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# With Profits Growth Fund

## Quarterly Review Q1 2026

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# Market Review and Outlook

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# Market Review and Outlook

## Energy price shock weighs on markets and rate expectations

Global markets were volatile as Middle East tensions pushed energy prices higher, unsettling equities later in the quarter. Rising oil prices have reignited inflation concerns, reducing the likelihood of rate cuts and raising the prospect that central banks may keep borrowing costs higher for longer. While the US economy remains resilient and company profits robust, the labour market is weakening and consumer confidence has fallen.

In this update, Wesleyan reflect on these developments and take a look at some of the highlights and lowlights of the quarter, alongside our usual fund views and outlook from the Investments team.

## Global market overview

It was a volatile quarter for global markets as rising geopolitical tensions in the Middle East pushed up energy prices, complicating the outlook for growth. Supply disruptions drove oil and gas prices higher, increasing concerns about inflation. Despite this, US stocks were resilient, supported by a solid economy and upbeat earnings outlooks.

US equities got off to a mixed start, unsettled by concerns over significant AI-related spending and uncertainty over President Donald Trump's new tariffs. These worries proved to be short-lived, as renewed optimism around AI offset lingering concerns about the new technology, while market nerves eased after Trump's tariffs came into effect at 10% rather than the threatened 15%.

It was also a strong earnings season, with roughly 80% of companies beating expectations and further signs that market gains were broadening beyond the biggest names.

European and UK equities performed strongly in the early part of the quarter. European stocks reached record highs following a string of upbeat company results, while the FTSE 100 rose above 10,000 points for the first time, supported by solid economic data and robust corporate earnings.

In Asia, Japanese equities were among the top performers, reaching new highs after Prime Minister Sanae Takaichi's decisive election win boosted expectations of more government spending and tax cuts.

Towards the end of the quarter, worries about the knock-on effects of the Iran conflict unsettled global markets. Equities came under pressure after oil and wholesale gas prices surged following US military strikes on Iran, raising concerns over potential disruption to global energy supplies and renewed inflation pressures. Rising energy costs weighed on market confidence, with fears that sustained price pressures could tip the global economy toward recession.

Oil prices moved sharply over the period, climbing above \$100 a barrel for the first time in four years. Gold prices remained steady, as recent market swings and a strong dollar made it less attractive.

Markets rallied towards the end of March following reports that the US had sent a potential peace plan to Iran. US and European stocks advanced as the US showed more signs it was trying to de-escalate the war with Iran. Asian equity markets also posted broad gains, with Japan leading the way.

### **Bond markets**

Global bond yields rose to their highest since May 2024 after energy costs surged due to the crisis in the Middle East. Bond yields rise as prices fall and vice versa.

US Treasury bond yields climbed to their highest in months after speculation the US Federal Reserve (Fed) may raise interest rates to combat inflation. The yields on 10-year bonds rose to their highest since last summer, while two-year yields also surged.

The UK government's 10-year borrowing costs climbed sharply, reaching their highest level since the global financial crisis. The 10-year gilt yield rose above 5%, a level seen as highlighting the UK's exposure to higher energy costs.

### **Interest rates and inflation**

Rising energy costs as a result of the conflict in the Middle East have dented hopes of rate cuts from central banks. Surging oil prices have reignited inflation fears, raising concerns that policymakers may keep borrowing costs higher for longer, with the possibility of rate increases if price pressures persist.

Inflation is expected to rise, but how this pans out will depend on the duration of the conflict and whether the Strait of Hormuz reopens, allowing tankers through.

In the face of growing inflationary pressures and weak job data, the US Federal Reserve held rates steady in the

range of 3.5% to 3.75%. Inflation remained stable at 2.4% in February ahead of the energy shock triggered by the US attack on Iran. However, analysts have warned the conflict could push it above 3% in the coming months.

Amid rising energy prices, the Bank of England kept interest rates on hold at 3.75% at its March meeting and signalled it could be forced to increase borrowing costs in the coming months. UK inflation held steady at 3% in February, with rises likely as the year progresses. Before the Iran war, the Bank had been predicting inflation would fall close to its 2% target rate in April.

The European Central Bank (ECB) left interest rates on hold at 2% for the sixth consecutive meeting, despite rising price pressures. Eurozone inflation came in higher than expected in February at 1.9%, up from 1.7% in January. There are now worries that the war in Iran could push it over the ECB's 2% target.

### **US economy remains robust despite emerging headwinds**

The US economy has remained broadly resilient this year, but signs of strain are emerging. Consumer spending barely rose in January, suggesting momentum was already

fading. More recently, conflict in Iran has pushed gasoline above \$3.80 a gallon, the highest level since October 2023. The rise threatens to undermine Trump's efforts to ease the cost of living and has weighed on consumer confidence.

The labour market has also softened. Payrolls fell by 92,000 in February, while unemployment ticked up to 4.4%. Combined with rising fuel costs, the slowdown complicates the Fed's path, leaving policymakers balancing weaker growth against persistent inflation pressures.

While inflation had been easing before the conflict, the UK's reliance on oil and gas has raised concerns it could rise again. Consumer confidence has fallen to a two-year low, with younger people in particular facing mounting financial pressures. Petrol prices have climbed to their highest level since the Ukraine war, rising by nearly 10p per litre, while diesel has increased by around 20p.

The labour market remains sluggish. The unemployment rate held at a five-year high of 5.2% in the three months to January, while wage growth slowed. Joblessness has trended higher since 2022, with businesses pointing to recent tax rises as a key factor weighing on hiring.

Recent manufacturing optimism in the eurozone is fading after industrial production fell in January, weighed down by a slowdown in Germany, Italy and Spain. The sector had shown tentative signs of recovery, supported by looser fiscal policy and increased defence spending, but this is now threatened by rising energy prices.

As a major energy importer, Europe is vulnerable to the US–Iran conflict, which risks stalling growth and holding back investment. Industry has already faced persistent headwinds, including higher energy costs after Russia’s invasion of Ukraine and intensifying competition from China. While the eurozone economy remains resilient, US tariffs are weighing on growth and adding to inflationary pressures.

China’s large oil stockpiles should in the short term help shield its economy from supply disruptions in the Middle East. China cut its annual growth target to a record low of 4.5% to 5%, the lowest expansion since 1991. China’s economy rebounded in early 2026, with growth in domestic consumption and investment, although this may prove hard to sustain due to the war with Iran.

China’s exports surged by 20% in the first two months of the year, despite trade tensions with the US. China achieved a record trade surplus of \$1.2 trillion last year, after making deeper inroads into markets outside the US. While trade with the US has fallen, it has made up for this with growth in other markets, including Latin America, Africa and Southeast Asia.

**Spotlight on...**

**Living in the present, investing for the long term**

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# Spotlight on... Living in the present, investing for the long term



**James Tohill, Investment Specialist from Wesleyan Assurance Society discusses why a long-term investment perspective can help to reassure investors during times of market turbulence.**

Living in the present can often feel noisy. News alerts arrive constantly, headlines compete for attention, and global events unfold in real time. It can be anxiety-inducing, particularly when those events appear to have implications for markets and investments.

For investors, this environment can create a powerful temptation to react.

Yet history repeatedly reminds us that successful investing rarely comes from responding to short-term noise. Instead, it comes from maintaining a long-term perspective.

For this article, we are primarily focusing on equity investing in the current environment. Investors can gain additional reassurance by diversifying their portfolios across different asset classes (Bonds, Equities, Property, Commodities etc) , as well as within each asset class. In equities this may include diversification by region, company size (large cap vs small cap), and investment style (growth vs value). The ability to diversify across asset classes is behind the popularity of multi-asset funds.

## **A world of predictable volatility**

Market volatility is not a new phenomenon, but many observers believe we are now living in a period where significant events occur more frequently. In a speech on capital markets in October 2024, the Chief Executive of the Financial Conduct Authority, Nikhil Rathi, described the environment as one of “predictable volatility” - a world where shocks are likely to appear regularly and investors must be prepared for them.

Recent years have offered plenty of examples. Geopolitical tensions, shifting economic policy, and global conflicts can all trigger sudden market movements. At the time of writing, ongoing tensions in the Middle East are again creating uncertainty for investors and commentators alike.

Such moments often prompt speculation about the potential impact on markets and the wider economy. But speculation about short-term outcomes should not be the focus of long-term investors.

Instead, the key question becomes: how should investors navigate a world where shocks are inevitable?

## **The long-term perspective**

The answer lies in perspective.

Short-term market movements can feel dramatic when experienced in real time, but over longer periods they are often

# Spotlight on... Living in the present, investing for the long term

small fluctuations within a much larger upward trend. Market history shows that crises whether they be geopolitical, economic, or financial -are a recurring feature of investing. They are, in many ways, the price paid for long-term growth.

Taking a step back from the daily noise can therefore be reassuring. While the present moment may feel uncertain, markets have repeatedly demonstrated resilience over time.

This philosophy is central to our investment approach. Rather than reacting to every headline, we focus on identifying strong businesses that are capable of navigating economic cycles and emerging stronger over the long term.

## Investing in strong businesses

A long-term investment approach begins with careful fundamental analysis. The aim is to invest in companies that possess the qualities needed to endure periods of market stress and continue creating value.

When assessing potential investments, several characteristics are particularly important:

- ▶ Strong management teams with clear strategic direction
- ▶ Sustainable levels of debt and sound balance sheets
- ▶ Competitive advantages that create barriers to entry
- ▶ Pricing power, allowing companies to maintain margins even during inflationary periods

- ▶ Exposure to favourable sectors or economies with long-term growth potential

Businesses with these attributes are often better placed to navigate volatility. While market sentiment may fluctuate in the short term, fundamentally strong companies tend to prove resilient over time.

This approach naturally leads to a long-term mindset within portfolios. Investment turnover is typically lower, as holdings are selected with a view to their enduring strengths rather than short-term market movements.

For investors, this can provide reassurance during periods of turbulence. While markets may become unsettled by events beyond anyone's control, confidence comes from knowing the underlying businesses have been carefully selected for their long-term potential.

## The human side of investing

Of course, investing is not purely analytical. Markets are driven by people, and people respond differently to uncertainty.

Some investors are comfortable accepting volatility in pursuit of long-term growth. Others may feel more cautious, even when their financial goals require a greater level of investment risk. There are also investors who prioritise income, while others focus primarily on capital growth.

# Spotlight on... Living in the present, investing for the long term

Understanding these different perspectives is an increasingly important part of investing. Behavioural finance has shown that emotions and cognitive biases can influence decision-making, particularly during periods of market stress.

Rather than focusing solely on abstract behavioural concepts, a more practical approach is to recognise that different types of investors have different needs, goals, and responses to volatility.

## Smoothing

Smoothing can help to reduce the impact of short-term market fluctuations, by holding back some returns when market performance is strong, to support returns when the market experiences losses, providing a more stable investment journey and supporting a longer-term perspective for investors. This can be a valuable reassurance to investors through periods of market volatility, allowing them to remain set on their long-term goals.

## Understanding different investor personas

Over the coming months, we will be exploring this idea in more detail through independent research into investor behaviour.

The aim is to better understand the different investment personas that exist among investors - the motivations, goals, and concerns that shape how individuals respond to market events.

By bringing these personas to life, we hope to gain deeper insights into how investors experience volatility and how communication

and investment solutions can better support them during periods of uncertainty.

This work will also help advisers tailor conversations and guidance more effectively, ensuring that investment strategies remain aligned with both financial goals and emotional comfort levels.

## Looking beyond the noise

Living in the present means experiencing the constant flow of news, uncertainty, and market speculation. It is easy to see why this environment can create anxiety for investors.

But successful investing has always required a different perspective.

By focusing on fundamentally strong businesses, maintaining a disciplined long-term approach, and understanding how investors respond to market events, it becomes possible to look beyond the noise of the moment.

The headlines may change from week to week, however, the long-term principles of investing rarely do.

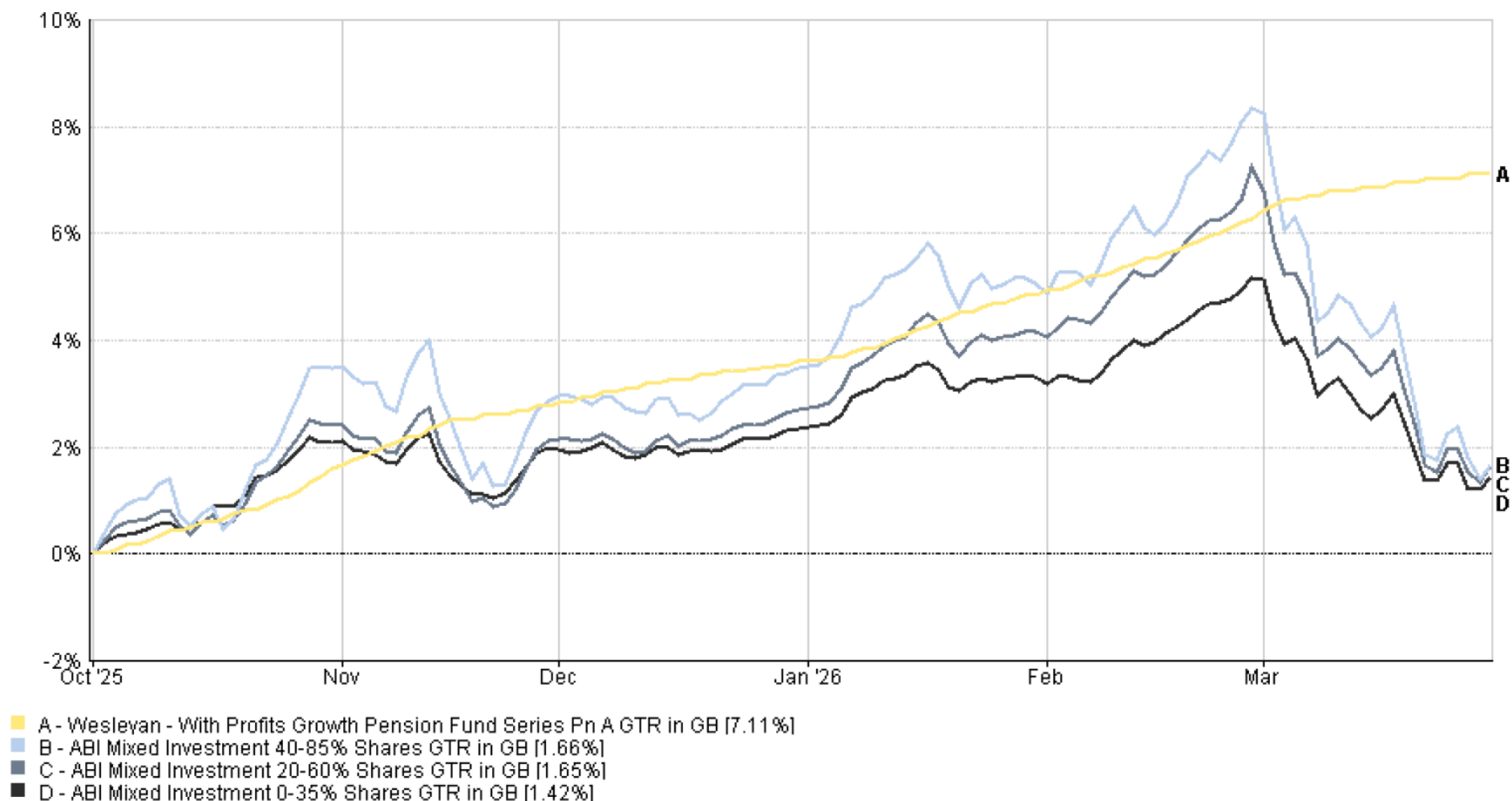
**Bear in mind that the value of investments can go down as well as up and you may get back less than you invest.**

# Fund Performance

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# Returns Performance - Past 6 months

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

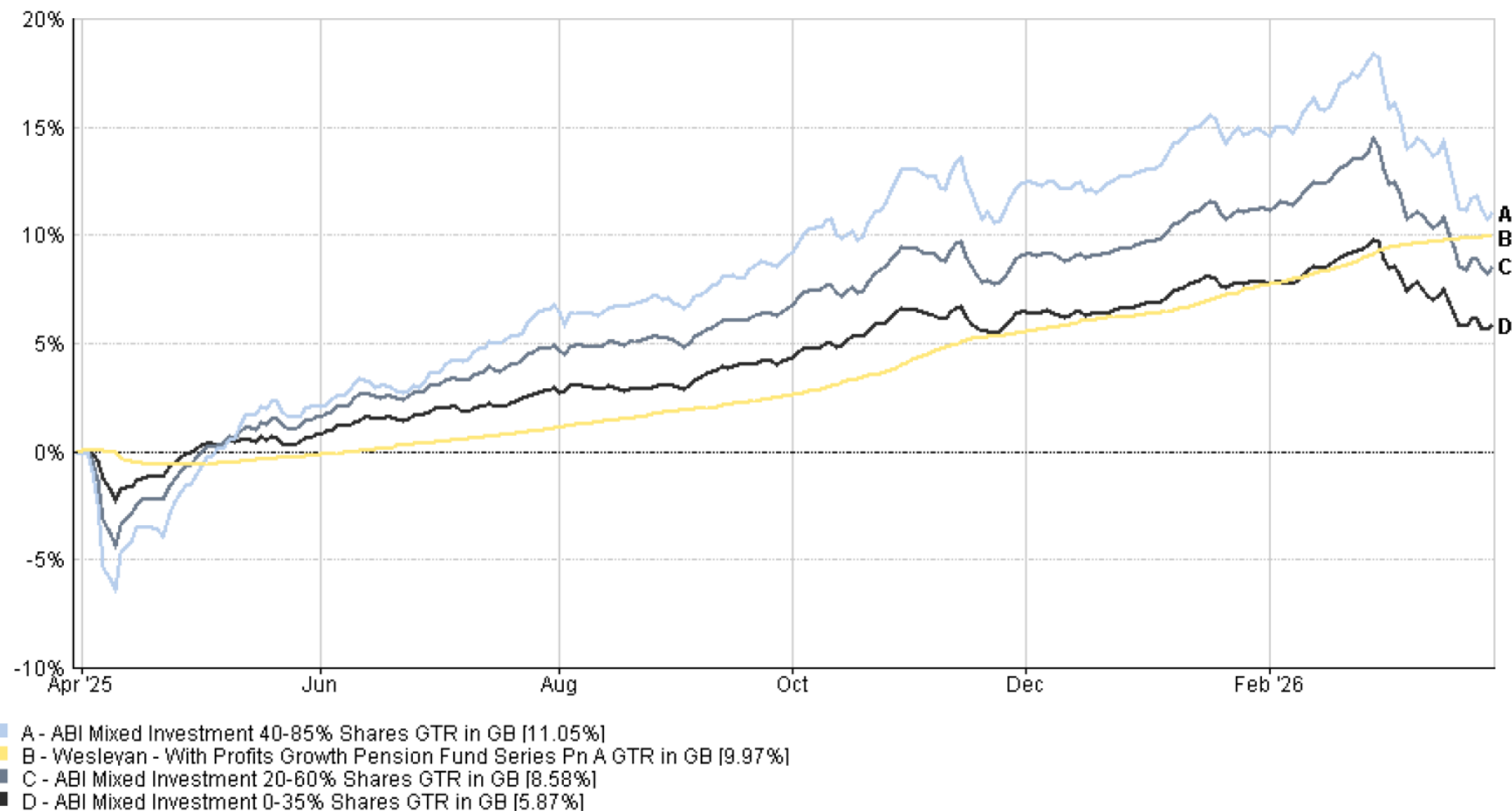


01/10/2025 - 31/03/2026 Data from FE fundinfo2026

\*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. \*\*ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

# Returns Performance - Past Year

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

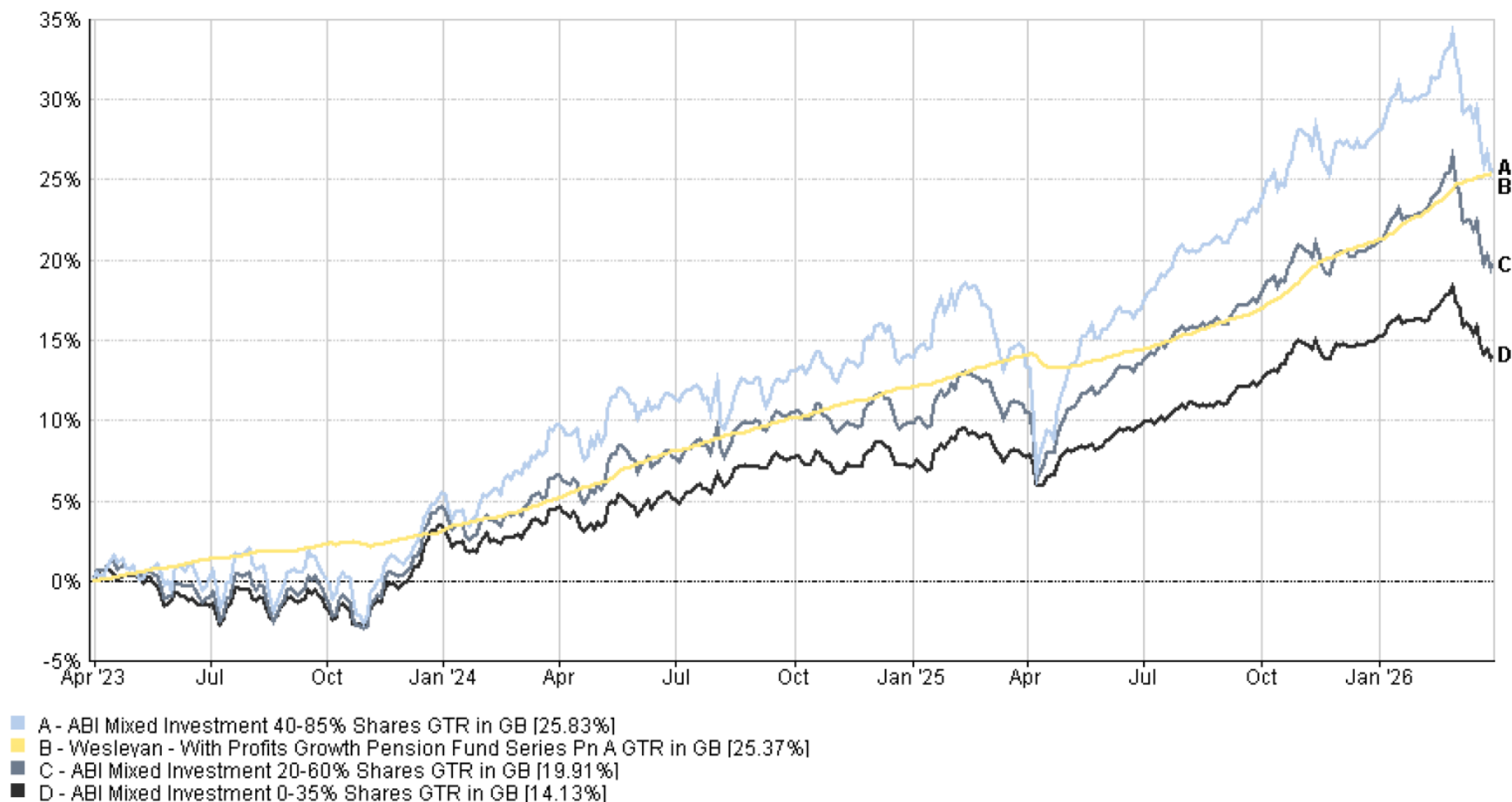


31/03/2025 - 31/03/2026 Data from FE fundinfo2026

\*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. \*\*ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

# Returns Performance - Past 3 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

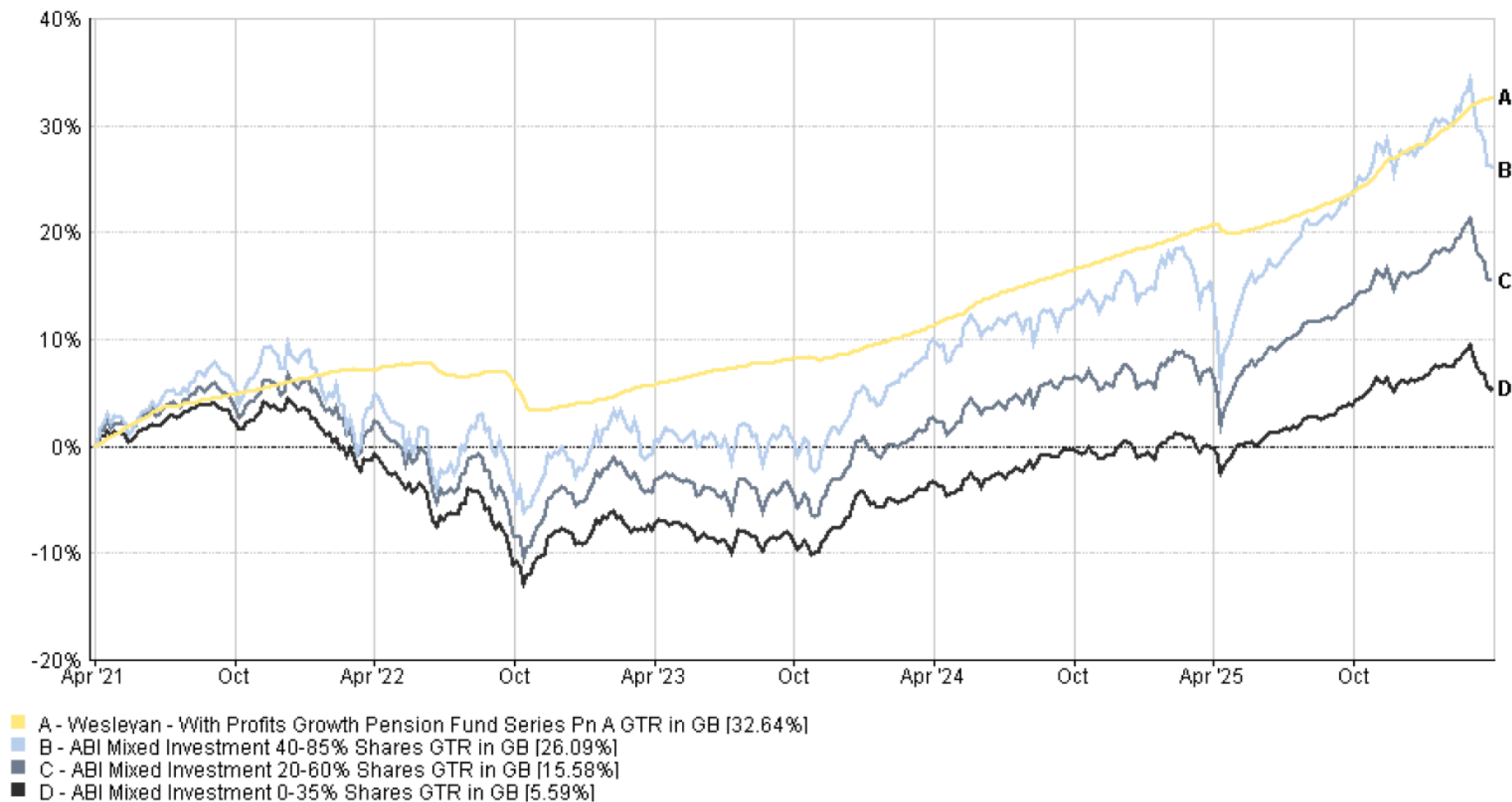


31/03/2023 - 31/03/2026 Data from FE fundinfo2026

\*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. \*\*ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

# Returns Performance - Past 5 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



31/03/2021 - 31/03/2026 Data from FE fundinfo2026

\*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. \*\*ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

# Returns Performance - Past 10 Years

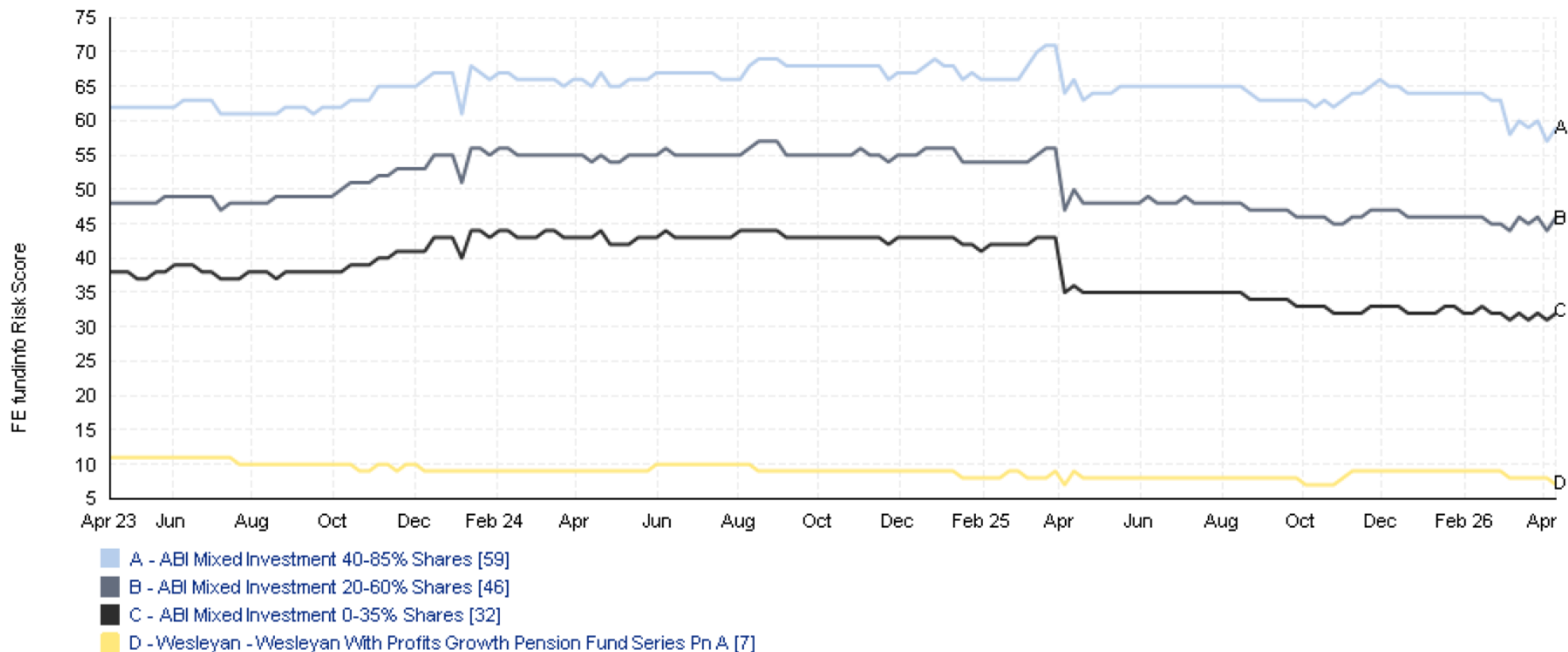
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



31/03/2016 - 31/03/2026 Data from FE fundinfo2026

\*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. \*\*ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

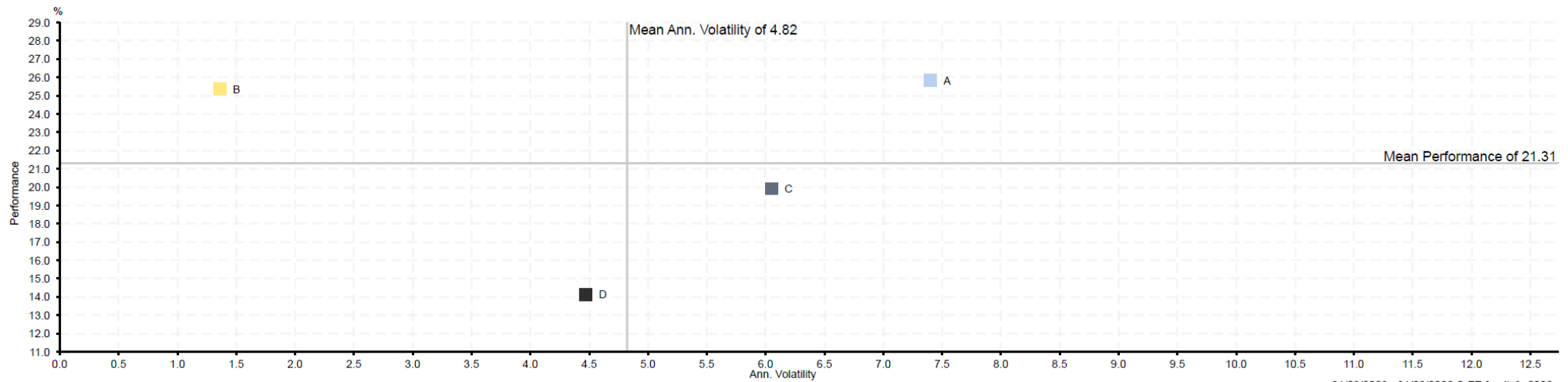
# FE Risk Score Chart - Past 3 Years



14/04/2023 - 10/04/2026 Powered by data from FE fundinfo

# Returns v. Volatility Performance - Past 3 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

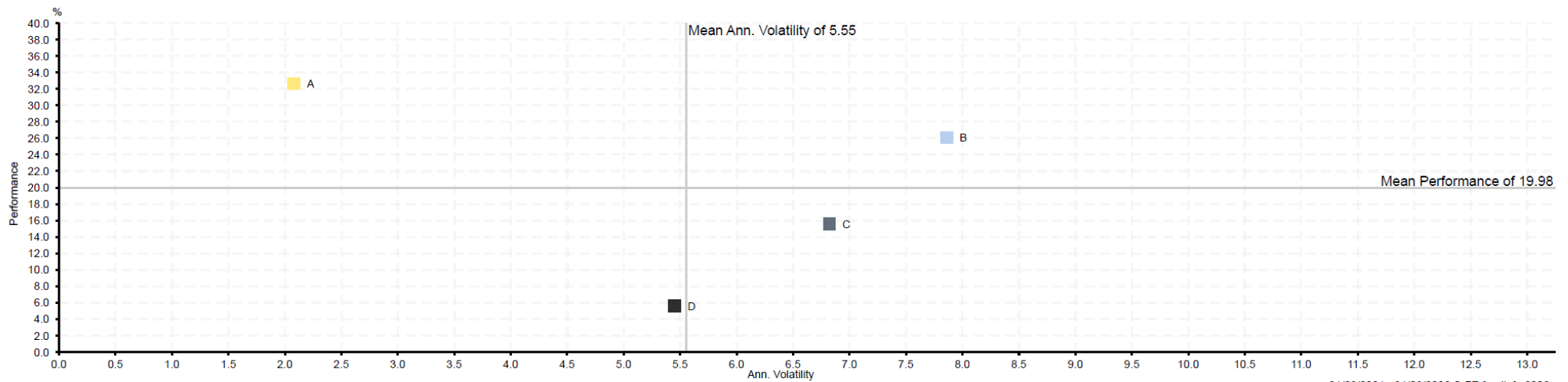


31/03/2023 - 31/03/2026 © FE fundinfo 2026

Key	Name	Performance	Volatility
A	ABI Mixed Investment 40-85% Shares GTR in GB	25.83	7.40
B	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	25.37	1.36
C	ABI Mixed Investment 20-60% Shares GTR in GB	19.91	6.05
D	ABI Mixed Investment 0-35% Shares GTR in GB	14.13	4.47

# Returns v. Volatility Performance - Past 5 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

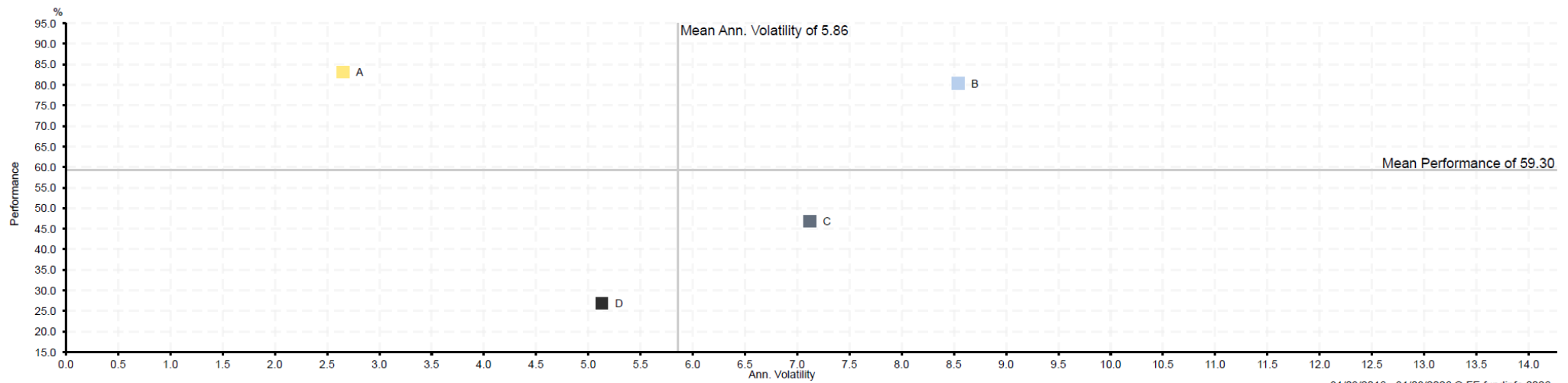


31/03/2021 - 31/03/2026 © FE fundinfo 2026

Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	32.64	2.08
B	ABI Mixed Investment 40-85% Shares GTR in GB	26.09	7.86
C	ABI Mixed Investment 20-60% Shares GTR in GB	15.58	6.82
D	ABI Mixed Investment 0-35% Shares GTR in GB	5.59	5.45

# Returns v. Volatility Performance - Past 10 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

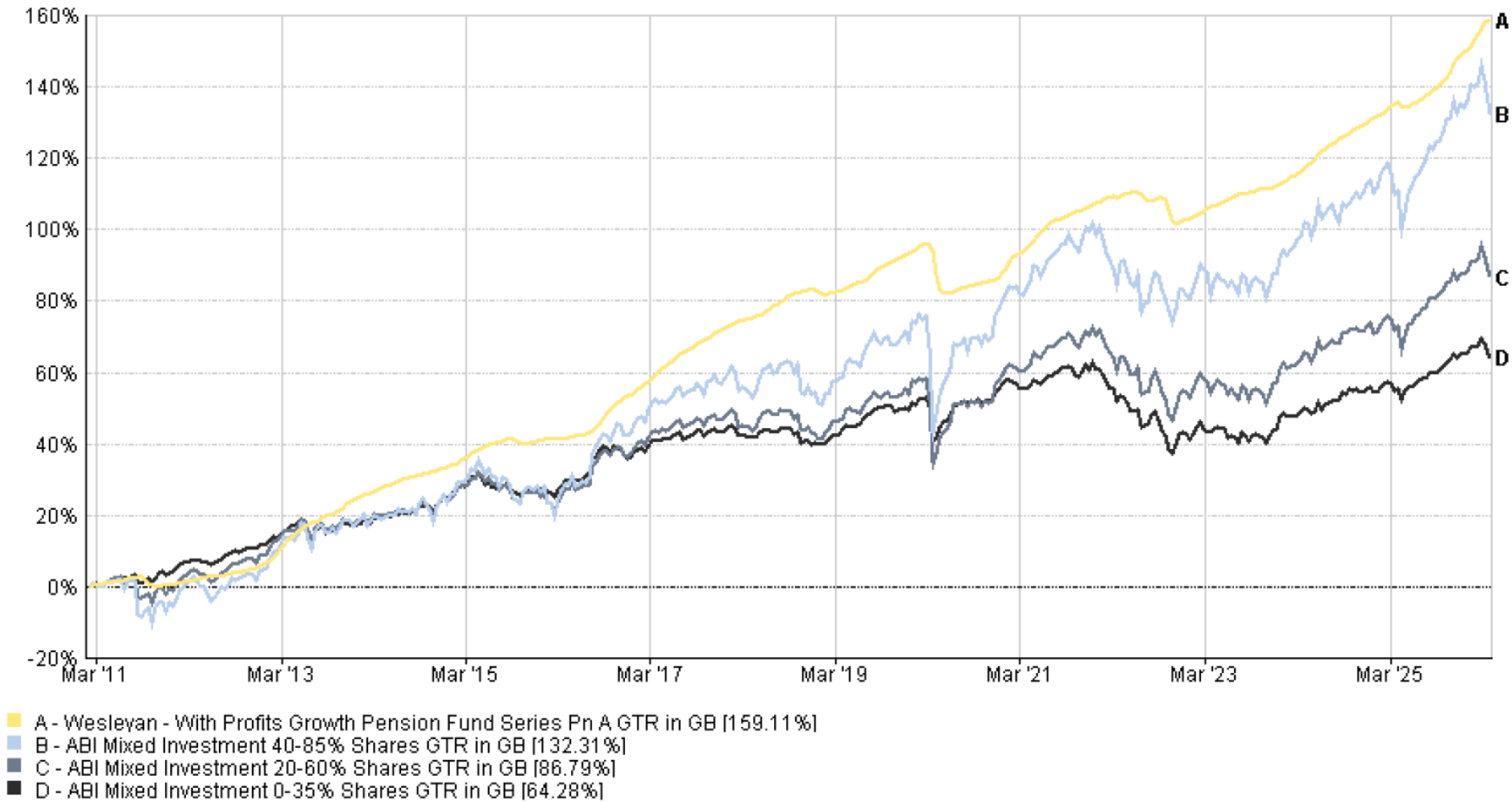


31/03/2016 - 31/03/2026 © FE fundinfo 2026

Key	Name	Performance	Volatility
A	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	83.12	2.65
B	ABI Mixed Investment 40-85% Shares GTR in GB	80.36	8.54
C	ABI Mixed Investment 20-60% Shares GTR in GB	46.87	7.12
D	ABI Mixed Investment 0-35% Shares GTR in GB	26.84	5.13

# Performance Since Inception

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



02/02/2011 - 31/03/2026 Data from FE fundinfo2026

**Please note that past performance is not a reliable guide to future performance and the value of your investment, and any income can go down as well as up, so you could get back less than you invested.**

**For more information or to discuss Wesleyan's With Profits Growth Fund with one of our team please get in touch:**



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