



**IMS** Capital

**Quarterly  
Review**

**Q2 2026**

It is becoming something of a quarterly ritual to begin these updates by observing that markets are once again reacting to the latest actions and announcements from President Donald Trump. Last time it was Venezuela and Greenland. This quarter, attention has once again shifted back to American actions in the Middle East, with abrupt escalation and tentative de-escalation continually shaped by Trump's bombastic rhetoric.

The US and Israel led attacks on Iran at the start of March occurred with limited clarity around political objectives or likely end points. Whilst the ongoing fragile ceasefire is a welcome relief from a humanitarian perspective, the central concern for investors was not geopolitics in isolation, but the risk of disruption to global energy supplies and the knock-on effect on inflation expectations.

These pressures fed quickly into economic data. Higher and more volatile oil and gas prices pushed up headline inflation, forcing policymakers to balance the risk of easing policy too early against the drag that tighter financial conditions can place on growth. For central banks, the challenge has been supporting slowing economies without allowing inflationary pressures to become entrenched. Markets reflected this tension through higher government bond yields in the UK and elsewhere, as investors adjusted to the possibility that interest rates may need to remain restrictive for longer than previously anticipated, and could still move higher.

Despite the unsettling backdrop, it is notable that market moves were not as extreme as headlines might have suggested (as shown on the next page). While volatility increased at times, broader equity markets proved relatively resilient when viewed over the full quarter. This reflects both the absence of immediate economic disruption in developed markets and perhaps a degree of investor complacency after several years of headline-driven shocks.

Away from geopolitics, leadership within equity markets broadened modestly as some of the largest US technology companies lost momentum earlier in the quarter, reflecting renewed scrutiny of the scale and cost of investment required to support the rollout of artificial intelligence. At that stage, investors appeared to be shifting from enthusiasm about potential, towards a greater focus on evidence of payback, rewarding companies able to translate spending into earnings while reassessing those still asking for patience.

As the quarter drew to a close, however, markets adjusted to the prospect of interest rates remaining higher for longer and attention shifted towards relative value and earnings resilience. Against that backdrop, large technology stocks appeared less expensive than they had earlier in the quarter as valuations cooled and expectations reset. Looking ahead, inflation risks remain asymmetrical: while energy prices can ease quickly, their longer-run effects on costs and growth continue to shape central bank thinking. This helps explain ongoing central bank caution and reinforces the benefits of maintaining market exposure, despite periods of heightened volatility.

The second quarter of 2026 was marked by extreme volatility, starting with a continuation of earlier positivity and then experiencing a very strong pullback in response to the US attacks on Iran. As noted above, it is a sign of the market's inclination towards positivity that, despite this instability, almost all of the portfolios performed well over the quarter as a whole, in both absolute and relative terms.

Returns were strongest in Asia and broader emerging markets which benefitted both from higher commodity prices as well as AI-related enthusiasm. This latter point was also good news for our US equity weightings which had a better period than the previous quarter. The technology fund used in some models was up almost 20% over the last month as investors shrugged off concerns about spending and focused instead on the potentially transformative impacts of the AI models which are being developed apace.

Conversely, the Iran war and the impacts on fuel prices and consequently inflation was an unhelpful backdrop for fixed income and parts of the equity market that are sensitive to higher interest rates. This was especially the case in the UK given our reliance on imports with speculation increasing about the number of interest rate hikes that the Bank of England may be required to make. The main UK index fared better given its preponderance of oil companies and arms manufacturers but smaller companies, which tend to focus more on UK consumers, faced stiff headwinds.

Portfolio	3 month performance	12 month performance	36 month performance	60 month performance	120 month performance	12 month historical yield
IMS Defensive Income	-0.09%	8.43%	21.02%	18.61%	49.11%	4.36%
<i>Performance Comparator</i>	<i>0.14%</i>	<i>8.80%</i>	<i>18.57%</i>	<i>10.78%</i>	<i>35.52%</i>	<i>n/a</i>
IMS High Income	1.39%	16.72%	34.33%	38.54%	94.78%	4.07%
<i>Performance Comparator</i>	<i>1.11%</i>	<i>15.37%</i>	<i>27.84%</i>	<i>24.23%</i>	<i>73.16%</i>	<i>n/a</i>
IMS Cautious	1.30%	13.76%	25.60%	24.98%	70.78%	3.18%
<i>Performance Comparator</i>	<i>0.72%</i>	<i>12.97%</i>	<i>24.38%</i>	<i>19.46%</i>	<i>56.14%</i>	<i>n/a</i>
IMS Balanced	2.05%	17.97%	29.55%	28.58%	94.85%	2.68%
<i>Performance Comparator</i>	<i>1.50%</i>	<i>17.82%</i>	<i>31.38%</i>	<i>29.15%</i>	<i>91.88%</i>	<i>n/a</i>
IMS Growth	2.09%	20.32%	34.02%	33.48%	119.82%	2.17%
<i>Performance Comparator</i>	<i>1.19%</i>	<i>17.62%</i>	<i>30.61%</i>	<i>28.09%</i>	<i>95.43%</i>	<i>n/a</i>
IMS Adventurous	3.03%	26.48%	n/a	n/a	n/a	1.71%
<i>Performance Comparator</i>	<i>2.19%</i>	<i>21.20%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
IMS Future Focused Cautious	0.79%	10.27%	22.68%	n/a	n/a	2.85%
<i>Performance Comparator</i>	<i>0.72%</i>	<i>12.97%</i>	<i>24.38%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
IMS Future Focused Balanced	1.44%	13.02%	24.62%	18.20%	95.23%	0.55%
<i>Performance Comparator</i>	<i>1.50%</i>	<i>17.82%</i>	<i>31.38%</i>	<i>29.15%</i>	<i>91.88%</i>	<i>n/a</i>
IMS Future Focused Growth	2.13%	15.37%	26.82%	n/a	n/a	1.95%
<i>Performance Comparator</i>	<i>1.19%</i>	<i>17.62%</i>	<i>30.61%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

All data are to 30/04/2026. Source: Financial Express Analytics

# Portfolio Change Summary

At every review, the Argentis Asset Allocation Committee (AAAC) meets to set sector weightings for the coming quarter. The underlying Strategic Asset Allocations are provided by Morningstar, a global investment research company with a presence in over 30 countries. They are responsible for providing the long-term growth assumptions which form the core asset allocations that make up our models. The AAAC overlays these allocations with our qualitative insights to reflect current market conditions, ensuring a balanced approach between long-term strategy and short-term opportunities.

Alongside asset allocation, we rigorously assess each fund in our portfolios using a multi-metric ranking system that combines short and long-term performance indicators. This helps us compare funds against their peers and maintain appropriate diversification. Our models incorporate a blend of cost-effective "core" passive holdings focused on key regions like the UK, Europe, and the US, complemented by actively managed "satellite" funds. These satellite funds target specific sectors, styles, or company sizes to add diversification and capture unique opportunities. Sometimes, this means retaining funds that may appear to underperform in isolation, particularly when their investment style is out of favour with prevailing market trends. After all, if all funds performed the same way, they might also decline simultaneously, reducing the resilience of the overall portfolio.

While passive funds often outperform in stable markets, satellite funds play a crucial role during shifting conditions by providing exposure to areas of the market that can behave differently from broad indices. We rely on detailed fund research to ensure they remain suitable, which often reduces the need for frequent portfolio changes when their long-term value remains intact. This approach also helps minimise "time out of the market", which refers to periods when investments are not actively generating returns due to buying and selling. Staying invested allows us to capture growth opportunities as they arise, rather than missing potential gains during market upswings.

The most consistent change this quarter was a further increase in exposure to US equities. This reflected both the scale of opportunity in the world's largest equity market (boosted by some recent share price weakness) and the continued broadening of returns beyond a narrow group of mega cap stocks. These increases were largely funded by reductions to gilts as we have greater confidence in equity markets relative to domestic government bonds. As noted above, the UK economy appears to be more susceptible to geopolitical instability compared to other developed markets and the increased likelihood of interest rate rises has made this asset class less appealing.

Full details are available on the relevant Fund Change Summary documents which are available on our website.

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IMS Capital is a trading style of Argentis Wealth Management Ltd, Active Financial Partners Ltd and Argentis Financial Planning Ltd which are authorised and regulated by the Financial Conduct Authority.

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