Epworth
Investing Faithfully

QUARTERLY INVESTMENT REVIEW

Q1 2026

Summary of financial markets, our market outlook and responsible investment review for the quarter

RISK WARNING

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REVIEW OF THE QUARTER

ECONOMIC OVERVIEW

The first quarter of 2026 was a tale of two halves. Continued resilient economic performance driven by AI-related investment and recovering consumer and investor confidence saw strong economic data reported across many major economies, although concerns remain about job markets in the US and UK. However, this was entirely overshadowed by the outbreak of war in the Middle East following US and Israeli strikes on Iran at the end of February, which sent oil and gas prices sharply higher. Iran is OPEC's fourth largest oil producer and the key shipping lanes along its coast see around 20% of the world's crude pass through. This area is also key for supplies of gas, fertilizer and other important chemicals and ingredients for the global economy. If these supplies are disrupted for months rather than weeks, it would significantly challenge global growth and raise inflation noticeably for most economies.

US President Trump, buoyed by his success in achieving leadership change in Venezuela at the start of the year, hoped that executing Iran's leadership would bring their replacements to the negotiating table with a more conciliatory position. With mid-term elections looming in November and inflation already a problem for US voters that is putting his party under pressure, Trump cannot afford for the conflict and economic damage to drag on. However, by the end of the quarter it was becoming clearer that Trump appeared to have underestimated the Iranians capabilities to hold the global economy hostage, raising the risks for investors.

In the UK, the labour market has weakened, with unemployment rising to a five-year high of 5.2% and wage growth easing to 3.8%. Inflation fell to 3.0% in January as food and transport prices moderated, and prior to the Middle East conflict we had expected it to return to 2% by this summer, which would allow the Bank of England to cut interest rates from the current 3.75% and stimulate economic activity. However, the outbreak of war changed the calculus materially: higher energy prices are now expected to keep the rate of inflation above 3% for materially longer, causing the market to dramatically revise assumptions and expect rate hikes, rather than cuts, before the end of 2026.

The euro area entered 2026 in better shape than it has for some time, with signs of economic momentum across most states (with the notable exception of France) supported by significant government spending in the largest economy, Germany. Inflation fell to 1.7% in January, briefly undershooting the ECB's 2% target. But, as with the UK, the Iranian conflict has materially changed the outlook for inflation and growth given Europe's heavy reliance on energy imports, meaning "stagflation" risks that require careful policy to navigate.

In Japan, a snap general election in early February returned a remarkable landslide victory for Prime Minister Takaichi, providing a mandate for significant new government spending in search of elusive growth. The Bank of Japan held its policy rate at 0.75% — the highest since 1995 — having raised it to that level in December 2025. Further hikes are being carefully planned to maintain financial stability (Japan is already the most indebted developed economy in the world), and the Middle East conflict presents another challenge for a country also heavily reliant on energy imports.

Asia more broadly is also hugely exposed to the Iranian conflict. China has strong energy reserves and good relations with Iran, aiding its position, but emerging economies such as Indonesia, South Korea and India are seeing energy rationing that will hit previously strong economic momentum. A US Supreme Court ruling during the quarter struck down the legal basis for presidential tariff powers, offering some relief to trade relations, but the global political and economic outlooks remain more intertwined and unpredictable than has been the case for a long time. Russia is a beneficiary of this outlook, with the number of buyers and value of its vast energy reserves suddenly hugely increased.

MARKET OUTLOOK

Epworth's 2026 market outlook began by stating "Epworth's base case is that for investors, 2026 will to a significant extent be driven by the same two unpredictable, disruptive forces that made 2025 such a remarkable year – Donald Trump and Artificial Intelligence." Q1 2026 exhibited exactly this trend, with significant new AI model releases altering market expectations for economic disruption from technology over the coming years, before President Trump's military action in Iran turned confidence in the economic picture on its head.

At Epworth, we believe markets have been primarily focused on inflation since the military conflict in Iran began, as oil and gas prices moved higher. This has driven some pressure on equities, but also significantly increased bond yields and interest rate expectations. March was an extraordinary month that saw equities, bonds and gold prices fall almost in unison, providing investors very few places to hide. Epworth's tactical preference for cash at the start of the year proved a valuable source of capital protection that also provided opportunities to buy where we viewed the sell-off as potentially excessive.

This brings back memories of 2022 when Russia invaded Ukraine, but we believe there to be critical differences in the economic backdrop this time that make it less likely that the inflation shock from higher energy prices will prove sticky in the UK, Europe and Asia. Consumers were already experiencing pressure before this crisis, unlike in 2022 when they were benefitting from generous government support post the pandemic. This suggests that the impact on growth is likely to be more acute and less inflationary – an important issue for asset performance. Higher energy costs act as a tax on consumers and businesses across most of the economies we invest in, and the uncertainty alone - over the duration of the conflict, the resilience of shipping routes, and Trump's willingness to absorb the economic consequences - is enough to materially dampen confidence and investment. This distinction between the inflation story and the growth story is the central driver of our repositioning this quarter.

The range of outcomes from here is wide, and we think about them in terms of two broad scenarios. In the first, which we consider most likely, the ceasefire announced in April holds leads to a more permanent peace deal that reopens the Strait of Hormuz permanently, allowing energy prices to retreat slowly from recent peaks as damage to infrastructure is repaired and shipping resumes. In this scenario, the global economy slows but avoids recession, central banks largely look through the short-term hike in energy prices, and risk assets find a platform to recover. In the second scenario, the conflict reignites, energy prices remain elevated, and the global economy faces a more serious growth shock. Inflation stays uncomfortably high even as activity deteriorates, creating the stagflationary conditions central banks find most difficult to navigate and asset markets most difficult to price. This scenario would suggest more significant weakness in equities in particular.

Against this backdrop, Epworth have made a meaningful tactical shift: reducing cash and deploying into sovereign bonds ahead of the April ceasefire, with a significant preference

for UK gilts. Gilt yields rose to their highest level since 2008 in March, further than we felt justified by fundamentals (whilst acknowledging the ongoing political and inflationary risks to the UK economy). We expect bonds to benefit as growth concerns come to dominate the inflation narrative and rate cut expectations are gradually restored. In the adverse scenario, sovereign bonds offer exactly the recession protection that equities and credit do not. The asymmetry is attractive. We are more cautious on corporate credit: spreads have widened only modestly and do not yet adequately compensate for the risk of a sharper growth slowdown.

Turning to equities, Epworth remains neutral overall. Valuations have moderated from recent peaks and long-term fundamentals are intact, but the near-term environment warrants caution given binary risks and cash has been retained in case better buying opportunities materialise. The tactical preference for UK equities has been removed - despite appealing valuations, the UK's economic sensitivity to energy costs and consumer confidence makes domestically focused companies vulnerable if the conflict persists. Within alternatives, infrastructure with power price exposure has provided some hedge against energy inflation, whilst commodities also offer some diversification support. Epworth continues to hold these diversifiers whilst steering largely clear of private market exposure, where leverage and valuation concerns persist.

RESPONSIBLE INVESTMENT REVIEW

During the first quarter of 2026, our stewardship activity was focused on our Conflict pillar. This pillar is one of the seven pillars that form our ethical framework, along with earth and ecosystem; labour; equality; health and wellbeing; fairness, responsibility and transparency; and society. The conflict pillar reflects Epworth's commitment to ensuring that capital is stewarded in a way that does not contribute to violence, oppression or violations of international humanitarian and human rights law.

Our stewardship activity took place against a backdrop of continued geopolitical instability and heightened concern about the role of corporate actors in conflict contexts, particularly where digital infrastructure, data services and artificial intelligence may enable or exacerbate harm. The quarter therefore prioritised targeted engagement and the strengthening of internal frameworks for identifying material conflict related risk within portfolios.

A central focus during the period was company involvement in active conflict settings, most notably Israel–Palestine. During the quarter, targeted correspondence continued with a small number of global technology and consulting companies where there is a potential link between their services and military or security operations. These engagements sought clarity on the nature of contracts and services provided, governance oversight at board and senior management level, and the human rights due diligence processes in place to assess and mitigate risks linked to surveillance, targeting or other forms of civilian harm. Responses received during Q1 are being reviewed and will inform the next phase of engagement and potential escalation where necessary.

Alongside these individual engagements, we also saw further progress in developing a more structured approach to identifying companies with elevated conflict exposure across portfolios. Building on earlier analysis, work during the quarter focused on refining criteria related to technology enabled conflict risk, AI use in military contexts, and supply chain exposure in conflict affected or high-risk jurisdictions. This has supported the

identification of a small number of priority companies for potential future engagement, with a view to ensuring consistency, proportionality and clear stewardship objectives.

Emerging risks associated with artificial intelligence remained a crosscutting theme throughout the quarter. Particular attention was given to the rapid pace of AI deployment in security and defence related contexts, and the challenges this poses for transparency, accountability and human rights compliance. This analysis is informing wider stewardship expectations on AI governance and supports alignment between the Conflict pillar and broader work on fairness, responsibility and transparency.

AN UNCOMFORTABLE DILEMMA: IS THE US TOO BIG TO EXCLUDE?

Epworth's ethical investment approach is anchored in a clear, theologically grounded framework that includes a Conflict pillar that expects "people and companies to work actively toward peace," placing real constraints on profiting from or normalising militarism and coercion. This approach has been developed through a period of historically remarkable peaceful harmony between great powers, led by American hegemony and promotion of global institutional order as a framework for managing disputes. To an extent, an unwritten assumption has prevailed through this time: that those pursuing conflict were likely to be authoritarian outsiders attempting to threaten the Western-dominated modern economic order founded on peaceful globalisation.

More recent US behaviour under President Donald Trump raises a hard, practical challenge to that assumption. Christian, values-driven investors are now faced with a significant conundrum: when a dominant "ally" behaves in ways that repeatedly flirt with gunboat diplomacy, is continued broad exposure compatible with faithful investment — or have we reached an ethical red line?

Since the start of 2026 alone, President Trump has threatened coercive measures over Greenland, escalated rhetoric against NATO, and launched military strikes on Iran — the legality of the latter, under both international law and the boundaries of US executive authority, remains hotly contested. The Greenland example, with Trump's insistence on "ownership and title" of a territory belonging to a NATO partner, sits awkwardly with Epworth's Conflict pillar, which rejects coercion that undermines sovereignty and peace.

If this pattern marks a new normal, ethical investors must ask whether US assets — both equities and bonds — can be held without eroding Christian witness to peace, restraint and the rule of law. Epworth's Conflict pillar seeks to avoid profiting from, or tacitly blessing, conflict-escalatory behaviour. Yet the United States is not a single issuer; it is a market ecosystem in which US assets dominate global benchmarks. The US now represents roughly two-thirds of global equities by market capitalisation, near historic highs, and US stocks have significantly outpaced international peers since the Financial Crisis more than fifteen years ago, highlighting the potential cost of seeking to exclude the world's most financially successful economy. Meanwhile, the US fixed income market remains the world's deepest and most liquid, with almost $50 trillion outstanding, anchoring global pricing and risk premia and forming the basis for most diversified investment portfolios.

After 2008, certain banks were labelled "too big to fail," forcing policymakers to weigh systemic risk against moral hazard. Ethical investors may now face a parallel dilemma: is the United States, given its market share and corporate leadership, "too big to exclude"? The analogy is imperfect, but the core question rhymes: when concentration risk meets ethical hazard, how do we steward capital faithfully without imperilling beneficiaries' financial security? Excluding the US wholesale would mean excluding the heart of global capital markets, to the significant detriment of client beneficiaries. Nobody in the US is likely to notice if UK faith-based charities withdraw their capital on ethical grounds — so would exclusion achieve anything other than social harm at home? That said, the Christian tradition has always understood that the value of moral witness does not depend solely on its measurable impact. Faithfulness sometimes requires standing apart, even when the world is not watching.

At the same time, inaction carries its own ethical and reputational costs if investor capital implicitly endorses coercive statecraft and the erosion of international norms. There is a cautionary parallel here within the broader investment industry. Significant parts of the "sustainable" investment sector are currently reinterpreting defence exposure as "ethical" or "sustainable," often framed as supporting security and therefore social stability. European ESG funds have materially increased their aerospace and defence exposure since 2022, with a notable acceleration recently as policymakers encouraged private capital to support rearmament and share prices rose steeply. Epworth is not immune to this pressure — but it is precisely here that we must ask whether we are being shaped by the market's winners or by our convictions about human dignity and peace.

This is perhaps the subtlest danger in the current moment: not exclusion failure, but ethical drift — allowing the market's winners to quietly rewrite our moral vocabulary. Trump's contradictions tempt us to ignore words and focus only on outcomes, yet the

Greenland and NATO episodes show that rhetoric itself can be coercive and destabilising, and the legality debate over Iran reminds us that the rule of law is not optional in peace-making.

There remains hope that this is simply a political cycle. Before 2030, Trump will no longer be President, which may herald a meaningful change in rhetoric around international relations. But waiting is not the same as doing nothing. Epworth is actively reviewing the implications of this environment for portfolio positioning and will continue to engage transparently with clients as our thinking develops.

Can corporate engagement work in the meantime? Engagement aims to influence corporate conduct, not national policy — and the environment for doing so in the US has become markedly more difficult. Corporate regulatory disclosure has tightened, stalled and fragmented under pressure from the Trump administration, with clear threats to those seeking to uphold ESG values. Given this, there is a strong case to focus engagement where disclosure and responsiveness are higher, as remains the case in Europe, where outcomes are likelier when transparency is mandatory and policy is stable.

For Epworth, the task is not to keep pace with the market's ethical fashions, but to remain consistent: hold the line on conflict, engage rigorously where we remain invested, and seek abundant near-term opportunity for positive influence beyond the US while this political cycle runs its course. The 2008 crisis taught us that pragmatism must sometimes be held in tension with prudence. Our task is to avoid two equal and opposite errors: moral paralysis because the US is large, and moral grandstanding that sacrifices beneficiaries without improving outcomes. Faithful stewardship means navigating between them — firm on principle, agile in practice, and persistent in the conviction that how we invest is itself a form of witness.

ARTIFICIAL INTELLIGENCE IN THE MILITARY: WHEN GOVERNMENT AND TECH COMPANIES COLLIDE

Technology stocks have been performing strongly in recent years, but ethical investors face new challenges as AI has caught the attention of militaries worldwide. The recent dispute between the Pentagon and the artificial intelligence company, Anthropic, has highlighted a growing tension at the heart of the AI revolution. The US Department of Defense has attempted to classify the company as a potential “supply chain risk,” in retaliation for the company’s insistence that safeguards are placed on how its AI capabilities are used in warfare.

The core disagreement is Anthropic’s desire to maintain and monitor its principle that AI must not be used for mass surveillance in the US or for autonomous weapons. “AI systems” says Dario Amodei, CEO and co-founder of Anthropic “are simply not reliable enough to power fully autonomous weapons”.[1]

This tension is not entirely new. In 2018 thousands of employees at Google protested the company’s participation in Project Maven, a Pentagon programme that used machine learning to analyse drone surveillance footage. The protests eventually led Google to withdraw from the project and publish a set of AI principles that limited certain military applications of its technology. Similar debates have emerged at Microsoft, Amazon, and other firms whose cloud and AI services are increasingly used by defence agencies.

For governments, the appeal of AI is obvious. Advanced data analysis, autonomous systems, and machine-assisted decision tools promise to transform everything from intelligence gathering to logistics and battlefield coordination. Yet the companies developing these technologies are often driven by very different priorities. Many Silicon

[1] https://www.anthropic.com/news/statement-department-of-war

Valley firms have corporate cultures shaped by strong ethical debates about the role of technology in society. In some cases, employees have protested or resigned over defence contracts; in others, companies have tried to draw lines around how their technologies may be used. When the perspectives of militaries and technology providers collide, friction is inevitable.

Part of the difficulty lies in the absence of widely agreed international rules governing the use of AI and emerging technologies in warfare. Governments have spent years discussing these issues within forums such as the United Nations Convention on Certain Conventional Weapons (CCW). On issues around autonomous weapons systems and how to define 'human control', progress has been slow. Now, sadly, negotiations on binding regulations are deadlocked and it appears that it is left up to corporations and governments to work out the rules between them.

Public attitudes towards war and peace also shape this debate. In this respect, churches in the UK and further afield have been vocal in recent years. There remains a deep moral intuition that the taking of human life is a grave and tragic act, even when it occurs in the context of legitimate self-defence. This creates a strong expectation that decisions about lethal force should always involve meaningful human judgement and accountability. The drift towards increasingly autonomous technologies in war raises difficult questions about where responsibility ultimately lies. Is it with the soldier who presses the button, the commander who authorises the operation, the engineer who trained the system, or the company that provided the underlying technology?

These questions are important for governments and technology firms but should also matter for investors. At Epworth, we believe that ethical investors must be prepared to exclude technology companies if they cannot prevent the capabilities that they offer from being used in the systemic abuse of human rights or to facilitate automation in weapon systems. In this respect, the company Palantir has attracted sustained criticism for partnerships in relation to mass surveillance, human rights and border control in the

US, Israel/Palestine and elsewhere. Consequently, Epworth has recently determined that Palantir should be excluded from our portfolios on ethical grounds.

Epworth is currently conducting a broad review of the investment implications of contemporary conflict, and Alphabet, IBM, Microsoft and Oracle are top of our list for engagement. We are committed to contributing to the debate, both directly with companies and in collaboration with investor groups. We are convinced that investors, as owners and beneficiaries of these major corporations, have a valuable role in shaping how controls around AI technologies are developed.

CHILDREN MUST NOT BE THE FORGOTTEN STRAND IN RESPONSIBLE INVESTMENT

Each year the Children's Society publishes its 'Good Childhood Report', which presents a thoughtful and informed consideration of child wellbeing in the UK. The 2025 report makes for sobering reading, indicating that across all of its reported indicators, child wellbeing is declining. These issues can be complex and systemic, and some can only be addressed by policy makers and other committed agents of change.

It is noticeable, however, that the report addresses how children feel and relate to areas of their lives we have focused on in this series of Epworth articles addressing children as a forgotten constituency in investment stewardship. We firmly believe that the power of stewardship and engagement can be harnessed by investors to give children a voice. Since responsible and sustainable investment became well established, asset owners and managers have integrated major themes such as climate change, modern slavery and wider human rights into investment selection. These initiatives by the global investment community have undoubtedly progressed significant change, despite some wobbles along the way. However, in 2025 and beyond we wanted to address a significant gap in thinking; children.

We noted last year, that children as a constituency have been broadly overlooked by investors and fund managers, despite their being a target audience for global business. The Good Childhood Report notes that 'young people don't have much power, [but] they still want to change things in society'. Children have no agency, little lobbying power, and in the main only secondary financial 'investment' via an adult parent or guardian. As we have shown, this is to ignore the profound impact business may have on children as participants in the economy, or as parties potentially exploited by it. We feel implicitly that responsible investors have a duty to bring these issues into the light, in ways that have hitherto remained invisible.

In two areas we have looked at – technology and nutrition and wellness – the Good

Childhood Report[1] concurs; these are major issues that affect wellbeing. When asked about how they feel in terms of physical and mental health, a majority of surveyed young people showed a degree of worry. For girls in particular, this equated to body image and peer pressure to 'look a certain way'; areas that can be influenced by corporate marketing and branding. Linked to these concerns, the survey emphasised the 'impact of content' including social media, and how better media regulation could enable young people to forge a better relationship with connectivity and learning.

We then showed in our third article that rolling back the tide of advancing technological change may be elusive, but notwithstanding that, it is incumbent on actors to seek frameworks for responsible use. Policy makers have struggled to respond to the momentum of digital transition in terms of safeguarding, but we observed that addiction and content saturation and illegal content and online abuse that affects mental and at the extreme, physical, wellbeing were two key areas for focus.

In our fourth article we turned to health and wellness more generally by suggesting there is nothing more pressing than driving a progressively improving health & wellness agenda where it concerns young people. Whilst Government will always be the central actor for public health interventions, investors have a powerful role to play via engagement with food and beverage manufacturers to place product refreshment, and healthy options at the heart of any discussion. Health & wellness represents a complex arena of issues for investors, but one that affects children and young people in the most profound way given the impact on future life chances. The Good Childhood Report, whilst not specifically linking poor mental health with poor nutrition, it remains demonstrably clear that body image and 'not liking the way they look' is among the most pressing concerns for young people today.

Food and beverage related companies may represent a material part of any investment portfolio, and for responsible and sustainable investors, this is an area where maximum engagement and influence can and should be exerted.

[1] Good Childhood Report 2025 www.childrenssociety.org.uk

In our penultimate article we turned our attention to an issue of major concern and complexity; supply chain child labour. Globalisation, with its extended supply chains, significantly exacerbates the risk of children being exploited or abused within non-transparent chains of custody. Whether this is in the area of agricultural husbandry (plantation and family small holdings), or textiles, children are at risk.

Over the past two decades, responsible businesses have made decent efforts to understand their supply chains better, to interrogate suppliers, and to route out the worst incidences of abuse. It is a fact however, that for some, children remain an important means of family subsistence, and cultural sensitivity has had to form a part in understanding how to improve conditions without plunging families and communities into poverty. Child labour encompasses both paid and unpaid work, within and without the family unit. Whilst it can exhibit as a form of slavery, it may also be very low or non-paid work that takes children in poverty out of education or play. Estimates of the extent of child labour vary greatly given its invisibility, but UNICEF estimates that 138 million children are impacted by the phenomenon of child labour. Some of this may not be injurious to them; it's why total eradication and zero-tolerance may be impossible. However, ILO (International Labour Organisation) and the Convention of the Rights of the Child place limits and boundaries on what is deemed to be 'acceptable'. These, for instance, reference long hours and arduous or dangerous work where the child is below a certain age. This is therefore an area responsible stewards of capital, both businesses and investors, know and understand well, and can act on.

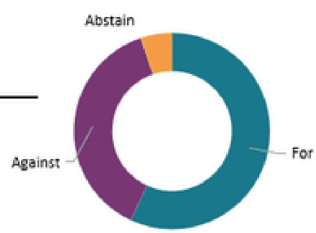
As pioneering ethical investors in the UK, applying Christian ethics in all we do, Epworth Investment Management strongly believes children should no longer be ignored when exercising responsible stewardship in investment. There will, of course, be other areas in which investors can be a positive and instrumental advocate for children; Epworth has been, perhaps, unique in its thinking, publishing a Position Paper and Investment Policy on children nearly two decades ago. This suite of six articles preludes more work we hope and expect to carry out in 2026 and beyond.

We hope as clients of Epworth, these articles have been of interest and we welcome your feedback on the issues raised.

EPWORTH VOTING SUMMARY: Q1 2026

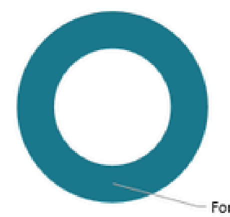
Remuneration reports

For	33
Against	22
Abstain	3



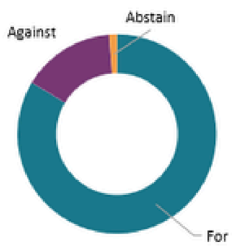
Auditors appointments

For	24
Against	0
Abstain	0



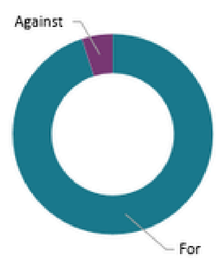
Directors

For	199
Against	36
Abstain	3



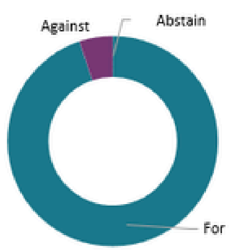
Executive pay schemes

For	19
Against	1
Abstain	0



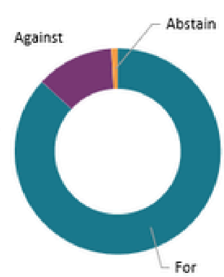
Other

For	240
Against	13
Abstain	0



Total Votes Cast

For	515
Against	72
Abstain	6



Epworth Investment Management adheres to the principle that one of the privileges of owning shares in a company is the right to vote on issues submitted to a shareholder vote. Voting is carried out at all UK and global company meetings, in which Epworth invests, in line with a collaborative Church Investors Group (CIG) policy which is reviewed annually. The voting template is implemented by the CIG's service provider, ISS (Institutional Shareholder Services). The latest policy for voting can be found on the Epworth website. The above charts detail the number of votes we have participated in during the last quarter as well as how we have voted.

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