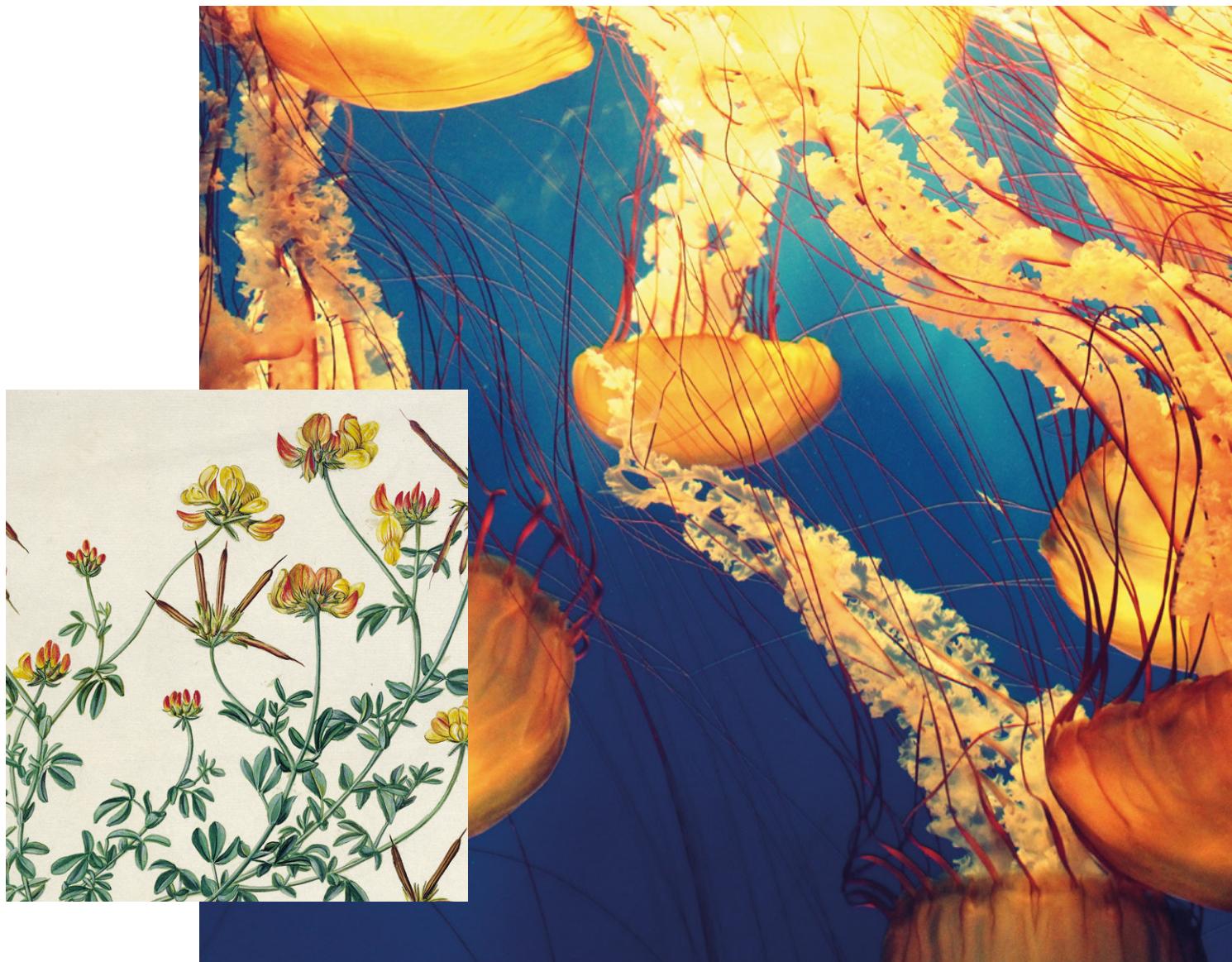




Wealth
Management

Quarterly Report Sustainable Portfolio Service

Q4 2025



| Forward-looking
for generations

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Q4 2025

Summary

Tariff turbulence dominated headlines earlier in the year but by the fourth quarter, momentum shifted as investors broadened their focus beyond mega-cap technology companies, fuelling strong annual performance across Europe and Japan.

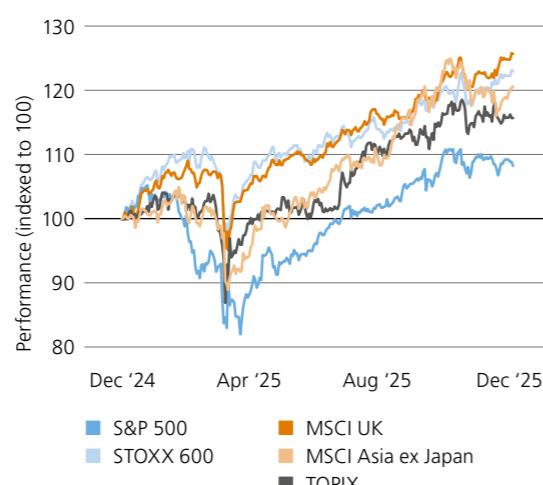
The Federal Reserve (Fed) and Bank of England (BoE) both delivered rate cuts as labour markets softened and inflation moderated. Over the quarter, we saw the yield curve steepen further, as ten-year Treasury bond yields were largely unchanged while two-year Treasury bond yields continued to decline as rates were cut. The Bank of Japan (BoJ) raised interest rates to the highest level in three decades.

As markets rallied, geopolitics added new levels of uncertainty, with events that could reshape regional dynamics. In January, Venezuela entered a period of heightened instability after President Nicolás Maduro was seized by US forces, raising questions about regional stability and signalling more assertive government behaviour going forward.

After a year that saw many major indices hit record highs despite tariff-induced instability, the fourth quarter was more muted for US equities. The S&P 500 and the NASDAQ each gained 2.7% in the final three months of the year. These gains nevertheless helped propel both the S&P 500 and the NASDAQ's 2025 gains to 17.9% and 21.2% respectively. These are impressive returns, but most major global indices outperformed the S&P 500 last year, as a 9.4% decline in the dollar index weighed on non-US investors' portfolios.

European equities benefitted from ongoing optimism over economic support, policies and stimulus, which helped drive investors towards European companies, which are less highly valued than their US counterparts. The STOXX 600 rose 6.5% in the fourth quarter, bringing its 2025 gains to 20.7%. The MSCI UK rose 7.1% in the fourth quarter, lifting its yearly returns to 25.8%. In dollar terms, these returns are even more impressive.

Global equities in sterling terms in 2025



Source: Bloomberg

Japan had a strong year, with the Topix's 8.8% Q4 gains contributing to 2025 returns of 25.5%, as the country continues to benefit from ongoing corporate reforms and stimulus expectations. In Hong Kong, equities were down in Q4, but only after a phenomenal year that helped lift the Hang Seng up 32.5%. The Shanghai Composite gained 2.7% in the fourth quarter to bring its 2025 gains to 21.7%. Precious metals, particularly gold and silver, posted strong returns last year.



The fourth quarter began with a jolt, as a 43-day US government shutdown – the longest in history – clouded economic visibility. Despite only having a partial view of how the economy was performing, the Fed lowered rates at both the October and December meetings, bringing interest rates to 3.75% by year-end. While the Fed is prioritising its maximum employment mandate, it maintains that inflation warrants close monitoring if tariff-induced price pressures remain sticky. The US unemployment rate

ticked up to 4.6% in November, up from 4% at the start of the year, and the Fed stands ready to act should the unemployment rate rise further.

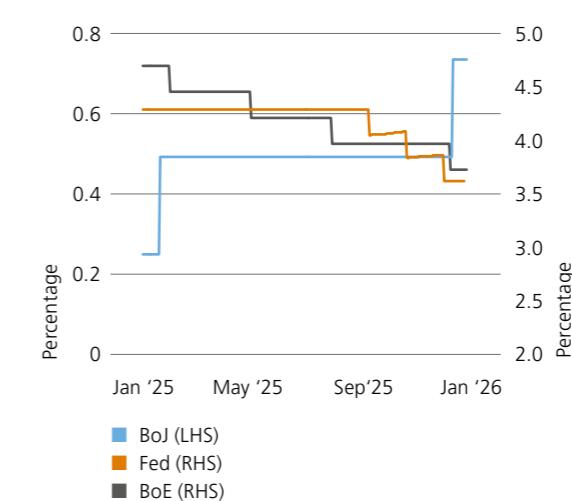
Japan made history as Sanae Takaichi became the nation's first female prime minister, a leadership change that could redefine fiscal priorities. Takaichi, a protégé of former Prime Minister Shinzo Abe, was initially expected to adopt a significantly looser fiscal stance. However, higher borrowing costs and a weak currency limit her ability to implement her policies compared to her mentor. She also only has a minority government, so her power may be constrained.

Looking ahead, geopolitical turbulence underscores the importance of maintaining a globally diversified, long-term portfolio rather than reacting quickly to events, however dramatic they may appear in the moment.

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As markets rallied, geopolitics added new levels of uncertainty, with events that could reshape regional dynamics.

Fed rates vs BoE rates vs BoJ rates in 2025



Source: Bloomberg

Sanjay Rijhsinghani, Chief Investment Officer

Portfolios in review

Fixed income

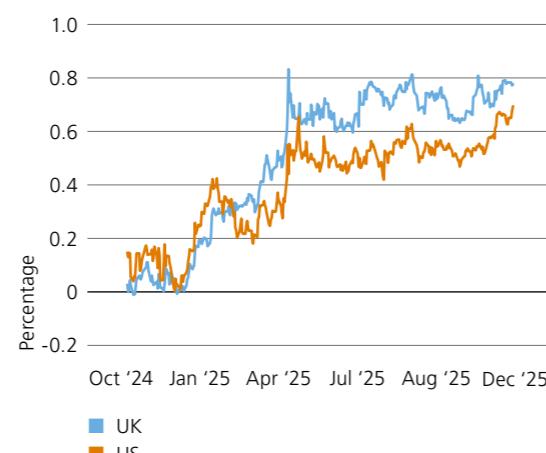
Volatility in global fixed income remained elevated in the fourth quarter as inflation faded and growth slowed. Central banks eased at differing speeds, driving divergent government bond yields, while resilient corporate earnings and tight credit spreads continued to support risk assets.

In the US, government bond markets navigated a late cycle environment characterised by moderating growth, cooling but still above target inflation, and a Federal Reserve that had clearly shifted its focus toward supporting the labour market. Through the quarter, incoming data pointed to slower payroll growth, a gradual rise in the unemployment rate and softer labour demand, while the temporary US government shutdown added further uncertainty to the outlook and reinforced the case for a more cautious policy stance. Headline and core inflation continued to ease, giving the Fed room to adopt a measured easing bias without undermining its inflation fighting credibility.

Against this backdrop, US Treasuries delivered positive returns. Short dated yields fell as markets priced in further, albeit gradual, policy rate cuts into 2026. Medium term maturities benefitted from the combination of softer inflation and a less restrictive policy outlook, while longer dated bonds were more influenced by ongoing fiscal concerns. Inflation linked Treasuries remained a useful portfolio diversifier, as the level of inflation premium within them moved higher.

In the UK, fixed income markets contended with the uncomfortable mix of still elevated inflation, lacklustre growth and persistent fiscal concerns. Over the

2025 spread between 10- and 2-year yield for the US and the UK



Source: Bloomberg

fourth quarter of 2025, the Bank of England maintained a cautious easing stance, having already reduced rates several times since 2024 and delivering a further 25 basis point cut in December, while stressing that additional moves would remain highly data dependent. While headline inflation drifted lower from earlier peaks, sticky core services and wage pressures left the BoE less willing to move as decisively as some peers.

Against this backdrop, UK rates nonetheless performed well over the quarter. Gilt markets reflected the policy and fiscal tensions, but long dated yields rallied meaningfully, with thirty year yields moving around 30 basis points lower. Short dated yields were supported by the prospect of additional, albeit gradual, policy easing. Meanwhile, the relative

richness of the long end term and inflation premium kept the UK curve relatively steep and contributed to ongoing volatility in long dated gilts.

In the Eurozone, government bond markets were shaped by weak growth, moderating inflation and an increasingly steady European Central Bank. Having lowered rates earlier in 2025, the ECB left policy unchanged over the fourth quarter, signalling that monetary conditions were now appropriately accommodative and that further cuts were unlikely in the near term. Headline and core inflation continued to move closer to the 2% target, while activity data pointed to subdued, uneven growth across member states. Against this backdrop, yields on core sovereigns such as German Bunds moved only modestly, with curves remaining relatively flat and term premia compressed.

From a portfolio perspective, the fixed income allocation delivered strong returns over the quarter.

UK government bond exposure was the standout contributor, with longer duration positioning adding significant value.

Turning to credit markets, credit spreads in both investment grade and high yield corporate bonds widened marginally over the quarter but remain tight by historical standards. Resilient corporate earnings, a benign default environment, and strong demand for yield in a market where policy rates are falling helped support credit markets over the quarter.

The **Rathbone Ethical Bond (+2.56%)** was the top performing credit fund as its dynamic positioning and UK focus provided attractive returns.





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The market’s perception of winners and losers is extremely dynamic and investing in this space requires investors to be selective and diversified.

Sanjay Rijhsinghani, Chief Investment Officer

Equity

US equities delivered positive absolute returns during the quarter, though performance within growth and technology was notably volatile and dispersed. Following a strong rally, investor sentiment became more sensitive to valuation, earnings visibility, and the scale of capital expenditure commitments, particularly within large-cap technology. The fact that Alphabet returned +29% in the fourth quarter, in contrast to -10% for Meta (not to mention the -31% for the AI-related Oracle) illustrates that the market’s perception of winners and losers is extremely dynamic and investing in this space requires investors to be selective and diversified.

European equities continued to perform well during the quarter, supported by improving confidence in the region’s economic outlook and a more constructive view on interest rate policy.

Equity performance across Asia was divergent during the quarter. Indian equities delivered positive returns, supported primarily by strength in the banking sector. Indian banks outperformed as credit growth

remained robust, asset quality continued to improve and earnings momentum proved resilient. In contrast, Chinese equities declined during Q4, weighed down by ongoing concerns around the property sector, subdued domestic demand, and limited policy support. These structural headwinds continued to pressure investor sentiment, resulting in weaker market performance despite selective pockets of resilience.

Japanese equities delivered positive absolute returns, although relative performance varied by exposure. Large-cap exporters continued to benefit from supportive currency dynamics and external demand, while domestically focused companies lagged somewhat, reflecting ongoing sensitivity to domestic consumption trends and input costs.

Reflecting the above dynamics, the portfolio equity performance was mixed over the quarter with the value orientated funds performing well and some of the quality growth funds having a more challenging period.

The **Robeco Smart Materials fund (+10.59%)** was our top performing fund for the second quarter running. The fund focuses on advanced materials and smart manufacturing that help optimise the use of natural resources within scalable, clean and efficient solutions. It continued to benefit from the shift in sentiment towards materials and broader cyclical as the worst fears around the initial US tariff announcements were alleviated.

The **Sparinvest Global Ethical Value fund (+6.71%)**, was the second best performing fund over the quarter. The fund benefited from the broadening of the market and rotation away from mega cap technology stocks into cheaper cyclical areas such as materials.

The **Schroder Global Sustainable Value fund (+5.86%)**, was the third-best performer within the quarter benefitting from its overweight to UK and Europe, with its exposures in financials doing particularly well in the period.

The **Impax Environmental Markets fund (-3.25%)**, was the worst performer hindered by its mid cap skew and quality growth bias, all factors that underperformed in Q4 and across the 2025 calendar year.

Alternatives

The **Trojan Ethical Fund (+3.15%)** delivered another robust positive return in the quarter. Its position in physical gold continued to be a key contributor in returns, its government bond exposure performed well with rate cut expectations increasing, and its position in Alphabet led a broadly positive equity return.

Portfolio changes

We exited **Stewart Investors Asia Pacific Leaders** following transfer of management responsibilities to FSSA Investment Managers. While FSSA shares a similar philosophy, we believe the scale of change introduces risk that is not in clients’ best interests. Proceeds from the sale were reinvested to maintain the portfolio’s regional tilt to emerging markets and Asia via increases to the standalone emerging markets and Japanese equity positions, in addition to building positions in the global core.

Change in the European equity fund – EdenTree

European Equity is a European value-oriented fund with a long track record of providing compounding returns ahead of the market. As a specialist responsible and sustainable manager, EdenTree has a strong centralised sustainability team which integrates data into a robust qualitative framework of analysis. We switched from Liontrust SF European Growth fund, which has struggled recently given its emphasis on mid cap growth where we have reduced confidence in the teams ability to generate competitive returns moving forwards.

Switched from US to UK government bonds – UK government bonds have remained volatile as a result of uncertainty around fiscal sustainability, inflation and growth. This has resulted in new opportunities to add selective exposure to UK gilts maturing in 2033. The c.4.5% Yield-to-maturity (YTM) on these bonds is attractive in our view and further enhanced by tax advantages for clients owning within taxable accounts. We funded this from reducing exposure to US government bonds which had also performed well.

Sustainability update

AI transformation of healthcare

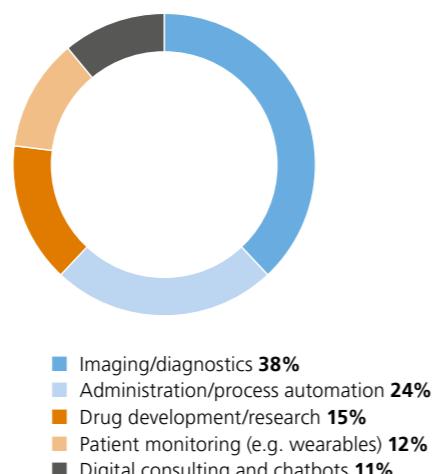
The potential impact of Artificial intelligence (AI) has dominated investor debates for the last two years. Whilst this will continue in 2026 healthcare is one sector where considerable progress has already been achieved. We have seen major breakthroughs in diagnostics and process efficiency, yet its full potential is only beginning to unfold.

The link between AI and medicine is longstanding. The functioning of human synapses inspired artificial neural networks, and as early as the 1970s an initial Stanford AI programme already supported diagnosis of bacterial infections and choosing suitable antibiotics. Over recent years AI applications in healthcare have expanded rapidly and are now transforming many aspects of medical practice.

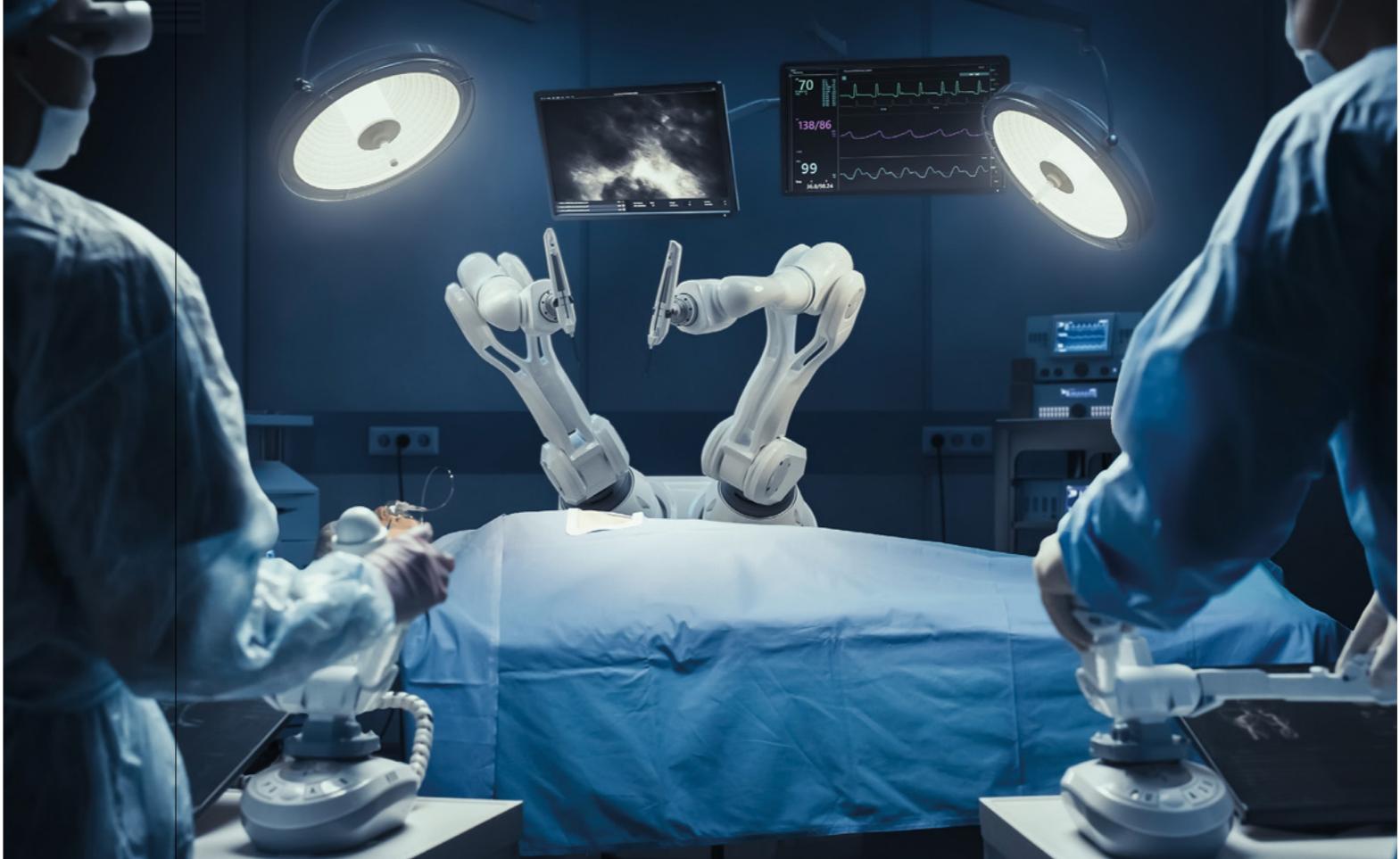
Today, the largest AI market segment in healthcare is diagnostics and clinical decision support. Modern AI systems can analyse X ray and MRI scans and detect difficult to see tumours or abnormalities with increasing speed and accuracy. In patient monitoring, algorithms continuously evaluate data from wearables to promptly identify irregularities such as cardiac arrhythmias. AI tools also support therapy selection by systematically analysing large volumes of patient data and scientific studies, enabling more personalised treatment recommendations. The second largest segment reflects early applications we have seen across the economy regarding administrative process automation. Virtual assistants help with workflows; organising appointments and answering basic questions.

Drug development is often regarded as the "Holy Grail" of AI in healthcare. It is already extensively used from drug design, clinical trial optimisation, and analysis trial results. Compared with traditional approaches, it promises faster development, lower Research & Development costs and better side effect prediction. Estimates suggest potential total cost savings of up to 30%. Nonetheless, no drug has yet been developed entirely by AI from initial concept to regulatory approval. There are still significant obstacles with the AI model capabilities. Like many other areas of the economy regulators and law makers are also grappling with the balance between harnessing the transformational potential and guarding against potential negative consequences. AI therefore complements and accelerates traditional drug development but cannot yet replace it.

AI healthcare sector – segmentation/market shares



Source: Grand View Research, MarketsandMarkets

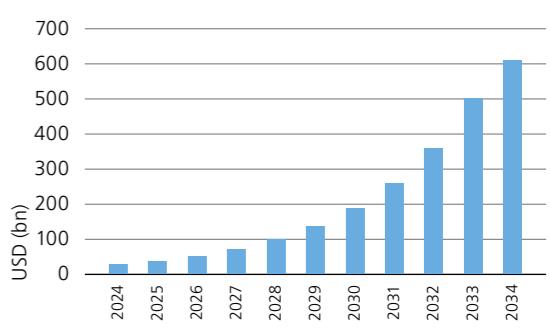


Market forecasts reflect the strong momentum that exists within healthcare related AI. Precedence Research estimate that the market could increase from around USD 27 billion in 2024 to over USD 600 billion in 2034. This implies annual growth of around 37% over the period, with some studies forecasting even higher values.

We acknowledge the potential risks, and support a responsible and considered approach to integrating AI into healthcare. However, the potential is vast and over the coming years we could see transformational improvements in global healthcare provision, whilst reducing costs. We believe AI represents a new and exciting structural driver behind our 'health and wellbeing' investment pillar. This is particularly interesting given the relative underperformance of the sector through 2025 has created compelling valua-

tions in high quality companies that we believe are well placed to benefit from these forces. The first wave of AI enthusiasm has focussed on the infrastructure 'hyperscalers', the next wave will likely focus on who is harnessing its potential. If that is the case healthcare is a great place to look.

AI healthcare market – forecast market volume (USD bn)



Source: Precedence Research, LGT

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The largest AI market segment in healthcare is diagnostics and clinical decision support.

Jordan Kelly, Senior Sustainable Research Analyst

Conclusion

At times of historic market change, it is important that investors do not lose sight of the bigger picture. The shift from a US-dominated unipolar world, to a multipolar world defined by competing 'spheres of influence' seems to have happened gradually and then suddenly. This transition is forcing the hand of governments worldwide to adopt more fiscally loose policies, both to ensure they are defended but also to maintain competitiveness. The main beneficiaries of this shift are outside of the US, where more attractive starting valuations and strong market momentum are driving a reversal of the decades-long period of US relative outperformance. We expect this trend to continue in 2026, especially with the US market sitting at the higher end of historical valuation ranges and facing a more uncertain policy outlook.

At the same time, we see renewed value in companies with high-quality characteristics. Markets have recently preferred cyclical and more speculative areas, often overlooking the benefits of strong balance sheets, resilient earnings and consistent business models. History suggests that such periods rarely persist indefinitely. Many of these higher-quality companies now trade at more reasonable valuations than they did several years ago, yet their long-term prospects remain intact. We believe that maintaining exposure to businesses capable of compounding steadily over time remains an important foundation for portfolios, especially in these uncertain times.

The mega-cap US technology stocks have dominated performance (and the market conversation) for several years, causing some to sound caution of a potential bubble. With valuations already elevated and attractive opportunities available elsewhere, we prefer to be selective rather than heavily concentrated in this one area of the market. We will not let the index drag us into an undiversified stance. As we saw in the fourth quarter, at a minimum we would expect some divergence in performance going forward for the group.

The identity of the next Fed Chair will loom larger for markets over the coming weeks. While there is some concern that political influence could erode the Fed's independence, we think the institutional checks and balances make a disorderly scenario less likely. The Chair must still guide a committee of twelve, and if the Chair's view is seen as overtly political, they will struggle to take the committee with them. A more realistic path is one where the Fed adopts a slightly more dovish tone, if the economy allows, without rushing back to the policies of the pandemic period. Indeed, if growth remains steady and inflation proves persistent, the greater risk is that US interest rates do not fall at all in 2026.

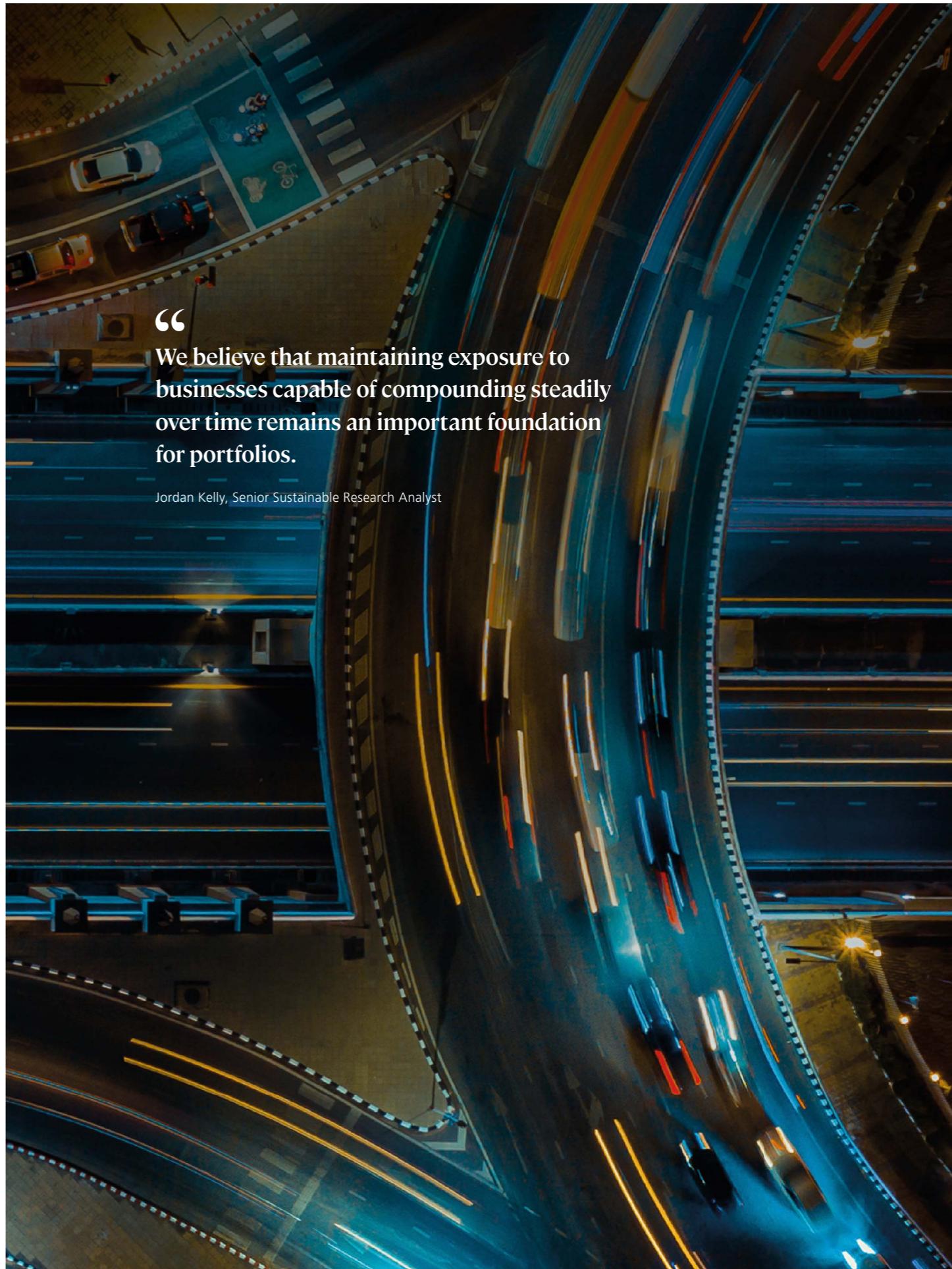
Closer to home, we believe UK government bonds can increasingly trade in line with interest rate expectations, rather than being dominated by political risk. In recent years, gilt yields have sometimes reacted more to Westminster headlines than to economic data. Today, however, there is clearer recognition of the fiscal constraints under which the government operates. The decision to increase fiscal headroom, alongside softer economic numbers, has helped gilts to perform better since October. We think bonds can continue to play their traditional role as a portfolio hedge if growth slows or an external shock occurs.

Credit markets, meanwhile, continue to offer opportunities, provided investors remain thoughtful. Yields remain appealing even though credit spreads are relatively tight, supported by broadly stable company fundamentals. Much of the concern has focused on parts of the private credit market where more flexible payment structures have emerged. Public credit, however, still shows generally manageable levels of leverage and only a gradual rise in expected defaults. In this environment, we believe the income on offer is worth capturing, but success will come from selectivity rather than simply buying the entire market.

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We believe that maintaining exposure to businesses capable of compounding steadily over time remains an important foundation for portfolios.

Jordan Kelly, Senior Sustainable Research Analyst





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