BinaryCapital

Outlook

January 2026

Outlook and Positioning 2026

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Looking ahead to 2026, our message is one of continuity rather than change.
We do not plan any radical shifts to the portfolios. We are long-term investors, taking a patient and disciplined approach to capital allocation. Investment performance has been strong, and our priority is to build on this by staying consistent with the philosophy that has delivered those outcomes.

The US remains a core long-term allocation, but valuations warrants care.
We have been constructive on US equities for many years and continue to see them as an important driver of long-term returns. That said, US equity valuations are elevated by historical standards. High valuations can persist, and often exist for good reasons, but they do increase risk at the margin.

On valuation and diversification grounds, we have therefore made a modest reduction to US exposure and reallocated that capital towards Emerging Markets. This allows us to take some valuation risk off the table while increasing exposure to regions with lower starting valuations and broader long-term growth potential.

It is worth emphasising that we remain overweight the US relative to many peers, and we are comfortable with that positioning.

Alternatives and blended strategies continue to play a supporting role.
Where portfolios include alternatives, we remain committed to this allocation and will look to add selectively where appropriate. One area of interest has been the MAN Dynamic Income, which we believe offers attractive diversification characteristics.

Within our CORE strategies, which follow a blended approach, we have introduced selective value exposure to complement core and growth equities. Examples include Kennox Strategic Value and Latitude Global. These are managers we have spent considerable time with and know well at an investment team level.

The UK remains attractive on valuation grounds.
UK equities continue to offer compelling valuations relative to other developed markets. Where appropriate, portfolios are positioned here and are often overweight relative to the index.

In summary.
Our approach remains high conviction, long term, and low turnover. We do not make frequent changes, and the adjustments described above reflect careful rebalancing rather than a shift in strategy. This discipline is central to how we aim to deliver consistent outcomes for clients over time.

Saftar Sarwar
Chief Investment Officer

Saftar Sarwar

Outlook Summary

Global markets are experiencing a genuine regime shift, often obscured by short-term narratives. Structural changes including the rewiring of trade and supply chains, partial de-globalisation, greater fiscal activism, and a shifting monetary policy backdrop are reshaping long-term risk and return.

At the same time, powerful secular forces such as AI, robotics, energy efficiency, the continued rise of the East, and healthcare innovation are moving from promise to delivery. These themes are already generating meaningful returns, albeit for a relatively narrow group of winners.

We remain constructive into 2026 and, more importantly, over the long term. The opportunity set remains attractive, even if returns are likely to be uneven, concentrated, and at times unexpected.

2026 is expected to be marked by further rate cuts. Tarriff fears have abated, while global growth remains resilient and inflation is easing, US unemployment is rising. Stagflation risks have not fully disappeared, and many underlying risks persist in many corners of the market. Central banks are inclined to ease policy, but their room for manoeuvre is constrained by credibility concerns, fiscal pressures, and still-elevated services inflation.

Our approach is macro-aware but bottom-up in execution. Ultimately, earnings, cash flows, and balance sheet strength drive equity returns. Our focus is on capturing long-term compounding from a selective group of businesses with durable fundamentals

Indexation has been highly effective in recent years, capturing the rise of big tech, but it implicitly assumes that today's market leaders will continue to dominate.

Valuation pressures remain elevated, particularly in the US, and AI will not lift all companies equally. Dispersion is likely to remain high, and history shows that when valuations reach these levels, drawdowns can be sharp and rapid.

That said, today's market leaders are fundamentally different from those of previous speculative cycles. Unlike 2000, many are asset-light, highly profitable, and supported by strong competitive moats. The fundamentals are materially stronger, and US equities continue to screen well relative to global peers on profitability and balance sheet metrics. In that context, a valuation premium is justified, albeit one that requires discipline and selectivity.

There will always be unknown risks, and significant drawdowns are rarely identified in advance. Investors typically recognise both the event and its catalyst only once markets are already partway through the adjustment. This reinforces the need for vigilance, particularly given the elevated valuations evident in parts of private markets. We are seeing weaker underwriting standards in private equity and private credit, and expectations are building for a period of stress in that segment.

Investor preferences are also evolving. Demand for a balance of dividends and capital growth is increasing as medium-term equity return expectations moderate, outside of productivity gains linked to AI.

Beyond the dominant AI-related names, performance leadership has begun to broaden, with traditional value-oriented areas delivering strong results. Our differentiated value-focused managers have outperformed meaningfully in 2025, reinforcing the case for allocating capital to managers capable of generating genuinely differentiated returns.

Positioning

Turnover has been low in 2025. Where there were fund switches, they were one-in/one-out and primarily cost-optimisation driven.
We are making changes to our portfolios in line at our early January 2026 rebalance, in line with our semi-annual process, to enhance our expected future outcomes. Please see our rebalance notes for further information around our upcoming rebalance.

We continue to evaluate our positioning actively and will adapt if necessary to ensure our portfolios remain aligned with their current and future objectives. As always, and particularly during periods of heightened uncertainty, we are monitoring markets and events closely to assess where adjustments could enhance risk-adjusted performance outcomes.

Equities

Equity investors continue to face a persistent wall of worry around valuations, particularly within US equity markets. While elevated valuations can be justified by strong earnings delivery and innovation leadership, they also increase the risk of sharper drawdowns and more muted forward returns. Portfolios therefore need to strike a balance between maintaining exposure to long-term upside, while seeking greater resilience in the event of index-level drawdowns of 10%, 20%, or more.

Against this backdrop, investors are increasingly looking beyond US mega-cap technology towards under-appreciated opportunities across Global Value, Europe, the UK, and Emerging Markets, where valuations are generally more supportive and leadership is broadening.

From a style perspective, portfolios remain deliberately balanced across quality, growth, and value. Our equity focus spans value, growth, quality, and mid-to-giant capitalisation companies. We believe this segment offers a particularly attractive opportunity set, providing access to high-quality businesses at scale, with strong balance sheets and liquidity, without the additional risks typically associated with smaller or less liquid companies. In our view, this area of the market offers meaningful long-term return potential without compromising quality or robustness.

Markets have experienced more frequent short and sharp drawdowns in recent years, and we expect rapid repricing events to remain a feature of this cycle. Equity investing therefore requires an acceptance of volatility, alongside disciplined diversification and risk management.

We remain globally diversified across equities, with clear regional allocations. Portfolios are underweight US equities relative to MSCI ACWI and broadly neutral versus the MPS peer group. Our equity exposure is focused on large and mega-cap companies, but is not concentrated in a narrow group of US technology leaders, where we are typically underweight. Our objective is to capture a meaningful share of the best long-term equity return generation across global listed markets, delivered within a risk-managed framework appropriate for retail investors.

Asset Class	-	N	+	Outlook and Positioning
US Equity				• Our April outlook turned very constructive for long-term US investors following the valuation reset earlier in the year, which provided a more attractive entry point. That opportunity proved reasonable. Since then, valuations have once again become demanding, leading us to remain cautious on forward returns from broad, index-level US exposure. • Our preference within US equities is to look beyond the "Magnificent 7", with a greater emphasis on mid- to large-cap opportunities where valuations are more reasonable and earnings prospects are less fully priced. • American corporate exceptionalism continues to endure. The US remains home to many of the world's most innovative and competitively advantaged companies, particularly in areas such as technology development, AI adoption, and productivity enhancement. However, we expect future returns to be driven more by earnings growth than by further valuation expansion. • For sterling-based investors, returns may also be moderated should the US dollar weaken further, adding an additional layer of consideration to headline US equity performance. • Importantly, we are not negative on US equity returns. Rather, our view is that broad US indices may be less effective at capturing the most attractive opportunities going forward than they have been in recent years. Historically, index exposure has done an excellent job of concentrating returns in the key winners. Looking ahead, we expect greater dispersion, where selective positioning within US equities becomes increasingly important. **Positioning: Underweight on US equities. Passive MPS exposure ranges: 7 – 48%**
EU Equity				• European equity valuations are no longer compelling relative to other opportunities within global markets. Historically, investors could justify overweight allocations to Europe primarily on valuation grounds. That valuation support has now largely eroded, and from a growth perspective we see more attractive opportunities elsewhere within a diversified portfolio. • We continue to see elevated risks within EU equities. Political ambition has yet to translate into sufficiently tangible policy action, while European corporates face increasing competitive pressure from both US and Chinese peers across technology, industrials, and global supply chains. These structural challenges limit confidence in sustained earnings growth. **Positioning: Marginally Underweight allocation across ranges; Passive MPS: 2 – 10.5%.**
UK Equity				• UK equity valuations have moved higher but remain undemanding relative to the US, particularly when viewed through a dividend and cashflow lens. • UK large-cap equities provide useful diversification within global portfolios. They offer significant overseas revenue exposure, a natural defensive and value tilt, and attractive dividend yields, making them a good complement to more growth-oriented allocations elsewhere. However, selectivity is essential given mixed balance sheet quality. • Within UK small and mid-cap equities, valuations remain depressed and could benefit from ongoing merger and acquisition activity, particularly from private equity. **Positioning: Overweight UK large-cap. Passive MPS: 4 - 15%.**
Emerging Markets Equities				• A weaker US dollar, alongside supportive relative valuations, is increasing the appeal of Emerging Markets equities. • China's valuation multiples have recovered from recent lows but remain reasonable, particularly when compared with US equities. At the same time, the depth of China's innovation pipeline across technology, manufacturing, and energy transition remains under-appreciated by global investors. • More broadly, Emerging Markets are exhibiting increasingly "developed market" characteristics. Improvements in corporate governance, capital discipline, and balance sheet strength are positive structural developments. In parallel, consumer behaviour across many EM economies is becoming more aligned with Western consumption patterns, supporting domestic demand growth. • Within Emerging Markets, we see compelling structural opportunities across India, selected frontier markets, and the Middle East. Our preference is for meaningful exposure to both China and India, reflecting their long-term secular growth potential and increasing importance within global equity markets. • **Positioning: Overweight broad EM. Passive MPS: 5 – 18.5%.**
Asia Pacific Ex Japan Equity				• Valuations across Asia Pacific ex Japan remain reasonable relative to the US, providing attractive entry points into a range of high-quality global businesses. • Exposure is aligned with long-term structural themes, including AI and semiconductor leadership in Taiwan and South Korea, the growth of Asian consumption across China and India, and improving trade dynamics driven by supply-chain diversification and regional recovery. **Positioning: Overweight Asia Pacific Ex Japan. Passive MPS: 2 – 5.5%**
Japan Equity				• Japan is mid-cycle in significant policy normalisation. • Tariff policy is an additional uncertainty for Japan. • Index-level valuations are not especially cheap. **Positioning: No dedicated allocation currently.**

Fixed Income and Absolute Returns

Amid heavy new issuance, we see a selective opportunity set for skilled, unconstrained managers across investment grade and high yield to enhance yields through disciplined security selection. We are very selectively increasing exposure to these strategies, with a clear emphasis on credit quality, liquidity, and downside control. Our preference remains with managers that demonstrate genuine flexibility and proven capability in dynamic credit selection.

Western government bond yields are likely to remain volatile, a feature we expect to persist through this cycle. This reinforces our view that fixed income volatility is no longer transitory, but structural. With inflation uncertainty and ongoing fiscal pressures still in play, we believe elevated volatility and positive term premia, reflected in more normalised yield curves, will become a defining characteristic of global fixed income markets.

Against this backdrop, we continue to advocate the selective use of cautious absolute return strategies. These play a dual role within portfolios, acting both as a diversifier to traditional fixed income and equities, and as a complementary return source in an environment where bond market outcomes are less predictable.

<table>
<tr><th>Asset Class</th><th>-</th><th>N</th><th>+</th><th>Outlook and Positioning</th></tr>
<tr><td>UK Government</td><td></td><td></td><td></td><td rowspan="7"><u>Fixed Income</u>

Our fixed income allocations remain deliberately simple, focused on sterling and US dollar investment grade corporate bonds held on a buy and hold basis. Typically, around 50% of the fixed income sleeve is allocated to intermediate maturities, with the remainder in short-dated bonds.

We do not expect longer-dated yields to respond meaningfully to interest rate cuts. Elevated term premia are likely to persist, reflecting ongoing fiscal pressures and uncertainty around the long-term inflation outlook. In this environment, longer duration offers a less compelling balance of risk and reward. As a result, we have consciously avoided long-duration exposure, instead favouring shorter-dated bonds that are better positioned to navigate yield curve volatility and deliver more stable outcomes.

We broadly avoid allocations to high yield and emerging market debt. While we recognise that emerging market currencies could perform well over shorter periods, we do not seek to introduce significant EM currency risk into client portfolios.

In our view, both high yield and EM debt exhibit more equity-like characteristics. Given our objective for fixed income to provide capital stability and defensive diversification, these areas are generally excluded. We have, however, added limited exposure to unconstrained short-duration high yield where we believe the risk is appropriately controlled.

<u>Alternatives</u>

We allocate meaningfully to absolute return strategies across our portfolios, both to complement and, in some cases, partially replace traditional fixed income exposure, alongside selected equity risk. These strategies play an important role in stabilising portfolios through market cycles.

As interest rates normalise and cash returns decline, investors will need to reassess how best to achieve positive real returns for clients with a cautious risk profile. We believe low-volatility absolute return strategies represent a credible solution in this environment, offering diversified return drivers with a focus on capital preservation.</td></tr>
<tr><td>US Government</td><td></td><td></td><td></td></tr>
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<tr><td>Long Duration</td><td></td><td></td><td></td></tr>
<tr><td>Cautious Absolute Return</td><td></td><td></td><td></td></tr>
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Annual Portfolio Review – Passive MPS Range

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Portfolio Review – Passive Strategies

Our Passive strategies continue to deliver strong outcomes for clients, combining competitive returns with controlled volatility through disciplined asset allocation and regional diversification. The attached risk–reward and peer comparison charts, sourced from the Morningstar MPS Database, highlight how this approach has translated into consistent performance across one, two, three and 5-year time horizons. Across timeframes, the Passive range has demonstrated efficient return generation for the level of risk taken, with outcomes comparing favourably to IA Mixed Investment peers.

Risk–reward outcomes

The risk–reward charts show a clear progression across the Passive Defensive, Cautious, Balanced, and Growth portfolios, with returns increasing appropriately as volatility rises. Importantly, across all three time horizons:

- Passive portfolios have generated higher returns for a given level of risk relative to comparable IA mixed investment strategies.
- The Passive Balanced strategy, in particular, sits favourably within the efficient frontier, delivering strong medium-term returns without excessive volatility.
- Risk has been rewarded consistently, rather than through isolated periods of concentrated market leadership.

This reflects a portfolio construction process that prioritises diversification and robustness, rather than reliance on narrow market drivers.

Summary

Overall, the Passive portfolios have delivered competitive returns with a more balanced risk profile, outperforming a large proportion of peers while avoiding excessive concentration risk. The risk–reward evidence supports our view that disciplined asset allocation, diversification, and cost efficiency remain the most reliable drivers of long-term outcomes for clients.

What has worked well

Global diversification

Allocations beyond the US, particularly to the UK and Emerging Markets, have improved diversification and reduced dependence on US mega-cap concentration. This has supported returns while lowering portfolio fragility.

Currency management

Hedged US equity exposure has helped dampen currency-driven volatility, improving consistency of outcomes for sterling-based investors.

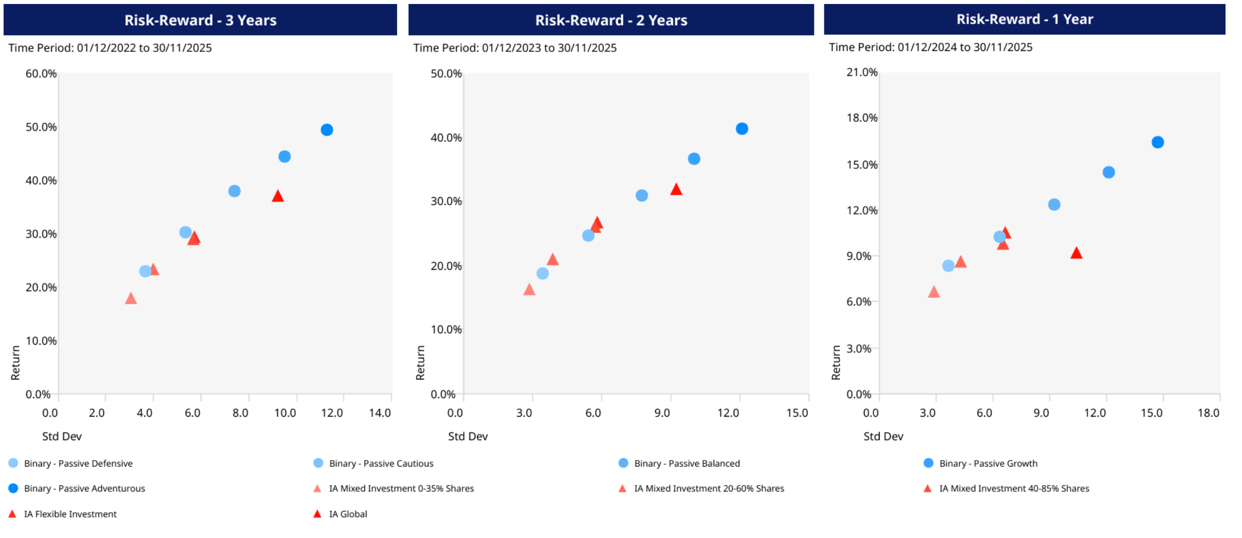
Disciplined rebalancing

Our semi-annual rebalance process has added value by systematically trimming extended exposures and reinforcing diversification at times when market concentration risk has increased.

What has detracted

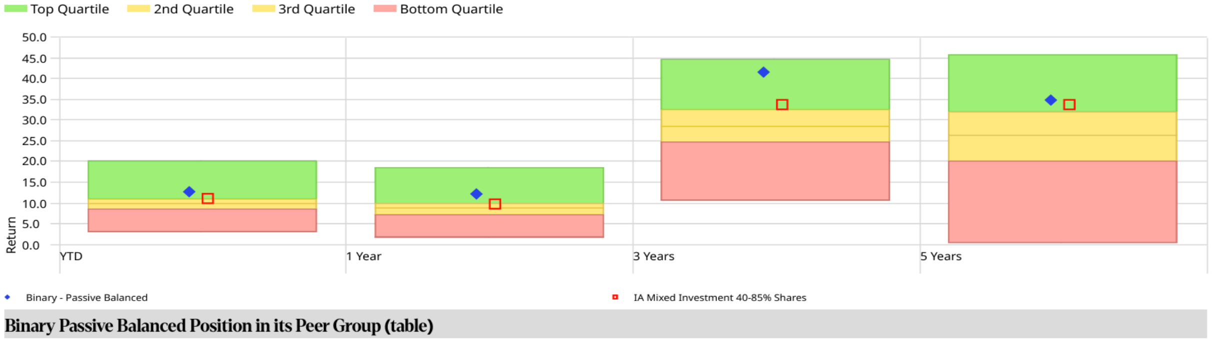
Periods of strong, narrow US-led equity rallies have occasionally limited upside participation, reflecting our valuation-aware and diversified positioning.

Short-term volatility in UK equities and relative underperformance of certain Emerging Market exposures versus the US has weighed modestly at times, though these allocations continue to play an important role in long-term risk management and return sustainability.



Performance Relative to Peer Group

As of Date: 30/11/2025 Peer Group (1-100%): Models - Europe/Africa/Asia - GBP Allocation 40-60% Equity



Binary Passive Balanced Position in its Peer Group (table)

As of Date: 30/11/2025 Peer Group: Models - Europe/Africa/Asia - GBP Allocation 40-60% Equity

	YTD	% of Peer Group Beaten	1 Year	% of Peer Group Beaten	3 Years	% of Peer Group Beaten	5 Years	% of Peer Group Beaten
Binary - Passive Balanced	12.82	96	12.33	97	41.81	100	34.91	83
IA Mixed Investment 40-85% Shares	11.11	78	9.84	75	33.85	84	33.82	81

Portfolio Review – Balanced Strategies

Our Balanced strategies continue to deliver strong risk-adjusted outcomes for clients, supported by a disciplined allocation framework and a willingness to move away from consensus positioning when valuations and concentration risks warrant it. Figures 1 and 2 illustrate performance as recorded in the Morningstar MPS Database, compared with similar peer offerings. Across both year-to-date and one-year horizons, portfolios have added value in absolute terms and relative to peers. This performance has been achieved without excessive reliance on a narrow set of US mega-cap equities, reflecting our broader diversification approach.

What has worked well

Passive portfolios Hedged US equity exposure has helped reduce currency-related volatility and improve risk-adjusted returns. Allocations to UK equities and Emerging Markets have contributed positively, providing diversification away from crowded US growth leadership and supporting returns through different market phases.

Core portfolios Allocations to Absolute Return strategies have provided useful diversification during equity drawdowns, helping to stabilise portfolio outcomes. Core global equity exposure, diversified across large-cap, value, growth, and blended styles, has supported consistent performance through varying market conditions.

Process discipline Our semi-annual rebalancing process has added value by systematically realigning portfolios towards the most compelling opportunities, while trimming stretched exposures. This discipline has helped manage risk and reinforce long-term portfolio resilience.

What has not worked

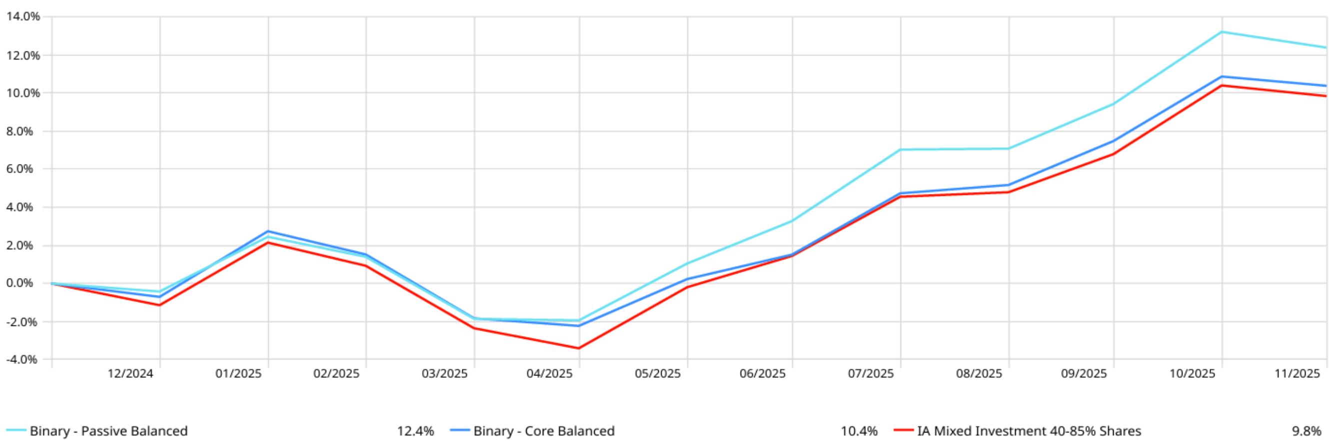
- Periods of underweight US equities detracted during episodes of highly concentrated large-cap growth rallies, where upside participation was naturally more limited.
- Absolute Return allocations, while valuable from a diversification and risk-control perspective, at times lagged during sharp equity rebounds, modestly dampening upside capture.
- Within Passive portfolios, short-term volatility in UK equities and relative underperformance of certain Emerging Market exposures versus the US weighed modestly on returns, despite their importance in supporting long-term diversification and valuation discipline.

Summary

Overall, portfolio positioning has delivered strong outcomes with a more balanced and diversified return profile, reducing dependence on US equity concentration. While narrow, US-led market leadership remains a near-term headwind at times, our disciplined, non-consensus approach continues to generate competitive long-term results within a robust risk-managed framework.

Performance – Balanced (YTD)

Time Period: 01/12/2024 to 30/11/2025



Performance Relative to Peer Group

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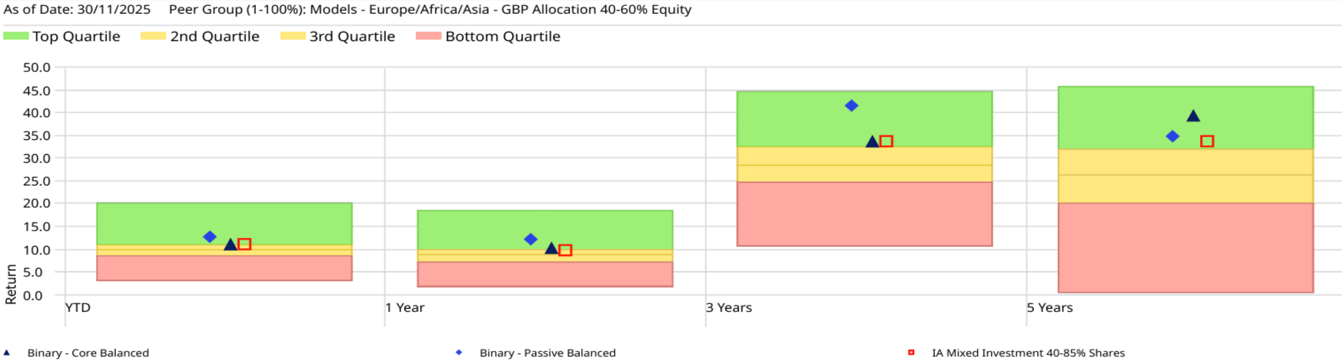

Binary Passive Balanced Position in its Peer Group (table)

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Binary - Core Balanced	11.17	80	10.38	83	33.79	83	39.52	95
Binary - Passive Balanced	12.82	96	12.33	97	41.81	100	34.91	83
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