BITE-SIZED
QUARTERLY MARKET REVIEW
30 SEPTEMBER 2026

HUGHES PRICE WALKER INVESTMENT



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Trustee outlook

Review at a glance

Higher gilt yields

Schemes with interest-rate hedging below 100% may have improved funding, all else equal. Consider whether gains create scope to de-risk or increase hedging.

Inflation and hedging

Higher inflation expectations may warrant a review of hedging solutions. Check whether benefit caps and floors have changed the balance of fixed and inflation-linked cashflows.

Equity gains

Most equity markets rose. Consider locking in gains by reducing growth-asset exposure where funding targets and the scheme's journey plan support it.

Buyout and credit

Indicative buyout liabilities fell as gilt yields rose. Review affordability using scheme-specific pricing, allowing for asset values and slightly wider credit spreads.

Trustee focus: confirm the funding position with advisers before changing risk or hedging.

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Macroeconomic themes

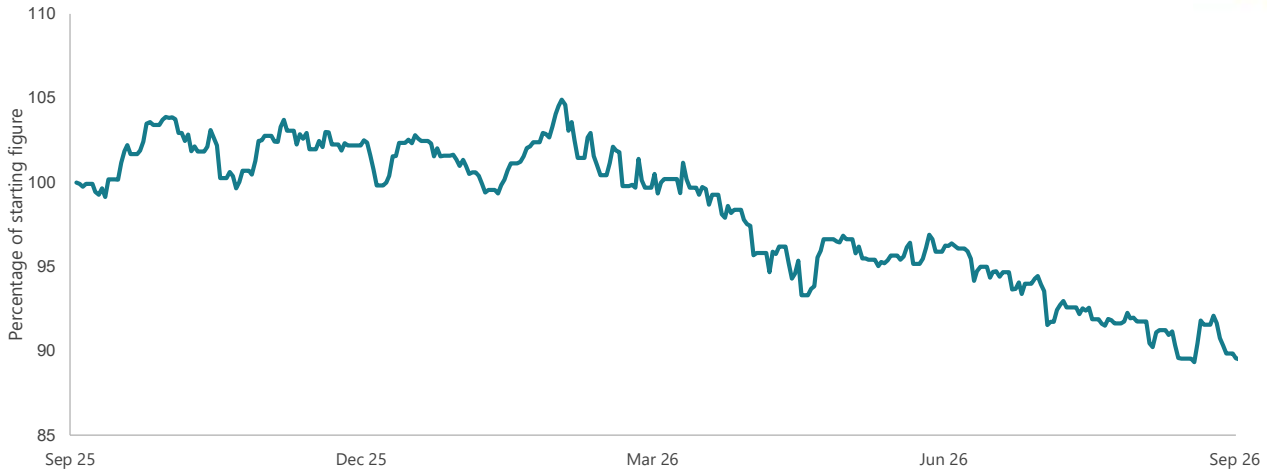
- **Inflationary pressures increased**, partly reflecting higher energy prices following disruption in the Middle East. UK CPI rose from 2.6% per annum in June to 3.1% per annum in August, while US inflation remained elevated.
- **Central banks remained cautious** amid renewed inflation risks. The Bank of England held rates at 3.75%, while the Federal Reserve increased rates by 0.25% in September.
- **Geopolitical tensions remained elevated**, with Middle East disruption pushing oil prices higher and adding to inflationary pressures.
- **Economic conditions remained mixed**, with positive UK growth alongside a softer labour market and higher-than-forecast Government borrowing. US economic growth slowed but remained positive, with real GDP growing by 2.2% in Q2, following revised growth of 2.5% in Q1.
- **Government bond yields rose across developed markets** (see page 4), reflecting persistent inflation and expectations that interest rates could remain higher for longer.

Buyout outlook

The graph below shows the approximate change in UK, defined benefit, pension scheme liabilities over the past year. Please note that the graph is for illustration only and represents general movements in UK pension scheme buyout pricing. It should therefore not be used as a guide for any one scheme. The true cost of buyout can only be established by obtaining an insurance market quotation.

The trend of falling liabilities broadly continued over the quarter as gilt yields rose persistently.

The approximate change in liabilities for UK pension schemes

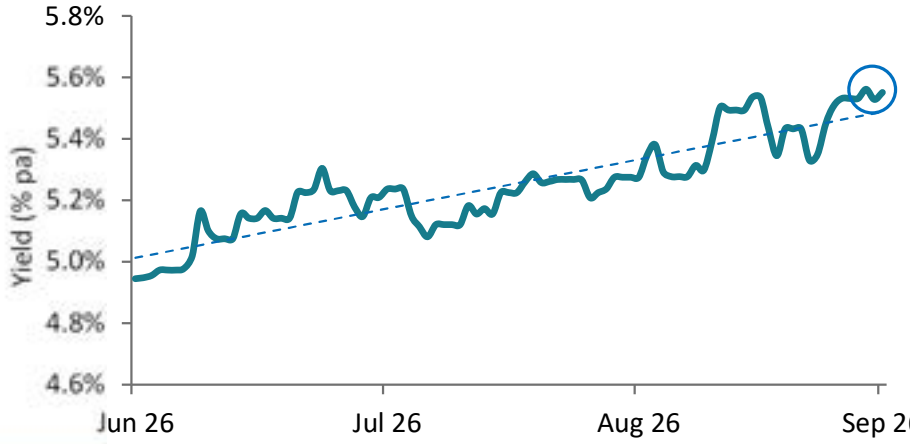


Source: HPW

Gilt yields

Over the last quarter, 10-year nominal gilt yields increased significantly, by around 0.60%, while 20-year and 30-year yields rose to multi-decade highs. Higher oil and wider energy prices were a key driver of the increase. Higher sovereign bond yields increase the cost of servicing government debt, and the International Monetary Fund subsequently called on advanced economies to reduce borrowing and debt levels.

10-year Nominal Gilt Yields as at 30 September 2026



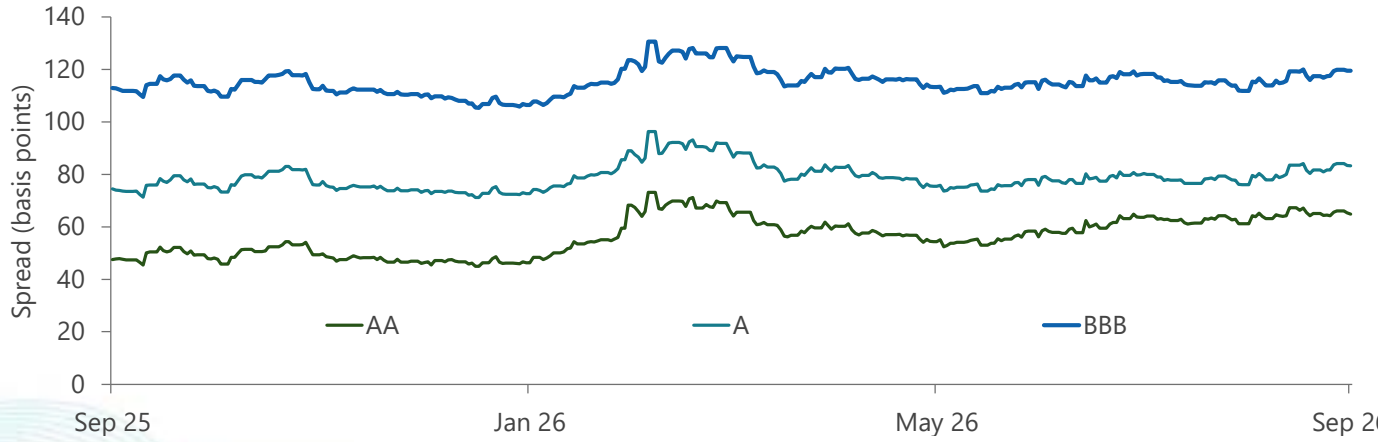
Source: Bank of England

Credit spreads

Sterling credit spreads above gilts for investment grade bonds have risen slightly over the quarter, continuing the trend which started around May.

AA credit spreads widened over the quarter by 0.09%, whilst A and BBB credit spreads both rose by 0.07%.

Sterling Credit Spreads at 30 September 2026



Source: iBoxx

Equity markets

The table below shows the returns for a selection of equity market indices that are representative of a cross section of geographic equity asset classes. Figures for periods over a year are annualised.

Equity Market Region	Market Index	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
UK	FTSE All Share	2.4%	16.8%	15.5%	11.0%
Global	MSCI World	1.9%	17.2%	18.5%	12.7%
Emerging Markets	MSCI Emerging Markets	-0.3%	31.4%	21.2%	9.8%
US	S&P 500	2.2%	17.3%	19.5%	14.1%

Source: Morningstar. All returns are rebased to sterling and in total return.

- Equity markets generally rose over the quarter, providing positive returns for pension schemes with allocations to equities, multi-asset and diversified growth funds.
- UK and US equities performed positively despite rising government bond yields, which can put pressure on equity markets. Emerging markets fell slightly following impressive performance over the last year.
- Longer-term returns remain strong across all regions, despite periods of market uncertainty.

Notes

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