Quarterly
Investment Report

FlyingColours Investment

Flying Colours
Discretionary Managed Portfolio Service
Q2 2025

Introduction

Welcome to the Portfolio Quarterly Investment Report for Q2 2025.

The second quarter of 2025 saw markets start to bounce back from the volatility of the first quarter of the year. This was supported by interest in AI-linked stocks, interest rate cuts, and strength in areas such as real estate and natural resources.

While the geopolitical environment continues to look unstable, we believe that sticking to investing fundamentals will help us to navigate any sharp market reactions. We are continuing to focus on long-term thinking, managing risk over time, and sticking to our goal of delivering well-managed, risk-adjusted returns.

In this report, you'll find:

- Market Review of Q2: A look at the quarter's market performance.
- Asset Selection and Portfolio Review: An insight into what guided our investment decisions this quarter.
- Article: Rethinking the Discretionary Model Portfolio Service
- Portfolio Performance Summary and Breakdown: Performance metrics

You may notice that the way we present our portfolio performance is slightly different this quarter. This is due to the changes we made to our Discretionary Model Portfolio Service (DMPS) in May, which you can read more about in our article 'Rethinking the Discretionary Model Portfolio Service' on page 10.

Our new investment portfolio structure features a modular approach, operating through two Open-Ended Investment Companies (OEICs). Because of this, the portfolio breakdown now includes the top ten holdings for each OEIC, followed by the asset and geographical allocation of each individual portfolio. If you would like a full breakdown of the holdings in each OEIC, you can request this through your Flying Colours Financial Adviser.

As always, if you have any questions relating to this report or our portfolios, please speak to your adviser. Additionally, if there are any topics you would like us to cover in future reports, please do let me know.

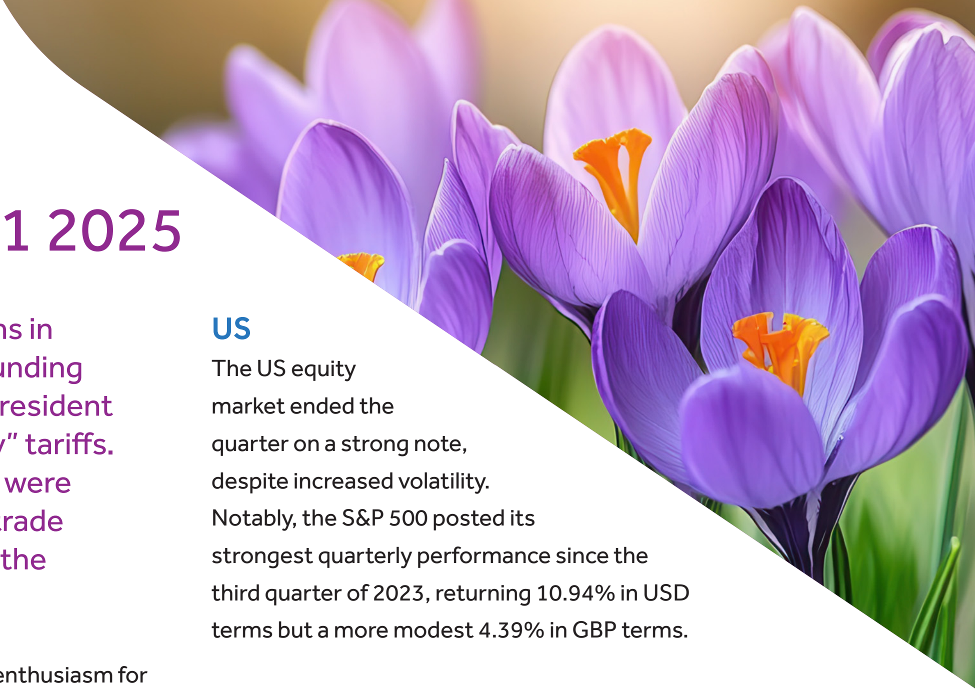
Thank you for your continued trust and partnership.

Yours sincerely,

Guy

Guy Myles
Director and Group Executive Chairman

Market Review Q1 2025



Global equities posted strong gains in the second quarter of 2025, rebounding from early volatility triggered by President Trump's sweeping "Liberation Day" tariffs. Markets recovered as most tariffs were temporarily suspended, allowing trade negotiations to proceed ahead of the deadline on 9th of July.

US equities led the gains, driven by renewed enthusiasm for AI-linked stocks and robust Quarter 1 earnings. Eurozone and UK shares also advanced, supported by interest rate cuts and sector-specific strength.

Japan performed strongly amid corporate reforms and easing trade tensions. Emerging markets outpaced developed peers, buoyed by a weaker US dollar and optimism in Korea, Taiwan and Brazil.

Bond markets reflected a shift in focus from monetary to fiscal policy, leading to a rise in long-term interest rates compared to short-term ones as investors grew more concerned about future government debt and inflation. Commodities performance was mixed, with oil remaining subdued due to oversupply and precious metals benefiting from investors seeking "safe haven" assets.

Markets

The quarter was dynamic and eventful, shaped by a series of geopolitical and macroeconomic developments that stirred volatility across global markets.

Key events included the announcement of sweeping US trade tariffs on "Liberation Day," escalating tensions between Israel and Iran, and subtle but notable criticism of Federal Reserve Chair Jerome Powell's policy stance by President Trump.

Despite these headwinds, both equity and bond markets delivered strong positive returns, supported by resilient corporate earnings, easing inflation in key regions, and a temporary pause in tariff escalation that helped restore investor confidence.

US

The US equity market ended the quarter on a strong note, despite increased volatility. Notably, the S&P 500 posted its strongest quarterly performance since the third quarter of 2023, returning 10.94% in USD terms but a more modest 4.39% in GBP terms.

Despite strong pressure from President Trump, the Federal Reserve (Fed) maintained interest rates, adopting a wait-and-see approach as it weighed the impacts of trade policy against the underlying strength of the economy. There has been a noticeable policy shift, with the Fed now showing greater caution around potential rate cuts.

Meanwhile, bond markets faced two adverse events: the introduction of a new tax bill in Congress and a US credit rating downgrade. Despite these developments, US Treasuries ended the quarter in positive territory.

UK

UK equities posted solid gains, with both the FTSE All-Share and FTSE 100 indices advancing. The FTSE 250 mid-cap index outperformed the FTSE 100, reflecting stronger domestic momentum and less exposure to underperforming global sectors such as energy and healthcare.

The quarter saw a surge in diplomatic activity. The UK signed trade agreements with both India and the United States. While the deal with India was modest in scale, it underscored the UK's global trade ambitions. The US agreement was more impactful, easing some restrictions introduced by the Trump administration. Additionally, a new framework was established with the EU, covering key sectors such as fisheries, defence and funding access.

The Bank of England continued its monetary easing, cutting interest rates by 0.25% to 4.25% in May, as inflation remained elevated at 3.4%. Despite inflationary pressures, the UK economy demonstrated resilience, and equities benefited from global exposure—particularly in value-oriented sectors like financials and resources.

Europe

Continental European equities extended their year-to-date gains in the quarter, with the MSCI Europe ex UK Index rising 4.09% in GBP terms. Investor sentiment was buoyed by progress in global trade negotiations and increased government spending plans, particularly in Germany, which has fiscal room to manoeuvre. However, fiscal constraints in other major European economies and ongoing risks from US tariffs and Chinese competition continued to pose challenges.

Sector performance was mixed. Industrials and real estate led the advance, with defence stocks gaining from a NATO agreement to boost military spending. In contrast, consumer discretionary, healthcare, and energy sectors underperformed.

The European Central Bank (ECB) cut interest rates twice during the quarter—by 0.25% each time—bringing the main policy rate to 2.0%. Inflation reduced to 1.9% in May, down from 2.2% in April, moving closer to the ECB's target. ECB President Christine Lagarde signalled that the rate-cutting cycle is likely nearing its end. In USD terms, European equities delivered a strong 12.7% return, aided by the weakening dollar, making the region attractive for global investors seeking diversification.

Japan

Japanese equities posted strong gains in the quarter, with the TOPIX rising 7.5%, driven by renewed interest in growth stocks and easing global trade tensions. Sentiment improved as trade talks with China progressed, easing recession concerns. Domestically, bond markets experienced volatility due to weak demand for long-dated debt and uncertainty over issuance strategy. Stability returned after authorities reduced long-term bond supply.

Corporate fundamentals supported equities, with many firms increasing shareholder returns through dividends and buybacks, reflecting ongoing governance reforms. While earnings guidance remained cautious, efforts to improve return on equity were well received. Structural challenges—such as high public debt and an ageing population—persist, but the Tokyo Stock Exchange's focus on financial discipline and the return of inflation have improved the long-term outlook.

Asia & Emerging Markets

Asian equities delivered strong gains, with the MSCI Asia ex Japan Index rising 4.39% in GBP terms, making it the top-performing region. Easing US-China trade tensions and a weaker US dollar supported both equity and currency markets. Taiwan and Korea led returns, buoyed by strong tech sentiment and currency appreciation.

However, risks remain. China's reluctance to pursue aggressive infrastructure stimulus—despite pledges of increased spending—dampened export prospects for regional economies. Many emerging Asian markets remain vulnerable to US dollar volatility due to their external debt exposure. While trade negotiations remain a source of uncertainty, more supportive domestic and monetary policies across Asia are expected to help cushion the impact.

Fixed income

The quarter was turbulent for global bond markets, driven by rising geopolitical tensions, US fiscal concerns, and shifting monetary policy dynamics. The "Liberation Day" tariffs initially sparked recession fears, but sentiment improved as the US adopted a more conciliatory stance. Attention soon turned to debt sustainability following the passage of the "Big Beautiful Bill," prompting Moody's to downgrade the US credit rating.

Yields rose sharply, particularly in long-dated US and Japanese bonds—with the latter hitting a record 3.2%. Yield curves steepened upwards across major markets. Despite volatility, credit markets proved resilient: investment-grade bonds became more attractive to investors again, and riskier, high-yield bonds outperformed. A weakening US dollar added pressure but also supported flows into emerging market debt, helping to stabilise broader fixed income performance.

Outlook

While downside risks have eased considerably, our primary concern has shifted toward the possibility of persistently low growth alongside elevated inflation. Although trade tensions have moderated, we continue to adopt a cautious investment approach.

At Flying Colours, we have long maintained a prudent view on sovereign bonds, although these assets are traditionally seen as risk-free. Despite more attractive valuations, the growing volume of debt issuance is straining market absorption, reinforcing our decision to maintain a lower allocation to sovereign bonds than in the past.

The geopolitical environment remains volatile, but we do not currently view it as a destabilising force in the short to medium term. Market reactions may be sharp, but underlying fundamentals remain intact.

Our investment philosophy is rooted in long-term thinking. We focus on managing risk over time, not reacting to short-term noise. Our goal remains clear: to deliver well-managed, risk-adjusted returns in the best interests of our clients.

Glossary

GBP: Pound sterling.

Federal Reserve: Central bank of the United States.

GDP: The total monetary or market value of all the finished goods and services produced within a country.

Tariff: A tax imposed by one country on imported goods and services from another.

S&P 500: A stock market trading index that tracks the performance of 500 leading companies listed on the US stock exchange.

MSCI Indexes: Stock indexes that track the performance of the stocks included in them. Often additional context is added in e.g. MSCI Europe ex-UK index covers Europe but excludes the UK.

European Central Bank (ECB): The central bank for the euro. Its main task is to maintain the euro's purchasing power.

TOPIX: The Tokyo Stock Price Index is an important stock market index for the Tokyo Stock Exchange.

FTSE 100: UK stock index. The FTSE 100 tracks large-cap companies.

FTSE 250: UK stock index. The FTSE 250 tracks mid-cap companies.

Asset Selection & Portfolio Review

Asset Allocation Changes

The second quarter of 2025 proved to be eventful and volatile. However, markets recovered quickly as the US president agreed to take a negotiated approach to trade tariffs announced earlier in the year.

US equities led the gains seen across markets, driven by renewed enthusiasm for AI-linked stocks and robust earnings from the first quarter of the year. Eurozone and UK shares also advanced, supported by rate cuts and sector-specific strength. Emerging markets did better than developed ones in Japan, helped by a weaker US dollar and positive outlooks in Korea, Taiwan, and Brazil.

However, although President Trump opened negotiations, the trade war is still impacting global markets.

Alongside this, a newly proposed tax bill in the US has added billions of debt to the federal government. In Europe and the UK there is very little possibility of debt reduction in the short to medium term. This makes fixed income shares an unappealing solution for our clients, where we think that other assets can provide defensive features without too much risk.

As a result, we've decided to be more careful by relying less on Emerging Markets and Asia. We've also invested more in companies with stronger, more reliable financial results.

Our portfolios are currently positioned defensively based on our long-term view. This has led to slightly stronger performance in the short-term during recent market turbulence, and our objective is still to generate strong performance in both absolute and relative terms*, as demonstrated in our long-term performance since inception.

*Absolute performance measures an investment's return without comparison to a benchmark, while relative performance compares an investment's return to a benchmark, like a market index or peer group. We use the Investment Association (IA) for our benchmarks.

Cautious Portfolios
Defensive

Defensive portfolio performance was up by 1.66% for Q2. Benchmark IA Mixed Investment 0-35% performance was up by 2.30% for Q2.

The Defensive portfolio underperformed the benchmark during the second quarter of 2025 by 0.63%.

In our cautious portfolios, we hold a relatively large exposure to fixed income and lower equities exposure, resulting in positive performance over the quarter but relatively lower than our peers.

Within our fixed income assets, we have a large allocation to UK gilts, which outperformed global fixed income during the quarter. This is due to yields compression that occurred as investors hoped for an interest rate cut in the UK. Meanwhile in the US market, markets were more worried about the ballooning fiscal deficit hindering the possibility of significant interest rate cuts this year.

Our exposure to UK gilts, inflation-linked bonds and Emerging Markets negatively impacted relative performance. Overall, it was a positive quarter for most fixed income holdings although they did contribute negatively to the relative performance.

From an equity perspective, our underweight position in the US relative to the peer group, combined with an overweight allocation to European and UK equities, contributed positively to the overall portfolio performance, but led to an underperformance versus peers over the period. Our position in value and income generating companies contributed negatively to the overall performance during the quarter, as these companies fell out of favour with investors.

Over the quarter we sold the Close Brother Sustainable Fixed Income fund, and we increased our exposure to BlackRock European Absolute Alpha, aligning with our views that fixed income alone is not enough to provide protection for investors.

Over the longer term, the Defensive portfolio has achieved 8% over a 5-year period, compared to the benchmark of 10.21%. Our underperformance is down to a more defensive approach where we have less equity overall and, in particular, less US equity than our peers.

Conservative

Conservative Portfolio performance was up by 2.50% for Q2. Benchmark IA Mixed Investment 20-60% performance was up by 3.15% for Q2.

Similar to our Defensive portfolio, the Conservative portfolio underperformed its benchmark in the second quarter by 0.65%.

In our cautious portfolios, we hold a relatively large exposure to fixed income and lower equities exposure, resulting in positive performance over the quarter but relatively lower than our peers.

Within our fixed income assets, we have a large allocation to UK gilts, which outperformed global fixed income during the quarter. This is due to yields compression that occurred as investors hoped for an interest rate cut in the UK. Meanwhile in the US market, markets were more worried about the ballooning fiscal deficit hindering the possibility of significant interest rate cuts this year.

Our exposure to UK gilts, inflation-linked bonds and Emerging Markets negatively impacted relative performance. Overall, it was a positive quarter for most fixed income holdings although they did contribute negatively to the relative performance.

From an equity perspective, our underweight position in the US relative to the peer group, combined with an overweight allocation to European and UK equities, contributed positively to the overall portfolio performance, but led to an underperformance versus peers over the period. Our position in value and income generating companies contributed negatively to the overall performance during the quarter, as these companies fell out of favour with investors.

Over the quarter we sold the Close Brother Sustainable Fixed Income fund, and we increased our exposure to BlackRock European Absolute Alpha, aligning with our views that fixed income alone is not enough to provide protection for investors.

Over the longer term, the Conservative portfolio achieved 17.10% over 5 years, compared to the benchmark of 21.64%. Our underperformance is down to a more defensive approach where we have less equity overall and, in particular, less US equity than our peers.

Balanced Portfolio
Balanced

Balanced Portfolio performance was up by 2.93% for Q2. Benchmark 50:50 IA Mixed Investment 20-60 & 40-85 performance was up by 3.52% for Q2.

The Balanced portfolio underperformed the benchmark during the first quarter of 2025 by 0.59%

During the second quarter of 2025, we decided to strategically reduce the equity holding in our balanced portfolio, to closer align ourselves with our peers.

From an equity perspective, our underweight position in the US relative to the peer group, combined with an overweight allocation to European and UK equities, contributed positively to the overall portfolio performance, but led to an underperformance versus peers over the period. Our position in value and income generating companies contributed negatively to the overall performance during the quarter, as these companies fell out of favour with investors.

Within our fixed income assets, we have a large allocation to UK gilts, which outperformed global fixed income during the quarter. This is due to yields compression that occurred as investors hoped for an interest rate cut in the UK. Meanwhile in the US market, markets were more worried about the ballooning fiscal deficit hindering the possibility of significant interest rate cuts this year.

Our exposure to UK gilts, inflation-linked bonds and Emerging Markets negatively impacted relative performance. Overall, it was a positive quarter for most fixed income holdings although they did contribute negatively to the relative performance.

Over the quarter we sold the Close Brother sustainable fixed income fund, and we increased our exposure to BlackRock European Absolute Alpha and AQR Managed Future UCITS. This aligns with our views that fixed income alone is not enough to provide protection for investors. We also reduced our exposure to Asia Pacific and Emerging Market funds and increased our exposure to Morgan Stanley Global Brands.

Over the longer term, the Balanced portfolio achieved 26.67% over a 5-year period, compared to its benchmark of 27.12%.

Growth Portfolios

Growth

Growth Portfolio performance was up by 3.40% for Q2. Benchmark IA Mixed Investment 40-85% performance was up by 3.89% for Q2.

The Growth portfolio underperformed the benchmark during the second quarter of 2025 by 0.49%.

During the quarter, we decided to strategically reduce the equity holding in our Growth portfolio as we wanted to be more closely aligned to our peers.

From an equity perspective, our underweight position in the US relative to the peer group, combined with an overweight allocation to European and UK equities, contributed positively to the overall portfolio performance, but led to an underperformance versus peers over the period. Our position in value and income generating companies contributed negatively to the overall performance during the quarter, as these companies fell out of favour with investors.

Within our fixed income assets, we have a large allocation to UK gilts, which outperformed global fixed income during the quarter. This is due to yields compression that occurred as investors hoped for an interest rate cut in the UK. Meanwhile in the US market, markets were more worried about the ballooning fiscal deficit hindering the possibility of significant interest rate cuts this year.

Our exposure to UK gilts, inflation-linked bonds and Emerging Markets negatively impacted relative performance. Overall, it was a positive quarter for most fixed income holdings although they did contribute negatively to the relative performance.

Over the quarter we sold the Close Brother sustainable fixed income fund, and we increased our exposure to BlackRock European Absolute Alpha and AQR Managed Future UCITS. This aligns with our views that fixed income alone is not enough to provide protection for investors. We also reduced our exposure to Asia Pacific and Emerging Market funds and increased our exposure to Morgan Stanley Global Brands.

Over the longer term, the Growth portfolio achieved 35.34% over a 5-year period, compared to its benchmark of 32.77%.

Growth Plus

Growth Plus Portfolio performance was up by 3.86% for Q2. Benchmark 50:50 IA Mixed Investment 40-85 & Flexible Investment performance was up by 3.84% for Q2.

The Growth Plus portfolio outperformed the benchmark during the first quarter of 2025 by 0.02%. This portfolio is our second highest equity-based portfolio (83%) and uses a composite benchmark to best fit the strategy and provide flexibility.

During the quarter, we decided to strategically reduce the equity holding in our Growth Plus portfolio as we wanted to be more closely aligned to our peers.

From an equity perspective, our underweight position in the US relative to the peer group, combined with an overweight allocation to European and UK equities, contributed positively to the overall portfolio performance, but led to an underperformance versus peers over the period. Our position in value and income generating companies contributed negatively to the overall performance during the quarter, as these companies fell out of favour with investors.

Within our fixed income assets, we have a large allocation to UK gilts, which outperformed global fixed income during the quarter. This is due to yields compression that occurred as investors hoped for an interest rate cut in the UK.

Meanwhile in the US market, markets were more worried about the ballooning fiscal deficit hindering the possibility of significant interest rate cuts this year.

Our exposure to UK gilts, inflation-linked bonds and Emerging Markets negatively impacted relative performance. Overall, it was a positive quarter for most fixed income holdings although they did contribute negatively to the relative performance.

Over the quarter we sold the Close Brother sustainable fixed income fund, and we increased our exposure to BlackRock European Absolute Alpha and AQR Managed Future UCITS. This aligns with our views that fixed income alone is not enough to provide protection for investors. We also reduced our exposure to Asia Pacific and Emerging Market funds and increased our exposure to Morgan Stanley Global Brands.

Over the longer term, the Growth Plus portfolio achieved 38.60% over a 5-year period, compared to its benchmark of 33.88%.

Aggressive

Aggressive Portfolio performance was up by 4.12% for Q2. Benchmark IA Flexible Investment performance was up by 3.79% for Q2.

The Aggressive portfolio outperformed the benchmark during the first quarter of 2025 by 0.47%.

During the quarter, we decided to strategically reduce the equity holding in our Aggressive portfolio as we wanted to be more closely aligned to our peers.

From an equity perspective, our underweight position in the US relative to the peer group, combined with an overweight allocation to European and UK equities, contributed positively to the overall portfolio performance, but led to an underperformance versus peers over the period. Our position in value and income generating companies contributed negatively to the overall performance during the quarter, as these companies fell out of favour with investors.

Within our fixed income assets, we have a large allocation to UK gilts, which outperformed global fixed income during the quarter. This is due to yields compression that occurred as investors hoped for an interest rate cut in the UK. Meanwhile in the US market, markets were more worried about the ballooning fiscal deficit hindering the possibility of significant interest rate cuts this year.

Our exposure to UK gilts, inflation-linked bonds and Emerging Markets negatively impacted relative performance. Overall, it was a positive quarter for most fixed income holdings although they did contribute negatively to the relative performance.

Over the quarter we sold the Close Brother sustainable fixed income fund, and we increased our exposure to BlackRock European Absolute Alpha and AQR Managed Future UCITS. This aligns with our views that fixed income alone is not enough to provide protection for investors. We also reduced our exposure to Asia Pacific and Emerging Market funds and increased our exposure to Morgan Stanley Global Brands.

Over the longer term, the Aggressive portfolio achieved 41.41% over a 5-year period, compared to the benchmark performance of 34.98%.

Summary

Although equity markets have experienced a strong quarter, we continue to manage your portfolios with a strong focus on risk control. This has contributed to returns which, while positive, have underperformed the benchmarks. Our investment approach remains long-term in nature, with the objective of delivering outperformance relative to the benchmark over time.

Rethinking the Discretionary Model Portfolio Service

Successful investing is often as simple as maximising your money. But for many people, it's also about protecting that money – there is always a risk that you won't get back as much as you've invested. Chasing returns and ignoring risk completely is generally a bad idea, so the right investment choice is almost always about finding the best combination of risk and return. At Flying Colours Investment Management, we try to find ways of improving returns *and* control risk.

Our role as an investment manager

There are many options for how we could maximise returns and minimise risk for each of our clients, using different investment wrappers and fund managers within them. To deliver these financial planning strategies, we have successfully used a traditional Discretionary Model Portfolio Service (DMPS) structure for the last nine years.

However, in May 2025, we implemented a new DMPS structure in conjunction with our partners, Fidelity International. We believe that this new structure offers enhancements for both the potential returns and the risk control.

About Fidelity International (Fidelity)

Fidelity offers investment solutions and services and retirement expertise to almost 2.9 million customers globally. As a privately held, purpose-driven company with a 50-year heritage, they operate in more than 25 locations and have almost £700 billion of assets. Their clients range from central banks, sovereign wealth funds, large corporates, financial institutions, insurers, and wealth managers, to private individuals.

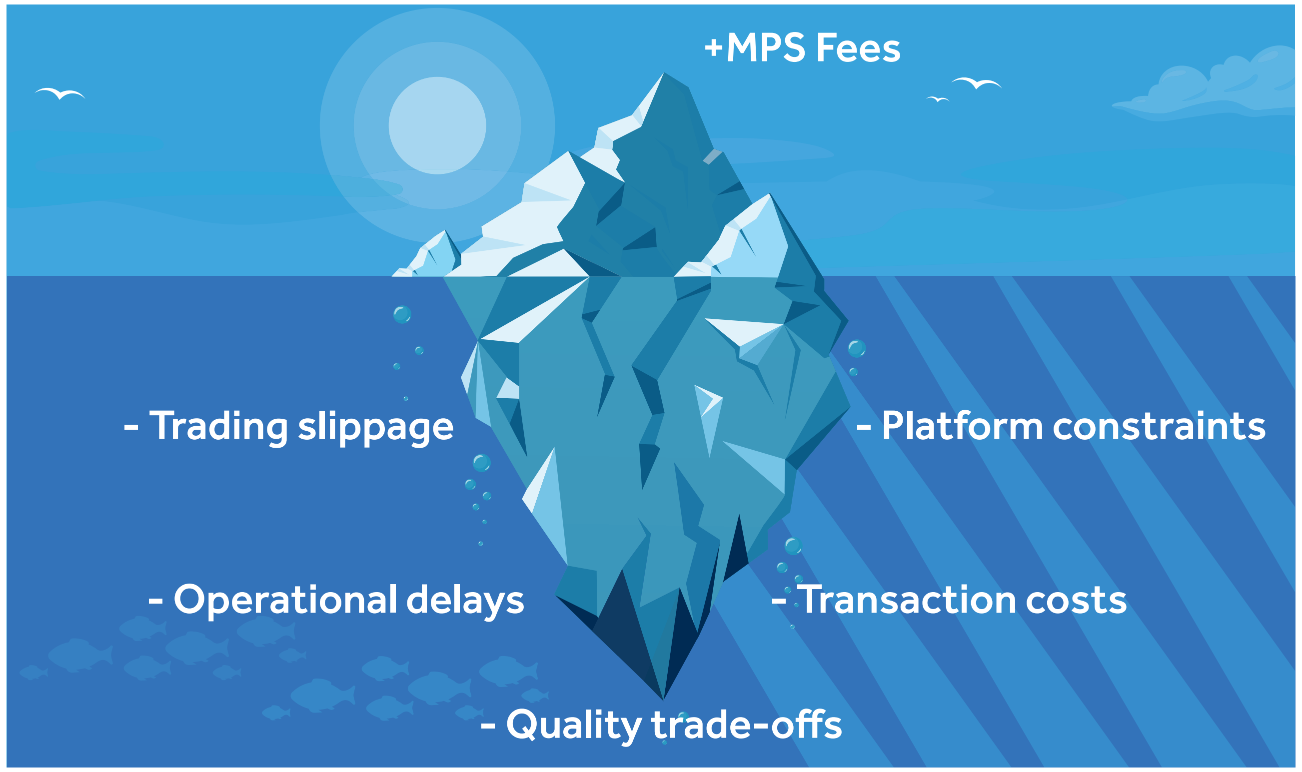
The benefits and limitations of DMPS

A traditional DMPS has offered firms like us several advantages that we can pass on to our clients. Particularly in today's regulatory environment that emphasises suitability, transparency and accountability. As such, a DMPS allows advisers to deliver consistent, risk-targeted investment strategies for all our investors. This includes those with smaller portfolios who may not typically have access to a bespoke discretionary management investment solution.

Compared to traditional collective investment schemes, using an DMPS allows us to provide close alignment with each of our client's specific risk profiles. This precision ensures suitability and has the potential to improve our clients' outcomes over time.

Beyond structural benefits, as an DMPS provider, we can maintain close client relationships to further tailor our service. By understanding individual client goals, values and risk tolerance, we can offer portfolios that reflect these preferences. For example, clients who are more risk-averse can benefit from an investment solution that prioritises defensive assets. This approach has proven effective in mitigating losses during periods of market stress, supporting long-term financial security and capital preservation.

However, while a DMPS offers many advantages, we have realised that it also presents some structural limitations that may impact cost-efficiency, investment flexibility and



Unlike collective investment vehicles that benefit from economies of scale, a DMPS works as a series of individual accounts, which means trading and investment costs can remain relatively high. Ongoing pressure to reduce fees adds further challenges.

In addition, platform constraints can limit access to certain asset classes or instruments, reducing diversification opportunities and restricting the ability to tailor portfolios to more sophisticated or specific investment objectives.

Operational inefficiencies further complicate the delivery of a DMPS. When portfolio changes are implemented, investors may temporarily be out of the market during transitions, risking missed opportunities, particularly during periods of rapid market growth.

Trading within a DMPS is not instantaneous, making it difficult to react quickly to fast-moving market conditions. This lack of agility can be especially detrimental in volatile environments where timely adjustments are crucial. Moreover, additional operational frictions, inherent in the structure of a DMPS, warrant further consideration as the market evolves.

Benefits of MPS	Limitations of MPS
• Suitability & Accountability • Consistency • Accessibility • Client-centric approach • Dynamic risk control	• Cost inefficiencies • Limited investment universe • Operational inefficiencies

What is the Modular Approach?

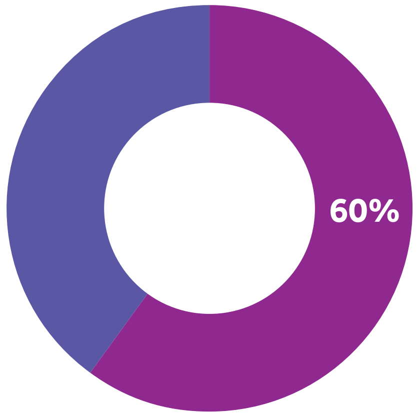
The modular approach represents a strategic evolution beyond traditional multi-fund DMPS structures, offering a more streamlined, flexible, and efficient framework for managing client portfolios. Rather than managing numerous individual funds across multiple risk profiles, the modular structure operates through two core Open-Ended Investment Companies (OEICs):

- A Growth OEIC, primarily focused on equities.
- A Diversifying OEIC, which includes bonds, alternatives, and precious metals.

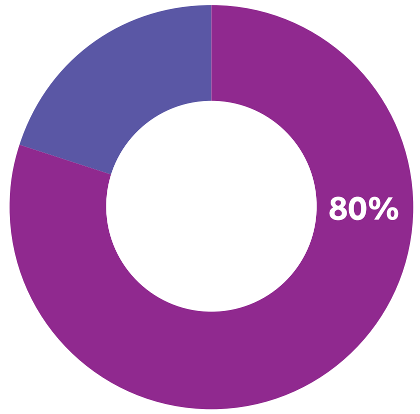
Each OEIC is professionally managed by an external investment partner. In our case, we have chosen to work with Fidelity International, a renowned global fund manager. This arrangement helps to ensure regulatory compliance and clear alignment with defined investment objectives. However, as a co-manufacturer, we retain a significantly higher level of input and control than is possible within a traditional DMPS structure. This includes:

- **Strategic asset allocation:** We determine the long-term asset mix for each OEIC, ensuring alignment with our investment philosophy and evolving client needs.
- **Risk management design:** We establish risk parameters and tolerances embedded within each fund, supporting consistent application of our dynamic risk control framework.
- **Style and exposure influence:** We guide the investment style, including factor tilts, regional biases, or thematic exposures, to reflect our market views and client preferences.
- **Governance and oversight:** We participate actively in fund governance, providing visibility and input into key decisions such as manager selection and tactical shifts.

Who's in control?



In a traditional DMPS, providers control around 60% of the decisions



With the modular approach, providers control around 80% of the decisions

This degree of influence and control is simply not achievable in a traditional DMPS, where fund selection may be limited by platform availability, third-party mandates, or cost pressures.

What are the benefits of the Modular Approach?

The modular structure offers several key advantages over a traditional DMPS while preserving the core benefits of risk-targeted, professionally managed portfolios:

- **Greater diversification:** Each OEIC is broadly diversified across asset classes and geographies, reducing concentration risk and enhancing portfolio resilience.
- **Improved efficiency:** With fewer moving parts, rebalancing and implementing changes can be executed more swiftly and consistently across client accounts, reducing operational friction.
- **Enhanced transparency:** Clients and advisers can clearly see the underlying building blocks of their portfolios, making it easier to explain investment rationale, structure and performance.
- **Scalability without compromise:** The modular design enables us to scale our service across a broad client base without sacrificing quality, control, or personalisation.

By addressing many of the structural limitations associated with a traditional DMPS—particularly around cost, agility and diversification—the modular approach offers a compelling alternative for delivering consistent, tailored investment outcomes in an increasingly complex investment landscape.

If you have any questions about the new Discretionary Model Portfolio Service, please speak to your Flying Colours Financial Adviser.

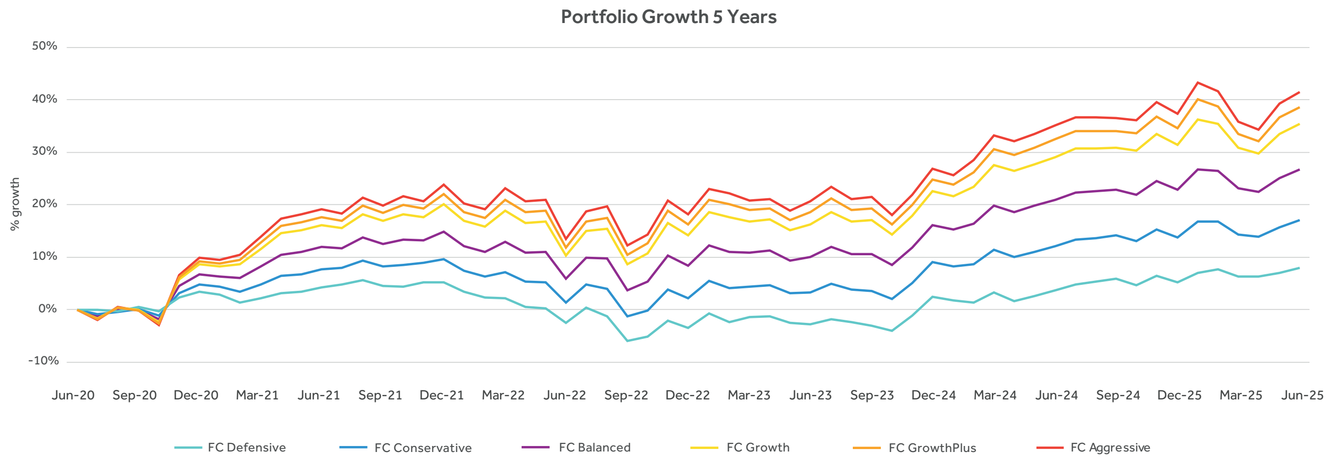
Portfolio Performance

We use Investment Association (IA) sectors as benchmarks to measure how we have performed. These are used by our peers and are widely used across the fund management industry. The ones selected are the closest to our asset allocation, therefore providing a good indication as to how we have performed. They also act as indicators of specific market and asset performance.

Portfolio Performance

Investment Growth

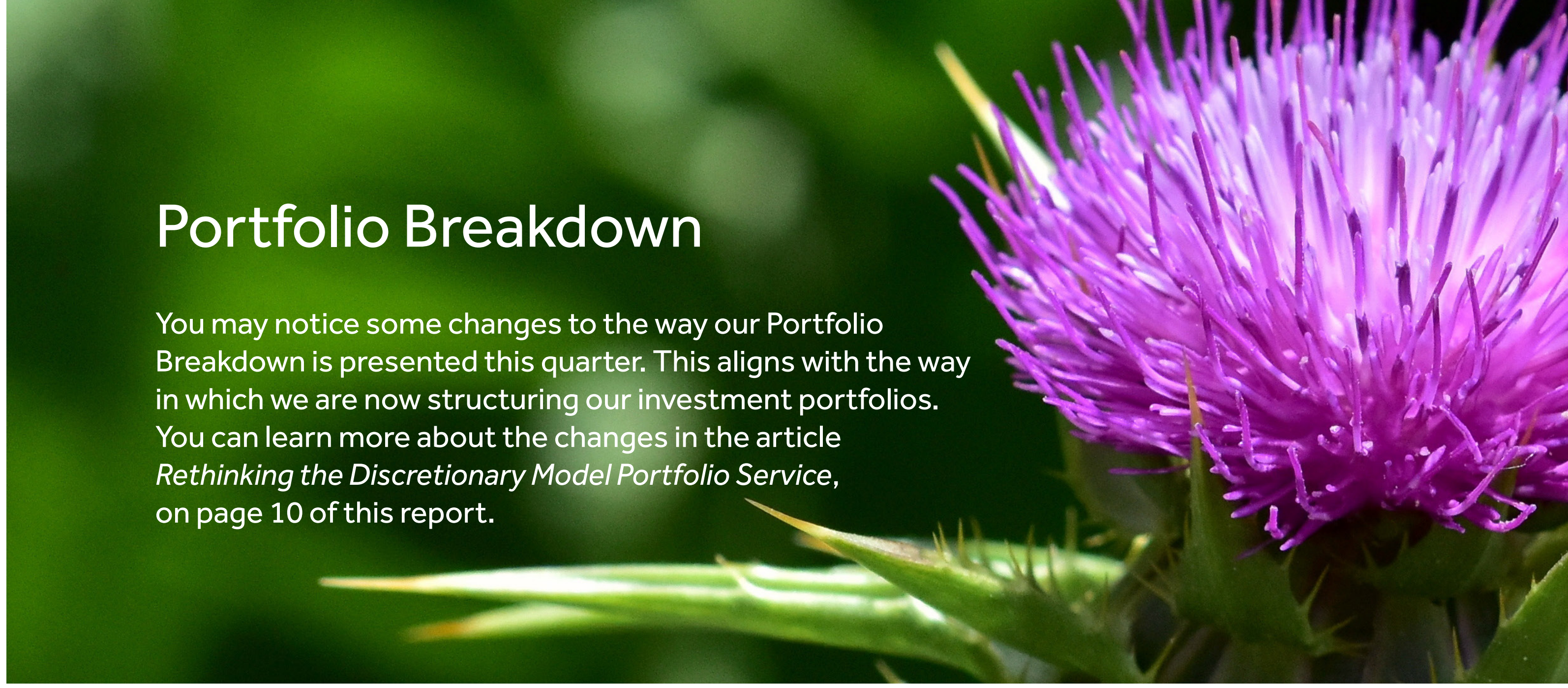
Time Period: 30/06/2020 to 30/06/2025



To 30 June 2025	3 Months	6 Months	1 year	3 Years	5 Years
Defensive	**1.7**	**2.7**	**4.2**	**10.8**	**8.0**
IA Mixed Investment 0-35%	2.3	2.8	5.1	12.3	10.2
Conservative	**2.5**	**2.9**	**4.5**	**15.5**	**17.1**
IA Mixed Investment 20-60%	3.2	3.3	5.8	17.2	21.6
Balanced	**2.9**	**3.1**	**4.7**	**19.7**	**26.7**
50:50 IA Mixed Investment 20-60 & 40-85	3.5	3.0	5.6	19.5	27.1
Growth	**3.4**	**3.0**	**4.8**	**22.7**	**35.3**
IA Mixed Investment 40-85%	3.9	2.6	5.5	21.8	32.8
Growth Plus	**3.9**	**3.0**	**4.7**	**24.0**	**38.6**
50:50 IA Mixed Investment 40-85 & Flexible	3.8	2.4	5.3	21.6	33.9
Aggressive	**4.1**	**3.0**	**4.7**	**24.6**	**41.4**
IA Flexible Investment	3.8	2.2	5.0	21.5	35.0

Category	YTD	2024	2023	2022	2021	2020
FC Defensive	**2.7**	**2.7**	**6.1**	**-8.3**	**1.8**	**8.0**
IA Mixed Investment 0-35% Shares	2.8	4.4	6.1	-10.2	2.6	4.0
FC Conservative	**2.9**	**4.3**	**6.7**	**-6.8**	**4.6**	**7.0**
IA Mixed Investment 20-60% Shares	3.3	6.2	6.9	-9.7	6.3	3.5
FC Balanced	**3.1**	**5.8**	**7.2**	**-5.7**	**7.6**	**5.9**
50:50 IA Mixed Investment 20-60 & 40-85	3.0	7.5	7.5	-9.9	8.7	4.5
FC Growth	**3.0**	**7.2**	**7.3**	**-5.0**	**10.5**	**4.4**
IA Mixed Investment 40-85% Shares	2.6	8.9	8.1	-10.2	11.2	5.5
FC Growth Plus	**3.0**	**7.8**	**7.4**	**-4.7**	**11.7**	**3.5**
50:50 IA Mixed Investment 40-85 & Flexible	2.4	9.0	7.7	-9.7	11.3	6.3
FC Aggressive	**3.0**	**8.3**	**7.3**	**-4.6**	**12.8**	**2.2**
IA Flexible Investment	2.2	9.1	7.3	-9.1	11.4	7.0

Source: Morningstar Direct, 30th June 2025



Portfolio Breakdown

You may notice some changes to the way our Portfolio Breakdown is presented this quarter. This aligns with the way in which we are now structuring our investment portfolios. You can learn more about the changes in the article *Rethinking the Discretionary Model Portfolio Service*, on page 10 of this report.

ProsperityShield

ProsperityShield is a diversified, defensive investment fund designed to grow capital over the long term, while providing a smooth performance path for investors. It covers multiple assets classes globally—either directly or via other funds. The goal of ProsperityShield is to deliver returns that are similar to fixed income funds, but with lower volatility, using a flexible toolkit to manage risk and build portfolio resilience against market downturns.

Since inception, we've actively reduced interest rate sensitivity by focusing on bonds maturing within five years. Our allocation favours emerging markets, while exposure to the UK and US remains limited due to their challenging fiscal outlooks. Additionally, the portfolio includes a significant allocation to alternative assets. Our concern over inflation means that we have prioritised real assets such as commodities, gold, and inflation sensitive bonds, focusing on the UK, Germany, and the US.

Top ten holdings in ProsperityShield

Holding name	%
Fidelity- Global Short Dur Income	15.9
Fidelity- Absolute Ret Multi Strat	14.5
Fidelity- Global Multi Asset Def	11.4
Fidelity- Structured Credit Income	6.7
Cash	4.7
L&G EM Mkts Gov Bd 0-5 Yrs	3.7
iShares Physical Gold	3.6
UBS ETC CMCI (Commodities)	3.2
US Treasury 1.25% 04/15/2028	3.0
Colombian Bond 7.375% 04/25/2030	1.9

We aim to be fully transparent and, as such, a full breakdown of the names in each fund can be requested from your Financial Adviser.

Data correct as of 30th June 2025

ProsperityBuild

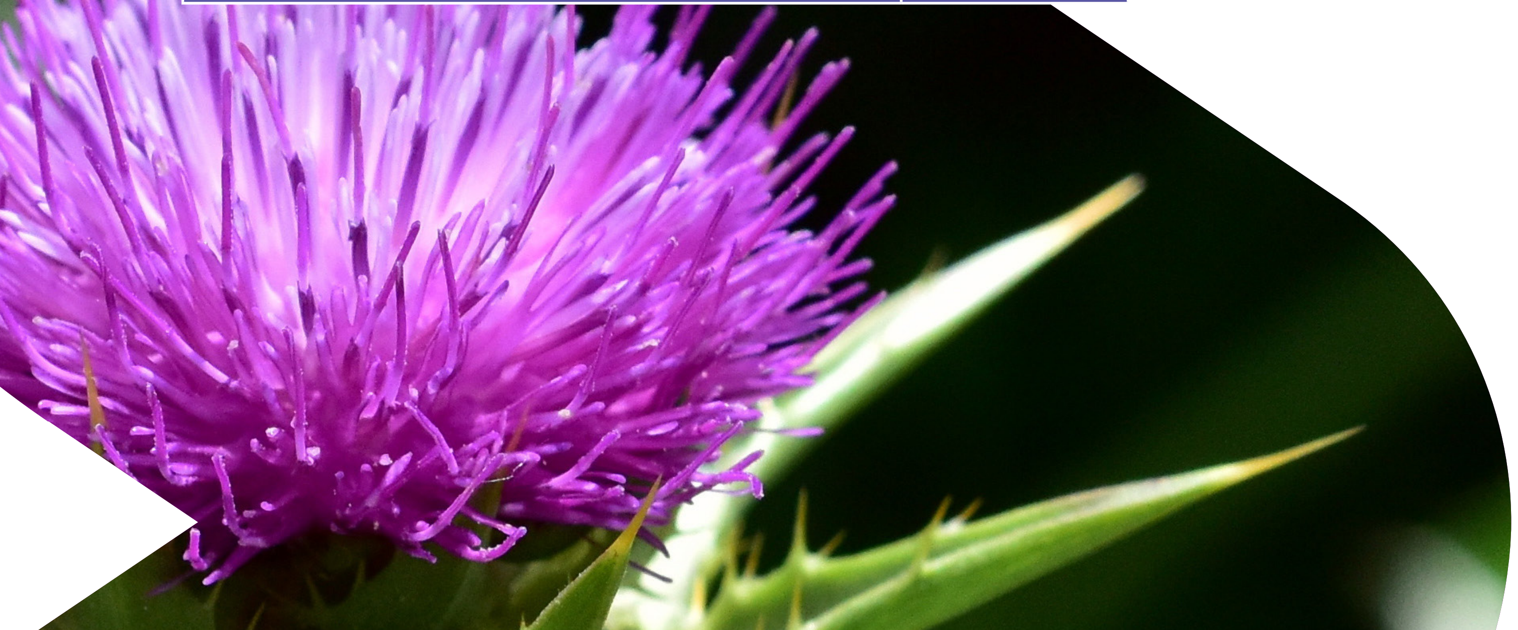
ProsperityBuild is a growth-oriented investment fund designed to provide global equity exposure, aligned with our preferences. It focuses on active stock selection, geographic and sector diversification, and efficient implementation. ProsperityBuild aims to increase investment value over five years or longer. We control both asset allocation and style preference, leaning toward companies that have characteristics aligned with what we believe is the most appropriate in the current environment.

Since launch, we've favoured non-US equities where we see fiscal stimulus and political stability, such as the new German government, as supportive for growth. We also maintain a preference for both Emerging Markets and Japan. Within the portfolio, we prioritise companies that are attractively valued, with strong balance sheets and high-quality income statements.

Top ten holdings in ProsperityBuild

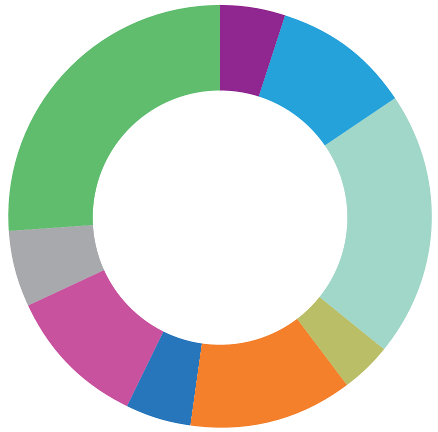
Holding name	%
Microsoft Corp	3.4
Nvidia Corp	3.1
Apple Inc	3.0
Franklin FTSE Korea ETF	2.9
Astrazeneca Plc	2.5
Amazon.Com Inc	2.3
Taiwan Semiconductor	2.2
Broadcom Inc	1.4
Rio Tinto Plc	1.4
Alphabet Inc Cl A	1.3

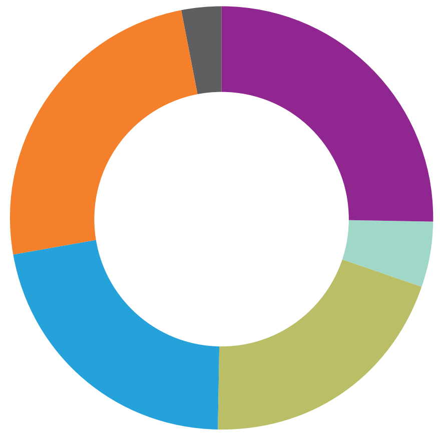
Data correct as of 30th June 2025



Portfolio Breakdown

Defensive Portfolio

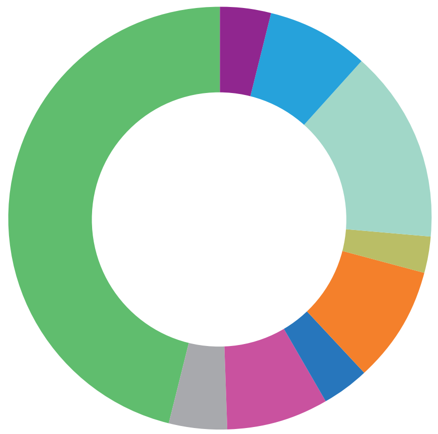


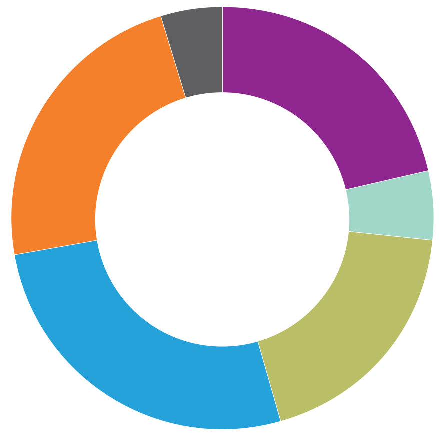


Asset Allocation	%
Cash & Equivalent	4.9
Sov Bonds Dev Mrkts	10.8
Sov Bonds Emerging Mkts	20.2
Inflation Linked Bonds	3.9
Corporate Bonds	12.4
High Yield	5.1
Alternative	10.8
Commodities	5.8
Equity	26.0

Geographic Allocation	%
Emerging Market	25.3
Asia	5.0
Europe Ex UK	20.2
North America	21.9
UK	24.7
Japan	2.9

Conservative Portfolio



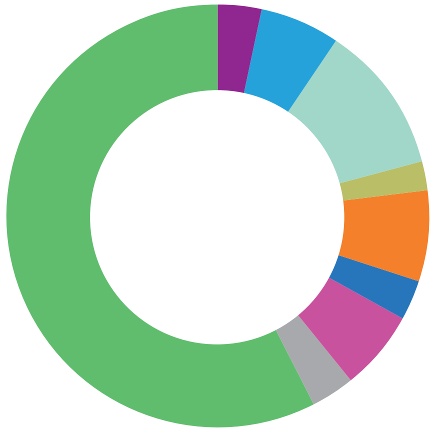


Asset Allocation	%
Cash & Equivalent	4.0
Sov Bonds Dev Mrkts	7.8
Sov Bonds Emerging Mkts	14.6
Inflation Linked Bonds	2.8
Corporate Bonds	9.0
High Yield	3.7
Alternative	7.8
Commodities	4.2
Equity	46.1

Geographic Allocation	%
Emerging Market	21.6
Asia	5.2
Europe Ex UK	19.1
North America	26.6
UK	22.9
Japan	4.7

Portfolio Breakdown

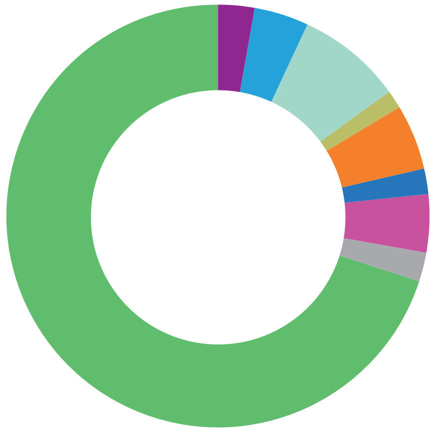
Balanced Portfolio



Asset Allocation	%
Cash & Equivalent	3.5
Sov Bonds Dev Mrkts	6.1
Sov Bonds Emerging Mkts	11.5
Inflation Linked Bonds	2.2
Corporate Bonds	7.0
High Yield	2.9
Alternative	6.1
Commodities	3.3
Equity	57.5

Geographic Allocation	%
Emerging Market	19.5
Asia	5.3
Europe Ex UK	18.4
North America	29.2
UK	21.8
Japan	5.8

Growth Portfolio

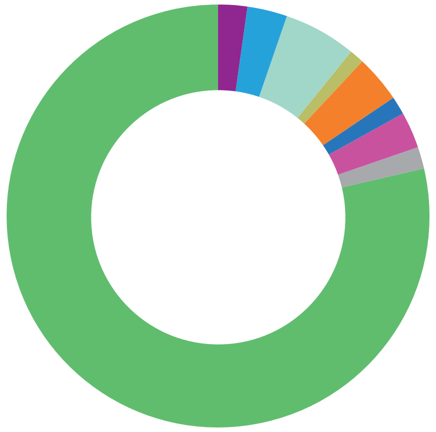


Asset Allocation	%
Cash & Equivalent	2.9
Sov Bonds Dev Mrkts	4.3
Sov Bonds Emerging Mkts	8.0
Inflation Linked Bonds	1.6
Corporate Bonds	4.9
High Yield	2.0
Alternative	4.3
Commodities	2.3
Equity	69.9

Geographic Allocation	%
Emerging Market	17.2
Asia	5.4
Europe Ex UK	17.7
North America	32.1
UK	20.7
Japan	6.9

Portfolio Breakdown

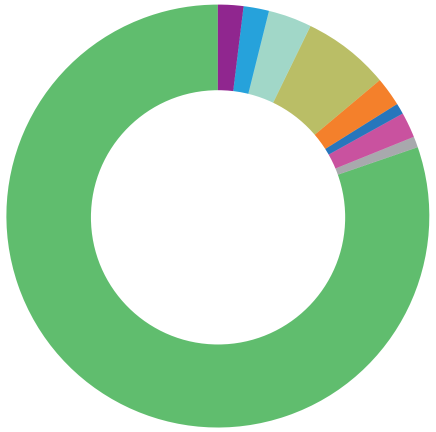
Growth Plus Portfolio



Asset Allocation	%
Cash & Equivalent	2.5
Sov Bonds Dev Mrkts	3.0
Sov Bonds Emerging Mkts	5.6
Inflation Linked Bonds	1.1
Corporate Bonds	3.4
High Yield	1.4
Alternative	3.0
Commodities	1.6
Equity	78.5

Geographic Allocation	%
Emerging Market	15.7
Asia	5.4
Europe Ex UK	17.2
North America	34.1
UK	19.9
Japan	7.7

Agressive Portfolio



Asset Allocation	%
Cash & Equivalent	2.1
Sov Bonds Dev Mrkts	2.0
Sov Bonds Emerging Mkts	3.7
Inflation Linked Bonds	0.7
Corporate Bonds	2.3
High Yield	0.9
Alternative	2.0
Commodities	1.1
Equity	85.1

Geographic Allocation	%
Emerging Market	14.4
Asia	5.5
Europe Ex UK	16.8
North America	35.7
UK	19.3
Japan	8.3

0333 305 1122

hello@flyingcolours.investments

www.flyingcolours.investments

Head Office: 2nd Floor, Greenwood House, London Road, Bracknell. RG12 2AA

Lincoln: 1 Ingleman Place, The Lawn, Lincoln. LN1 3BU

Liverpool: 5th Floor, Yorkshire House, 18 Chapel Street, Liverpool. L3 9AG

FlyingColours Investment