



RATHBONES

RATHBONE UK OPPORTUNITIES FUND

QUARTERLY UPDATE MARCH 2026

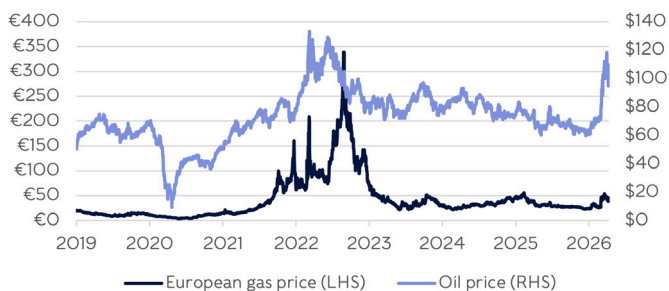
The quarter was inevitably dominated by the severe escalation in geopolitical tensions in the Middle East. Military action involving the US, Israel and Iran, and the effective closure of the Strait of Hormuz, a critical energy supply route, triggered a sharp surge in global oil and gas prices. The resulting energy price shock has forced an abrupt shift in investor expectations. Hopes of a synchronised disinflationary cycle have been dashed, with investors now fearing a more complex environment defined by inflation persistence, stalling growth, and heightened stagflation risks.

A more challenging macro backdrop

Global central banks have responded cautiously. The US Federal Reserve held the federal funds target range at 3.50%-3.75%, emphasising the heightened uncertainty surrounding the inflation and growth outlook. Similarly, the European Central Bank has kept its deposit rate unchanged at 2.0%, highlighting the material upside risks to inflation created by the conflict.

Closer to home, the UK looked relatively fragile ahead of the energy price shock. After growing by just 0.1% in Q4 2025, the economy unexpectedly stagnated in January 2026, with flat services output and contracting industrial production. All this left domestic demand looking vulnerable just as energy costs began to rise sharply.

OIL AND GAS PRICE SPIKES BELOW 2022, BUT CEASEFIRE IS KEY



Source: FactSet; Dutch TTF Gas Monthly Future for short-term delivery and Brent Crude Spot to 8 April 2026

Progress in taming inflation had already been losing momentum. The headline consumer price index (CPI) fell to 3.0% year-on-year in January and stayed at around that level in February. But underlying price pressures have remained sticky: core CPI rose to 3.2% in February and services inflation stayed elevated at 4.3%, well above Bank of England (BoE) projections.

Against this backdrop, the BoE has adopted a more hawkish stance. Its Monetary Policy Committee voted unanimously to hold the Bank Rate at 3.75% in March, emphasising the upside risks to inflation. This marked a clear shift in tone and led investors to unwind their expectations of near-term rate cuts. Some are even beginning to price in further tightening if energy-driven inflation proves persistent.

How we're embedding AI tools in our investment research

The first quarter marked a meaningful step forward in how we run our investment process. Using multiple external providers, we've built some 'always-on' AI agents to help us monitor our portfolio and prep for meetings more quickly and with sharper focus. Our agents help us systematically track myriad developments across portfolio companies alongside broader industry news. We think this is helping improve the consistency of our coverage across diverse sectors and companies, while significantly reducing the time we spend on routine monitoring. The direct consequence has been a material improvement in our research productivity. March was a record month for us, with the highest number of companies we saw and the most management engagements. By freeing up time from more routine tasks, we've been able to focus better on high-quality work: investigating new ideas, asking the more uncomfortable questions in meetings, engaging more deeply with management teams and rigorously critiquing our existing holdings. We view this combination of technology-enabled efficiency with human judgement as a genuine step-change: the real pay-off is having more time to spend on the hardest problems.

Portfolio review

Moving to the portfolio, there's been no shortage of corporate news. Instead of trying to cover everything, here's our pick of the more interesting highlights.

Several of our high-quality compounders delivered strong upgrades. Specialised technical product manufacturer/distributor **Diploma** raised its 2026 organic revenue growth target and operating margin guidance, driving a material upgrade to consensus expectations, supported by robust demand from the aerospace industry for the high-performance fasteners supplied by Peerless, its aerospace components business. Software reseller **Softcat** also upgraded guidance following a strong first half, as demand for AI-enabled IT infrastructure remained intense. Ventilation solutions provider **Volution** delivered a solid set of results, continuing its evolution from a UK-centric ventilation business to a diversified, global low-carbon platform.

When you invest, you could lose some or all of your investment. Past performance is not a reliable indicator of future results.

Performance review

	3 months	6 months	1 year	3 years	5 years
Rathbone UK Opportunities Fund	-6.5%	-7.8%	3.9%	10.5%	-4.3%
IA UK All Companies Sector	-2.0%	1.8%	12.7%	27.4%	31.5%
FTSE All-Share Index	2.4%	9.0%	21.5%	45.6%	69.3%

	31 Mar 25- 31 Mar 26	31 Mar 24- 31 Mar 25	31 Mar 23- 31 Mar 24	31 Mar 22- 31 Mar 23	31 Mar 21- 31 Mar 22
Rathbone UK Opportunities Fund	3.9%	-0.3%	6.7%	-13.1%	-0.4%
IA All Companies Sector	12.7%	5.0%	7.6%	-2.0%	5.3%
FTSE All-Share Index	21.5%	10.5%	8.4%	2.9%	13.0%

Source: Morningstar; data to 31 March, I-class, mid price to mid price.

These figures refer to past performance, which isn't a reliable indicator of future returns.

Not all the news was welcome. We were disappointed when construction materials manufacturer **CRH** decided to delist its ordinary shares from the London Stock Exchange, as it completes its transition to a US-centred listing. Operationally, the firm continues to deliver strong performance, with double-digit EBITDA growth, continued margin expansion and further share buybacks announced. The move underscores the ongoing challenges facing the UK market as globally mobile companies continue to choose to list elsewhere.

The trend of listing overseas continues to run in parallel with foreign takeovers of UK-listed firms, as international buyers snap up undervalued British assets. In March, Switzerland's giant Zurich Insurance Group made an £8bn cash offer for London-based insurer **Beazley**, representing a substantial premium to the prior share price.

Capital returns were another recurring theme. Local payment platform **Boku** announced another share buyback programme following strong revenue growth and a sharp increase in profitability. In contrast, personalised greeting card provider **Moonpig** announced a larger-than-expected £65m buyback programme, supported by resilient trading and earnings momentum.

Finally, a few more idiosyncratic developments added colour. Vet services provider **CVS Group** received long-awaited regulatory clarity as the competition watchdog concluded its review into the vet services market for household pets, removing a significant overhang and allowing the company to resume domestic acquisitions. **Bloomsbury Publishing** also benefited from the news that bestselling author Sarah J Maas will release two new novels in quick succession, leading the company to guide to materially higher profits in its 2027 financial year. In a sign of the times, the news reached the market via the wildly popular *Call Her Daddy* podcast – proof that even fund managers sometimes have to keep close tabs on pop culture!

Portfolio activity

We reduced our position in software reseller **Bytes Technology Group** following its full-year update. While its latest financial year closed solidly, guidance for broadly flat operating profit highlighted delayed earnings momentum and potential risks associated with the delivery of upcoming go-to-market changes. We also sold the rest of our holding in fund administrator **JTC** ahead of the completion of private equity firm Permira's takeover bid at a very small discount to the final price. And we began cashing out of our large holding in Beazley after Zurich's takeover was agreed.

We put the proceeds to work, topping up our holding in protection equipment manufacturer **Avon Technologies**. The firm designs and manufactures respiratory and head protection equipment (like respirators, escape hoods and ballistic helmets) for the military and emergency first responders. Avon Technologies' core respiratory franchise benefits from long-term US Department of Defense contracts for its next-generation Integrated Head Protection System – essentially a modern combat helmet that protects soldiers' heads from bullets and shrapnel, and blunts impacts during combat. Multi-year frameworks like these provide high visibility on revenues and cashflow, something we value greatly.

In addition, we initiated a new position in engineering and scientific technology group **Renishaw** to capture its improving operational momentum. During the quarter, industry indicators (including machine tool orders and semiconductor capex revisions) began to turn more positive, with analysts highlighting an acceleration in the firm's earnings momentum. With the shares responding to these improving cyclical dynamics, we viewed this as an attractive opportunity to add a high-quality compounder to the portfolio.

Companies seen: **CVS Group, SSP Group, Melrose, Experian, Rightmove**, XP Power, Greggs, Weir Group, **CRH, Croda**, OSB, Zegona Group, **Hill & Smith**, IMI, Funding Circle, **4imprint, Volution, Shawbrook Group, Cranswick, XPS Pensions, Alfa Financial Software, AMS, AB Dynamics, Bloomsbury Publishing, Chemring, Moonpig**, SigmaRoc, Zotefoams, **Softcat, ICG**, Pets at Home, **Rotork, Standard Life, Bytes, AJ Bell, Everplay**, Applied Nutrition, **Fever-Tree**.



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For more info on our fund, including factsheets, performance and fund manager views, please click [here](#).

If you require further clarification on this commentary, then please contact your adviser or Rathbones at the contact details below.

Any views and opinions are those of the investment manager, and coverage of any assets held must be taken in context of the constitution of the fund and in no way reflect an investment recommendation. Past performance should not be seen as an indication of future performance. When you invest, you could lose some or all of your investment.

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