

## Monthly news and views covering April 2026

Managed Portfolio Service investment team

### IN BRIEF

- De-escalation in the Middle East saw a recovery in stock markets over the month.
- Pre-March data tells a very different story to today's outlook.
- US earnings results continue to support the gains seen in main market indices.

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*For further information on the risks of investment and glossary terms please refer to the end of the document.*

### The month of April

During March, markets moved lower as Investors became less willing to take risk from the onset of the tensions involving Iran. Once we moved into April, markets regained their stride as it became clear the US, and seemingly Iran, wanted to de-escalate events. The resultant fragile cease-fire, later extended to Israel and Lebanon, has been sufficient to enable markets to move higher from their low point at the end of March.

As April progressed, investors clung to the positives from these geopolitical developments, enabling stock markets recovered much of their March losses. Over the month, the strongest returns were seen from Asian and Emerging Markets which have benefitted from a softer US dollar and strong returns from Korea and Taiwan, whose technology industries continue to be supported by strong demand for memory chips and semiconductors.

The US stock market has fared well over April, enabling it to reach a record high by month end as reported corporate earnings have continued to impress. With US banks setting a positive tone early in the month, this was continued with large technology company results. However, the breadth and strength of results across the market have enabled most companies to beat expectations and instill an optimistic management tone, even when a more cautious outlook is conveyed.

Economic releases over the month also proved supportive, with a strong rise in the Manufacturing component of April's Purchasing Manager Indices (PMI's – surveys that track business activity), an occurrence repeated in the US, Europe and the UK. This somewhat unexpected result was explained by firms stockpiling – a cautionary action to get ahead of anticipated price hikes and component shortages emanating from supply chain disruptions from the Strait of Hormuz blockade.

As above, it is important to be careful when taking economic releases at face value, especially when reporting is for a period before geopolitical upsets like we saw at the end of February. One example of this was a surge in retail sales across both sides of the Atlantic, contrasting with consumer confidence in both regions taking a nosedive. Recognising the distinction between historic reporting, and forward-looking indications of intent, could give cause to weigh the changing outlook. A more careful assessment was echoed from both investor and business sentiment surveys, which turned sharply lower as the less certain business operating environment took hold.

Similarly, consensus beating gross domestic product (GDP) growth figures for the UK economy were put into context by a more severe downward revision to the UK growth outlook from the Organisation for Economic Co-operation and Development (OECD).

Notwithstanding the growth narrative becoming less certain, investors may take some comfort from employment data in both the US and UK continuing to look robust. This proved a more positive result than some of the prematurely pessimistic forecasts that had emerged.

Other economic developments related to inflation and the setting of interest rates by the central banks. As was to be expected, there were early signs of the persistent oil price above £100 per barrel making its way into some of the inflation data, while consumer inflation expectations also took a leap upwards. However, the data did little to confirm that this was becoming more widely entrenched with inflation figures (excluding the volatile inputs of food and energy prices) reporting a decline in the UK. However, the duration of the shipping blockade in the Strait of Hormuz is likely to have a growing impact on these numbers. This is not only restricted to oil exports from the region but also encompasses global fertilizer supply (with the potential to affect crop yields later in the year) as well as broader supply chain disruption that may damage manufacturing and industrial processes across the globe.

Amidst an uncertain backdrop, the central bank interest rate committees in the UK, Europe and the US held their respective meetings towards the end of the month. As they balance near-term inflationary pressures against a slower growth outlook, a wait-and-see approach was largely adopted as interest rates were unchanged. While emphasising their commitment to tackling inflation, they resisted the urge to be too penal with rate increases for now.

Since the start of March, we have seen more price swings with government bonds across western and emerging markets driven by inflation concerns and the interest rate outlook. We do think these issues will give way to growth concerns the longer the Strait of Hormuz remains closed. In that scenario, bonds may help provide some stability if stock markets weaken, although they can still be subject to some ups and downs.

In the UK, domestic politics continued to provide some angst for the UK Prime Minister. Although parliament voted against a probe into whether the Prime Minister misled the House of Commons on his appointment of the former US ambassador, this issue is yet to go quiet. With looming local elections, it is likely the political noise will continue to weigh on UK financial markets, especially if they perceive any softening in UK fiscal discipline. However, a mood of gloom already extends to the perception of the UK economy as demonstrated by the Ipsos public poll signaling low confidence for the UK economy, a sentiment shared by most investors.

This was echoed in Europe too, with the ZEW Economic Sentiment indicator (a survey measuring business confidence) declining sharply as businesses expressed concern about rising energy prices and input disruptions. This added to the downbeat revision for German GDP, alongside a contraction of the Services component of PMI data and a sharp decline in the consumer confidence figures.

It is worth reminding investors that while businesses do not operate in an economic vacuum, economies are not the same as financial markets. Robust corporate reporting has resisted the assumption that stock markets would remain more sensitive to unfolding geopolitical events. However, although the ceasefire in Middle East persists, the Strait of Hormuz blockade still poses a major threat to global supply chains.

## Key positioning for the portfolios

The last change to portfolios occurred on 20<sup>th</sup> February:

- Our overall equity weighting for each portfolio was rebalanced, allowing us to maintain a controlled allocation to the positive corporate earnings growth outlook.
- After a robust performance, Pacific Equities were reduced in favour of an increase in Emerging Markets, enabling us to take profits from areas driven by the Asian technology theme. This enables a broader Emerging Market allocation supported by both fiscal and monetary policy improvements.
- Due to greater budgetary and inflation threats, Government Bonds were reduced. This was allocated according to risk limits to either high quality corporate bonds with attractive yields and low risk of the issuer defaulting on the bond, or an increase to Emerging Market Debt benefiting from an improvement in the country fundamentals seen across Emerging Markets.
- Risk monitoring and management continues to be a core priority across all portfolios.

### Managed Portfolio Service investment team

## Glossary

### Capital Expenditure (Capex)

Money invested by a company to acquire, upgrade, and maintain physical assets such as property, land, technology, or equipment.

### **Corporate bonds**

Issued by companies and similar to a loan in nature, usually paying a fixed rate of interest.

### **Emerging markets**

Countries with less developed financial markets and which are generally considered riskier than investing in developed markets.

### **Emerging market debt**

Bonds issued by less developed countries' governments and companies within those countries.

### **Bonds (or fixed income)**

Types of investments that allow investors to loan money to governments and companies, usually in return for a regular fixed level of interest until the bond's maturity date, plus the return of the original value of the bond at the maturity date. The price of bonds will vary, and the investment terms of bonds will also vary.

### **Equities**

Another name for shares (or stock) in a company.

### **Government bonds**

A type of bond, issued by a government. They pay out a regular fixed amount of interest until the bond's maturity date, when the issue value of the bond should also be repaid. In the UK they are called gilts and in the US they are referred to as treasuries.

### **Index**

An index is a method of tracking the performance of a group of shares, bonds, other assets or factors. For example, the FTSE 100 Index is made up of the 100 largest companies on the London Stock Exchange.

### **Yield**

The dividend per share divided by the stock's or fund's price per share and expressed as a percentage. The historic yield is the dividend income distributed during the past year and expressed as a percentage of the share price on a particular day.

## **Risks**

Typically, there is less risk of losing money over the long-term (which we define as over 5 years) from an investment that is considered low risk, although potential returns may also be lower. Investments considered higher risk typically offer greater opportunities for better long-term returns, though the risk of losing money is also likely to be higher.

The performance information presented in this document relates to the past. Past performance is not a reliable indicator of future returns.

Forecasts are not reliable indicators of future returns.

Some of the main specific risks that apply to the funds that these portfolios invest in are summarised here. If the funds that are held in the portfolios change, the types of investment risk that the portfolios are exposed to will also change.

Fixed income investments, such as bonds, can be higher risk or lower risk depending on the financial strength of the issuer of the bond, where the bond ranks in the issuer's structure or the length of time until the bond matures. It is possible that the income due or the repayment value will not be met. They can be particularly affected by changes in central bank interest rates and by inflation.

Equities (company shares) can experience high levels of price fluctuation. Smaller company shares can be riskier than the largest companies, companies in less developed countries (emerging markets) can be riskier than those in developed countries and funds focused on a particular country or region can be riskier than funds that are more geographically diverse. These risks can result in bigger movements in the value of the fund. Equities can be affected by changes in central bank interest rates and by inflation.

Derivatives may be used within funds for different reasons, usually to reduce risk, which can be called "hedging". This can limit gains in certain circumstances as well. Derivatives can also be used to generate income or to increase the risk being taken, which can have positive or negative outcomes. The derivatives used can be options or futures which are types of contracts that are dealt on an exchange or negotiated with a third party. More complex derivatives may also be used. Derivatives can also introduce leverage to a fund, which is similar to borrowing money to invest.

Funds may have holdings in investments such as commodities (raw materials), infrastructure and property as well as other areas such as specialist lending and renewable energy. These investments will be indirect, which means accessing these assets by investing in companies, other funds or similar investment vehicles. These investments can also increase risk and experience sharp price movements. Funds focused on specific sectors or industries, such as property or infrastructure, may carry a higher level of risk and can experience bigger movements in value. Certain investments can be impacted by decisions made by third parties, such as governments or regulators.

There are many other factors that can influence the value of a fund. These include currency movements, changes in the law, regulations or tax, operational systems or third-party failures, or financial market conditions that make it difficult to buy or sell investments for the fund.

\*Funds that are managed to maintain a specific risk profile, or that invest in other funds that themselves are managed to maintain a specific risk profile, may have their potential growth or income constrained as a result.

\*Applicable for the Premier Miton Blend Portfolios only.

## Important Information

This is a marketing communication.

Whilst every effort has been made to ensure the accuracy of the information provided, we regret that we cannot accept responsibility for any omissions or errors.

Reference to any investment should not be considered advice or an investment recommendation.

All data is sourced to Premier Miton unless otherwise stated.

Source for performance data: FE Analytics.

All performance figures have been given in £ sterling.

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