.52
International government bonds (GBP hedged)	14.81
<b>International Bonds</b>	<b>22.22</b>
Emerging market debt	22.22

### Equity breakdown (%)



Sector	Weight (%)
Financial Services	20.41
Technology	13.30
Industrials	10.72
Healthcare	9.60
Consumer Defensive	9.27
Communication Services	8.03
Consumer Cyclical	7.78
Energy	6.09
Utilities	5.33
Real Estate	5.19
Basic Materials	4.27

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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, 0.15% annual investment management charge and the underlying costs of the holdings. 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 February 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 1 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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