

IMS Capital

Quarterly Review

Q4 2026

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Market Commentary

The closing weeks of the quarter were rather more choppy than much of the period that preceded them. Oil prices spiked once again and concerns around Artificial Intelligence (AI) produced repeated bouts of volatility in technology shares. Large moves in bond yields also remained an ongoing concern for investors and borrowers alike. Sharp-eyed readers will note that none of these issues are new, but there is a sense that they might be starting to have more of a lingering impact.

Stubbornly high oil prices are a good example of how this is starting to manifest. Donald Trump has explicitly ruled out further US attacks on Iran before the midterm elections on November 3rd but attention is increasingly turning towards what happens after voting has finished. Renewed attacks on Middle East oil infrastructure by regional militia groups, along with the possibility that Trump decides it's time for the gloves to come off, helped push prices almost 25% higher over the quarter. Inflation concerns have already led to interest rate rises, adding to the pressure on already highly indebted economies and, increasingly, companies.

We highlighted at the previous review how government debt yields had been rising and in October the US 10-year Treasury yield reached 5.36%, taking it to the highest level since 2002. This mirrored rises seen in other developed economies as investors demanded greater compensation for given the implied risks. More recently, however, that trend has started to reverse. The 10-year bond dropped back close to 5% by the end of the quarter as demand for safer assets outweighed inflation fears. While a fall of less than half a percent may not seem like a lot, it's a significant move in the bond market. After a period when bonds and equities often moved as one, it is a welcome change to see fixed income assets become diversifiers again.

Outside of geopolitical issues, much of that renewed demand for safer assets has coincided with growing concerns around artificial intelligence, where a clear hierarchy of exposure has emerged. Tech titans like Meta and Google have profitable existing businesses to support huge levels of investment, although both firms have faced questions over their spending plans. Nvidia and SK Hynix are more dependent on the build-out continuing, while specialist infrastructure providers such as CoreWeave are more exposed still, particularly as planned data centres run into problems around financing and power requirements, not to mention more than a little local opposition.

As ever, we're not predicting the imminent end of the AI story. One reason the trade has proved so difficult to bet against is the memory of how painful it can be to watch it continue from the sidelines. Investors can rightly question whether every proposed data centre will actually be built, or whether today's spending will generate sufficient returns, while simultaneously worrying about ignoring a technology that could continue to reshape the economy. We are comfortable having meaningful exposure, largely via our US equity holdings, but remain focused on valuations, rather than allowing fear of missing out to tempt us into chasing the theme at any price.

Performance Update

The backdrop outlined above made for a relatively difficult quarter but despite this, most models outside of the Future Focused range finished the period in positive territory and broadly in line with their performance comparators.

Looking at the quarter from a sector level, it was notable that very few were able to generate anything approaching a good return. Smaller companies equities had another good period on the whole as markets broadened away from AI-led large cap stocks. This was also the case for our equal weight fund which allocates the same amount to every company in the main US index and therefore reduces the impact from the mega cap stocks that usually dominate.

At the other end of the spectrum, areas like emerging market and Asian equities struggled. In large part this is due to their dependence on oil imports with the Iran war keeping prices high. Markets like South Korea and Taiwan are heavily reliant on the AI trade which acted as another headwind for the region. Fixed income sectors were also detractors because their prices move in the opposite direction to their yields. This helps to explain why, in a period of intense volatility, higher risk models outperformed more cautiously positioned alternatives.

Portfolio	3 month performance	12 month performance	36 month performance	60 month performance	120 month performance	12 month historical yield
IMS Defensive Income	0.05%	3.72%	25.67%	19.09%	42.09%	4.41%
Performance Comparator	*0.02%*	*3.29%*	*23.94%*	*11.28%*	*29.36%*	n/a
IMS High Income	-0.03%	8.06%	41.29%	39.61%	80.03%	4.04%
Performance Comparator	*0.30%*	*6.36%*	*36.59%*	*24.69%*	*63.32%*	n/a
IMS Cautious	-0.21%	7.11%	33.91%	25.57%	61.18%	3.12%
Performance Comparator	*0.06%*	*5.29%*	*31.76%*	*19.62%*	*48.39%*	*n/a*
IMS Balanced	0.08%	9.40%	41.26%	29.64%	79.19%	2.64%
Performance Comparator	*0.53%*	*7.44%*	*41.56%*	*29.94%*	*79.61%*	n/a
IMS Growth	0.44%	11.09%	46.93%	35.50%	98.83%	2.11%
Performance Comparator	*0.47%*	*6.91%*	*40.04%*	*28.22%*	*80.65%*	n/a
IMS Adventurous	0.57%	13.32%	n/a	n/a	n/a	1.71%
Performance Comparator	*0.59%*	*7.92%*	*n/a*	*n/a*	*n/a*	*n/a*
IMS Future Focused Cautious	-0.57%	4.33%	31.10%	n/a	n/a	2.90%
Performance Comparator	*0.06%*	5.29%	*31.76%*	*n/a*	*n/a*	*n/a*
IMS Future Focused Balanced	-0.46%	5.45%	35.39%	15.67%	86.56%	2.46%
Performance Comparator	*0.53%*	*7.44%*	*41.56%*	*29.94%*	*79.61%*	n/a
IMS Future Focused Growth	-0.61%	6.63%	39.86%	n/a	n/a	1.99%
Performance Comparator	*0.47%*	*6.91%*	*40.04%*	*n/a*	*n/a*	*n/a*

All data are to 31/10/2026. Source: Financial Express Analytics

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Portfolio Change Summary

The strategic asset allocation on which the models are based is constructed using the volatility guidelines provided by Morningstar, a global investment research company with a presence in over 30 countries. They are reviewed annually and are our long-term growth assumptions. The Hawksmoor investment committee overlays these allocations on a quarterly basis using a combination of propriety modelling systems alongside our qualitative insights to reflect current market conditions, ensuring a balanced approach between long-term strategy and short-term opportunities. At all of these stages we have a focus on valuations as we believe that long-term investment success starts with buying regions and asset classes that offer the best value, not just the best recent returns.

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 changes at this review focused on a reduction to our Japanese equity weighting. The region has had a strong run and whilst we retain a meaningful allocation across many models, cutting the allocation was appropriate from a valuation perspective. We have also implemented a further small increase to US equities in some models. An increase to US equities is again a reflection of a small improvement in the valuation outlook for the region given recent events.

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

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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