

Providence Pulse

Q2 2026

Your finger on the pulse of Financial Services industry.

The financial services industry continues to evolve at pace. In Providence Pulse, we explore the regulatory, technological and behavioural shifts shaping financial advice, with practical insights designed to support confident, well-informed decision-making.



Foreword

Hello again, everyone.

Welcome to the second edition of Providence Pulse.

As we move rapidly through 2026, it is fair to say the year has had a dynamic start. Many of the themes we anticipated in our inaugural edition are now shaping the landscape, presenting both challenges and opportunities for advisers, providers, and clients alike:

- **Geopolitical Tensions & Shifting Trade Dynamics:** Ongoing instability and evolving global trade relationships continue to drive market uncertainty. These factors reinforce the critical importance of portfolio diversification and resilience.
- **Commodity Markets in Focus:** Commodities have taken centre stage, with gold and oil drawing significant attention. These movements are shaping inflation expectations, influencing central bank policies, and driving tactical asset-allocation decisions.
- **Accelerating Technological Transformation:** Rapid advances in technology, particularly AI, are reshaping financial services. Firms are moving quickly to leverage efficiency gains while navigating emerging risks around governance, data, and regulation.

While the macro environment evolves, our two key priorities at Providence remain unchanged:

- **Excellence in Customer Service:** We are currently operating within a T+1 standard for both servicing and new business items.

- **Developing Our Proposition:** We are excited to add Polaris Schedule C, our new Unitised Investment Portfolio capability and continue the development of our income solution, the Providence Protected Income Product.

By consistently delivering on these objectives, we continue to expand our distribution footprint and support an ever-growing number of advisers.

In this second edition, we dive into four overarching themes:

- **Regulatory Update:** A focus on KYC and the vital significance of periodic reviews.
- **Megatrends:** Navigating the generational transition into retirement income.
- **Behavioural Finance:** Strategies for overcoming psychological barriers to investing.
- **Investment Outlook:** Navigating geopolitical risk and market evolution.

We hope you find this edition of the Pulse insightful. Your feedback on the first edition was incredibly positive. Please continue to let us know which topics you would like to see more of (or less) so we can tailor future editions to your needs.

I look forward to our continued partnership as we navigate the opportunities of the year ahead.



Dr. Chris Divito
Chief Executive Officer, Providence

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Regulatory Update

The Periodic Review

Navigating the
“Why” and the
“How Often”



It is a scenario every introducer knows well: a long-term client receives a request for documents they submitted years ago. The client is frustrated, the introducer is caught in the middle, and the process feels like a hurdle rather than a help.

However, periodic reviews are more than just administrative paperwork. They are the pulse of a healthy, compliant relationship. This edition of the Pulse newsletter breaks down why these reviews happen and how to explain them without losing client trust.

Why Do We Ask for KYC?

If initial Know Your Customer (KYC) checks are the “first date,” periodic reviews are the ongoing “health checks” of a financial relationship. International regulatory bodies (including the FATF and the FCA) require institutions to ensure that client data remains accurate.^{3,5}

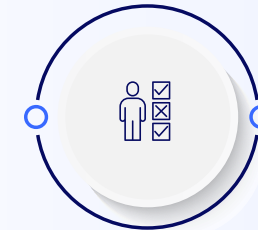
The Risk-Based Logic

You might ask why one client is reviewed more frequently than the others. The answer lies in a Risk-Based Approach.⁴

Several levers determine the frequency of these checks:

The Factor	Why it Matters
Jurisdiction	High-risk regions or those with limited transparency trigger more frequent eyes on the file. ^{1,8}
Industry Sector	Sectors such as gaming, defence, or high-value commodities naturally carry higher inherent risk. ²
Wealth Origin	Complex corporate structures or multiple international income streams require deeper, more frequent verification. ¹⁰
PEP Status	Politically Exposed Persons hold influence that requires a higher standard of due diligence by law. ⁷

Periodic Reviews Serve Four Vital Functions



Regulatory Alignment

Proving active oversight to authorities.^{2,4}



Sanctions Vigilance

Staying compliant in a shifting geopolitical landscape.⁹



Accuracy

Keeping pace with life changes, from new addresses to career shifts.



Crime Prevention

Ongoing monitoring makes it harder for illicit funds to enter the system.⁶

¹ Basel Institute on Governance – Basel AML Index

² European Banking Authority – Guidelines on Customer Due Diligence and Risk Factors

³ Financial Action Task Force (FATF) – International Standards on AML/CFT

⁴ Financial Action Task Force (FATF) – Risk-Based Approach Guidance

⁵ Financial Conduct Authority (FCA) – Financial Crime Guide

⁶ Financial Crimes Enforcement Network (FinCEN) – CDD Requirements

⁷ The Organisation for Economic Co-operation and Development (OECD) – Politically Exposed Persons Guidance

⁸ Transparency International – Corruption Perceptions Index

⁹ United Nations Security Council – Sanctions Lists

¹⁰ Wolfsberg Group – AML Principles for Private Banking



Reassuring Your Clients

When the request lands on your desk, how do you phrase it to the client? Here is a simple guide to reframing the conversation:

It is a standard feature

Compare the review to a mandatory car inspection or a security update on a smart phone. It is not about suspicion; it is about system integrity.

It protects your assets

Explain that these checks prevent identity theft and ensure that no unauthorised changes have been made to their profiles.

Nothing is 'wrong'

Be clear that a review is a routine compliance cycle. It does not mean the institution is investigating the client for wrongdoing.

Efficiency is the goal

Remind them that a complete file today prevents a frozen transaction or a delayed withdrawal tomorrow.



Periodic reviews are an essential safeguard in modern finance. By positioning these requests as a routine regulatory standard rather than a burden, you strengthen the bond of transparency with your clients and protect the financial ecosystem.

How to Clear Compliance Faster

When a product provider triggers a client review, it is not just a checkbox exercise; it is a chance to ensure your client's portfolio remains frictionless. To avoid administrative delays or frozen transactions, here is the essential toolkit for your next review.

The Core Essentials



Latest POI & POA

A valid passport and a utility bill/statement dated within the last 3 months



Financial Profile

Current annual salary and details of any recurring bonuses.



Banking Data

Current bank account details, specifically noting the country of the branch.

What is Happening Behind the Scenes?

Institutions now run automated background screenings and media searches as standard. For higher-risk profiles, be ready to provide a quick refresher on the Source of Wealth to ensure it still aligns with their current account activity.

Pro-Tip for Advisers

Transparency is your best tool for speed. Reassure your clients that providing specific salary and banking data is a standard regulatory mechanic, not a sign of suspicion. Accurate data at the start is the only way to prevent accounts from being frozen.

Megatrends

The Retirement Income Opportunity

Why Advisers Are Central to the Next Phase of Wealth Management



Our Megatrend series explores the major forces shaping international financial services. This quarter, we examine a shift that represents both a significant concern for clients and a profound opportunity for financial advisers: the transition from saving wealth to spending it.

The Centrality of the Trusted Adviser

Financial advice has always been vital, but as populations age, its value is becoming even more pronounced. In the United Kingdom alone, pension assets exceed £1 trillion in defined contribution schemes, with trillions more held in ISAs and investment portfolios. As these assets transition from accumulation to retirement income over the coming decade, advisers will be the architects of sustainable spending.

Recent research from the Financial Conduct Authority (FCA) provides compelling evidence of this value. Their 2025 study, Bridging the Advice Gap, found that receiving financial advice is associated with a wealth increase of up to 10% compared to those who remain unadvised.¹ By helping individuals avoid common pitfalls—such as holding excessive cash or neglecting tax efficiency—advisers ensure that clients make superior financial decisions.¹ In simple terms, people who receive advice tend to make better financial decisions.

Yet this finding does more than validate the advice profession. It also highlights the critical role advisers will play in navigating what may be the next major phase of wealth management: the transition from wealth accumulation to retirement income.

From Saving to Spending: The Decumulation Challenge

Historically, retirement planning was straightforward, often supported by predictable lifetime income from defined benefit schemes. However, the global shift toward defined contribution pensions has placed the responsibility for managing retirement risks directly onto the individual.³

Retirees must now navigate a complex web of decisions:



¹ Financial Conduct Authority (2025). Bridging the Advice Gap: Estimating the Relationship Between Financial Advice and Wealth

² Shapiro, R. & Stutgen, L. (2024). The Peak Boomers Economic Impact Study

³ PensionsEurope (2025). Decumulation in Focus: Understanding the Payout Phase

⁴ Financial Conduct Authority (2018). Retirement Outcomes Review: Final Report

The Demographic Wave Transforming Retirement

A powerful demographic shift is underway across developed economies. Millions of individuals from the "Baby Boomer" and "Generation X" cohorts are approaching retirement, bringing vast pools of accumulated wealth with them.

Research into the "Peak Boomer" generation estimates that over 30 million individuals will reach age 65 between 2024 and 2030.² This trend is mirrored across the UK and Europe, where the "decumulation phase"—the stage where individuals convert savings into income—is becoming the defining financial challenge of the era.

Navigating the Traditional Solutions

Most retirees currently face a binary choice between Annuities and Income Drawdown:

Annuities

These provide a guaranteed income for life, effectively solving "longevity risk." However, they often lack flexibility and can be perceived as poor value if the retiree does not live as long as expected.

Income Drawdown

This keeps funds invested, offering flexibility and growth potential. Yet, it exposes the retiree to market volatility. The FCA found that over 60% of consumers entering drawdown without advice were unsure how their money was even invested.⁴

The Emerging "Third Way"

Recognising these difficulties, regulators are calling for innovation.⁴ Attention is shifting toward hybrid solutions that combine the certainty of a guaranteed stream with the flexibility of continued investment exposure.

At Providence, we have developed solutions for this exact space, aiming to provide protected income streams supported by underlying investment performance. Watch this space for further details as we expand the toolkit available to support your clients.

Conclusion: A Generational Opportunity

The evidence from regulators and researchers points to a clear conclusion:



Advice improves outcomes

Advised individuals accumulate more wealth.¹



The shift is massive

Trillions are moving from accumulation to income strategies.



Complexity is rising

Consumers are increasingly responsible for difficult, high-stakes decisions.

For advisers who master retirement income planning—managing longevity risk, market volatility, and sustainable withdrawals—the next decade will be defined by a unique opportunity. The next phase of wealth management is not about how wealth is gathered, but how successfully it is transformed into a lasting legacy.



Did You Know?

The Birth of Modern Savings (1818)

In 1818, the British Parliament passed the first Savings Bank Act. This landmark legislation was designed to protect the frugal habits of the working class by providing a safe, regulated place for small-scale savers to deposit their earnings. Before this, most people had no secure way to store wealth. This act laid the groundwork for the modern retail banking and pension systems we navigate today, proving that the drive for financial security is a timeless human endeavour.

Behavioural Finance

Behavioural Insights to Improve Retirement Outcomes



This latest instalment of our behavioural finance series explores the psychological barriers that often prevent clients from executing even the most robust financial plans.

For financial advisers, retirement planning is rarely just about the mathematics of compounding or sustainable withdrawal rates. The true challenge lies in human behaviour.

Three forces are particularly dominant in retirement planning:



By understanding the following ten insights, advisers can frame conversations to help clients overcome these natural barriers.

1 Procrastination is the Default

Many clients intend to save more "soon" but delay action due to present bias, where immediate consumption is valued over future security.¹

The Strategy: Frame decisions around future changes. Ask, "Would you be comfortable increasing contributions at your next salary review?"

2 Future Commitments Reduce Resistance

The "Save More Tomorrow" approach is highly effective because it links increased savings to future pay rises, meaning the client never feels a reduction in their current take-home pay.²

The Strategy: Position contribution hikes alongside future income growth to bypass the psychological pain of "loss."

3 Complexity Leads to Inaction

Too many choices often result in decision paralysis. When a plan feels overwhelming, clients simply disengage.

The Strategy: Simplify. Present a small number of clearly differentiated strategies and focus on the trade-offs between them.

4 The Danger of Arbitrary Anchoring

Clients often "anchor" their expectations on default contribution rates, which may be insufficient for their lifestyle goals.

The Strategy: Shift the focus from "percentage of salary" to "income replacement goals." Visualising the future lifestyle is a more powerful motivator than a technical figure.

Behavioural economics shows that individuals are not the perfectly rational actors traditional theory assumes. Instead, decisions are shaped by psychological biases and emotional responses to uncertainty.

¹ Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk

² Thaler, R., & Benartzi, S. (2004). Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving

5 Loss Aversion and Risk Perception

Prospect theory suggests that the pain of a loss is felt twice as strongly as the joy of an equivalent gain.³

The Strategy: Reframe risk. Explain that the true risk is not short-term market volatility, but the long-term failure of assets to grow enough to support their desired lifespan.

6 Overcoming Mental Accounting

Clients often view pensions, savings, and properties as separate "buckets," which can lead to inefficient decision-making.

The Strategy: Encourage an integrated view. A consolidated report of total wealth and future income potential helps clients make more rational, holistic choices.

7 The Longevity Underestimation

Many individuals fail to realise that a retirement lasting 30 years is now a common reality.

The Strategy: Use longevity scenarios. Remind a healthy couple aged 65 that there is a significant probability at least one of them will live into their 90s.

8 The Retirement Consumption Puzzle

Surprisingly, many retirees spend less than they safely could because they fear future uncertainty.⁴

The Strategy: Give clients "permission" to spend. Reassuring them when their financial position is secure is just as vital as helping them accumulate wealth.

9 The Power of Framing

How a choice is presented dictates the response. Describing a strategy in terms of "income security" usually yields a more positive reaction than discussing "loss of capital flexibility."⁵

The Strategy: Focus on outcomes. Speak about financial independence and lifestyle rather than technical product features.

10 Social Norms as a Catalyst

People look to their peers for behavioural cues. If they believe their peers are saving at a certain level, they are more likely to mirror that behaviour.

The Strategy: Use subtle social benchmarks. For instance: "Many professionals in your position aim to save between 12% and 15% of their income."

³ Kahneman, D., & Tversky, A. (1992). *Advances in Prospect Theory*

⁴ Hurd, M., & Rohwedder, S. (2003). *The Retirement Consumption Puzzle*

⁵ Brown, J. (2007). *Rational and Behavioral Perspectives on the Role of Annuities*

Conclusion

Technical expertise in portfolio construction remains essential, but the most successful advisers are those who can navigate the "human element." By recognising that clients naturally procrastinate and fear loss, you can structure your advice to reduce resistance. Often, the difference between a plan that exists on paper and one that is successfully executed is the psychological bridge you build for your client.



Investment Outlook

Navigating Geopolitical Risk and Market Evolution in Q2 2026



In our second Providence Pulse Investment Outlook, we must reflect in a more sombre tone as to the state of investment markets, given the manner in which global events are impacting investment markets.

As noted previously, what follows is not ‘investment advice’ but rather an informed summary of key markets, opportunities and concerns, as expressed by some of the world’s largest asset management businesses. We have tried to strike the balance between following through on the topics covered in our previous edition, whilst ensuring we are touching upon current themes coupled with a broad market view, in order to form our own unique view or outlook.

This outlook will focus primarily on three specific markets:



Plus a very shallow dive into:



We hope you enjoy the ride!

Geopolitical Backdrop – Conflict in the Gulf

At the time of writing, military action involving Iran has added a further layer of geopolitical uncertainty to global markets. While the situation remains fluid, several major investment houses currently view the likely market impact as volatile but manageable, provided the conflict remains geographically contained.

Markets typically react to such events through short-term movements in commodities, currencies, and safe-haven assets rather than through sustained equity declines. Energy prices are the most immediate transmission channel. Any disruption to Middle Eastern oil supply or shipping routes could push oil prices higher, which in turn may feed into inflation expectations and bond yields. However, the broader economic backdrop remains resilient.

The U.S. economy in particular continues to benefit from strong consumer demand, investment spending, and ongoing capital expenditure related to artificial intelligence and infrastructure. As a result, many analysts expect the impact of geopolitical events on global equity markets to be temporary unless energy markets experience prolonged disruption.

For investors, this reinforces the value of diversification and balanced portfolios. Periods of heightened geopolitical tension often produce market volatility, but historically such episodes have tended to be short-lived relative to the longer-term drivers of corporate earnings and economic growth.

U.S. Equities

The broad outlook for U.S. equities remains constructive, although the tone among large investment houses has become somewhat more balanced. Markets are expected to remain supported by earnings growth and continued investment in transformational technologies, particularly artificial intelligence. At the same time, the rapid pace of investment and elevated valuations mean that equity returns may become more selective and volatile than in recent years.

The U.S. economy continues to show resilience. Consumer spending remains robust, business investment is strong, and a gradual easing in interest rates is expected to provide additional support to economic activity. Equity leadership also appears to be broadening beyond the large technology companies that dominated market returns in previous years, with sectors such as industrials, financials, healthcare, and consumer discretionary increasingly contributing to market performance.



Positive Drivers Underpinning This View

- Strong economic fundamentals, including resilient consumer demand, healthy corporate balance sheets, and continued investment spending.
- Ongoing investment in artificial intelligence and digital infrastructure, which is expected to support productivity and earnings growth across multiple sectors.
- Expectations for gradual monetary easing over time as inflation moderates.
- A broadening of equity market leadership beyond mega-cap technology stocks into more cyclical sectors such as industrials and financials.



Potential Hurdles and Risks

- Elevated valuations, particularly within technology and AI-related companies, which leave markets sensitive to earnings disappointments.
- The pace and scale of AI-related capital expenditure may begin to weigh on corporate profitability if returns take longer than expected to materialise.
- Geopolitical tensions and trade uncertainties could create periods of market volatility.
- Less abundant market liquidity compared with previous years may amplify short-term market movements.

Non-U.S. Developed Equities

(Europe & Japan)

Outside the United States, developed equity markets continue to attract growing investor attention. Europe and Japan are increasingly viewed as credible alternatives to the U.S. market, supported by improving economic momentum, attractive valuations, and structural policy changes.

European economies are benefiting from increased fiscal spending, particularly in areas such as defence, infrastructure, and industrial policy. Meanwhile, corporate governance reforms and a stronger focus on shareholder returns have improved the investment case for Japanese equities. Together, these factors suggest that non-U.S. developed markets may continue to deliver competitive returns as global equity leadership broadens.



Positive Drivers Underpinning This View

- Attractive relative valuations compared with U.S. equities, offering potential for valuation re-rating.

- Fiscal stimulus and increased government investment in infrastructure, defence, and energy transition projects.

- Continued improvements in corporate governance and capital efficiency, particularly in Japan.

- A broadening of global industrial activity and manufacturing growth supporting export-oriented sectors.



Potential Hurdles and Risks

- Sensitivity to global trade and currency fluctuations, particularly in export-driven economies.

- Structural economic challenges in Europe, including demographics and energy costs.

- Japan's continued reliance on global demand cycles.

- Slower-than-expected diffusion of productivity gains from technologies such as AI.

Overall, these markets are increasingly viewed as important diversifiers within global equity portfolios, particularly given their lower valuation starting points relative to the U.S.

High-Quality Fixed Income

(U.S. and Global)

High-quality fixed income remains an important component of diversified portfolios and is widely viewed by large asset managers as offering a more attractive risk-reward profile than in recent years.

With interest rates significantly higher than the ultra-low levels that prevailed during the previous decade, bonds now provide a meaningful income component for investors. Returns are expected to be driven primarily by income rather than capital gains, making outcomes more predictable and reinforcing fixed income's role as a stabilising portfolio asset.



Positive Drivers Underpinning This View

- Higher starting yields, which provide a stronger income cushion for investors.

- Expectations that inflation will continue to moderate over time, allowing central banks to gradually ease policy.

- Strong sovereign and corporate balance sheets supporting high-quality credit markets.

- The diversification benefits that bonds provide during periods of equity market volatility.



Potential Hurdles and Risks

- Persistent inflation pressures or rising energy prices that could push bond yields higher.

- Fiscal concerns related to elevated government debt levels and continued issuance of sovereign bonds.

- Periods of interest-rate volatility driven by geopolitical developments or shifting central-bank expectations.

Despite these risks, many investment managers believe that high-quality bonds once again provide both income and portfolio stability, reinforcing their strategic role in diversified portfolios.

Other Asset Classes: Brief Observations

While equities and fixed income remain the core drivers of portfolio returns, several other asset classes are attracting increased attention in the current environment.

Gold and Other Defensive Assets

Gold has continued to attract investor interest during periods of geopolitical tension and financial market uncertainty. The asset class often benefits from heightened geopolitical risk and concerns about government debt levels, making it a useful portfolio hedge in volatile environments.

Global Small-Cap Equities

Small-capitalisation companies are increasingly being highlighted as a potential opportunity in 2026. Historically, small-caps tend to perform well during periods of accelerating economic growth and manufacturing expansion. Valuations remain attractive relative to large-cap equities, although performance dispersion within the sector remains high, making selectivity important.

Emerging Markets

Emerging market equities have also delivered strong performance in recent months, supported by earnings growth and improving global industrial activity. Demand for AI-related hardware, infrastructure investment, and stronger commodity markets may continue to support corporate earnings in several emerging economies, although geopolitical risks remain an important consideration.

Providence House View

Asset Class	View Q2 2026	Rationale
EQUITIES		
US	↔	US equities remain supported by resilient growth, earnings expansion and AI-driven investment, but elevated valuations, rising AI capex risks and more balanced sector risk-reward argue for greater selectivity and diversification.
Europe	↑	Improving global growth, manufacturing recovery and attractive relative valuations support European equities, with leadership broadening beyond the US and opportunities in industrials and IT.
UK	↔	UK equities sit within a broader developed market opportunity set, but growth remains modest relative to other regions, supporting a balanced allocation.
Japan	↑	Japan benefits from global growth, industrial recovery and structural themes such as automation and robotics, positioning it as a key contributor to the next phase of global equity gains.
Emerging Markets & Asia	↑	Strong earnings trends, attractive valuations and a weaker US dollar backdrop support EMs, with Asia particularly well positioned via the AI supply chain and global growth recovery.
FIXED INTEREST		
Government Bonds	↔	Yields are expected to remain broadly range-bound amid solid growth, persistent fiscal issuance and evolving monetary policy, with bonds providing diversification rather than strong return potential.
Investment Grade Bonds	↑	High-quality bonds offer attractive yields and portfolio stability, particularly in medium-duration segments, although tight spreads limit relative upside.
High Yield Bonds	↔	Credit fundamentals remain supported by economic resilience, but tight spreads and late-cycle dynamics warrant a selective and balanced approach to risk.
Emerging market Debt	↑	Attractive yields, improving fundamentals and supportive global conditions underpin EM debt, particularly in USD-denominated and diversified income strategies.
ALTERNATIVES		
Overview	↑	Alternatives are increasingly important for diversification and risk management, with strong opportunities across commodities, infrastructure, AI-linked themes and gold as a geopolitical hedge.
CASH		
Overview	↓	While short-term yields remain supportive, holding excess cash risks underperformance in a constructive risk-asset environment, with capital better deployed across diversified portfolios.

Note:

(Overweight)	↑	Favourable view of the asset class in the short-term and prefer a higher allocation relative to long-term strategic asset allocation
(Neutral)	↔	Balanced view of the asset class in the short-term and would hold comparable allocation to long-term strategic asset allocation.
(Underweight)	↓	Less favourable view of the asset class in the short-term and prefer a lower allocation relative to long-term strategic asset allocation.

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