



Wealth  
Management

# International Sustainable Model Portfolio Service

Q4 2025 quarterly report



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## Overview

- US and Europe remained strong, led by technology, AI and fiscal support
- Asia was mixed, with gains in Japan and India offset by weaker sentiment in China
- Diversification and quality businesses remain key as market leadership broadens

# Macroeconomic landscape



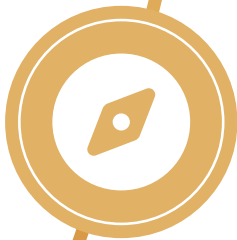
The final quarter of 2025 saw US equities continue their strong run, driven largely by technology and AI-related sectors. The S&P 500 and Nasdaq reached new highs on the back of strong corporate earnings and ongoing investment in AI and automation. Consumer spending stayed resilient and markets anticipated potential Federal Reserve rate cuts in 2026, which would be supportive of equity markets. That said, high valuations prompted some investors to rotate from mega-cap technology into more cyclical and value sectors.



European equities also delivered strong returns. Fiscal stimulus, defence and infrastructure spending supported earnings growth, while the FTSE 100 had one of its best years since 2009. It crossed the 10,000 level late in the year as sentiment improved and overseas investors returned to the UK market. Continental Europe benefited from cheaper valuations than the US and targeted policy support, although growth remained uneven across the region. The European Central Bank kept policy relatively steady while balancing inflation and growth risks.



Asian markets were mixed. Japan gained from corporate reform, shareholder-friendly policies and stable momentum. India continued to stand out due to strong domestic growth and structural investment. China, however, lagged. Although some large technology and AI-linked firms performed well, broader sentiment was held back by weaker earnings trends and ongoing regulatory and geopolitical concerns, which increased market dispersion across the region, reinforcing the importance of being active and selective.

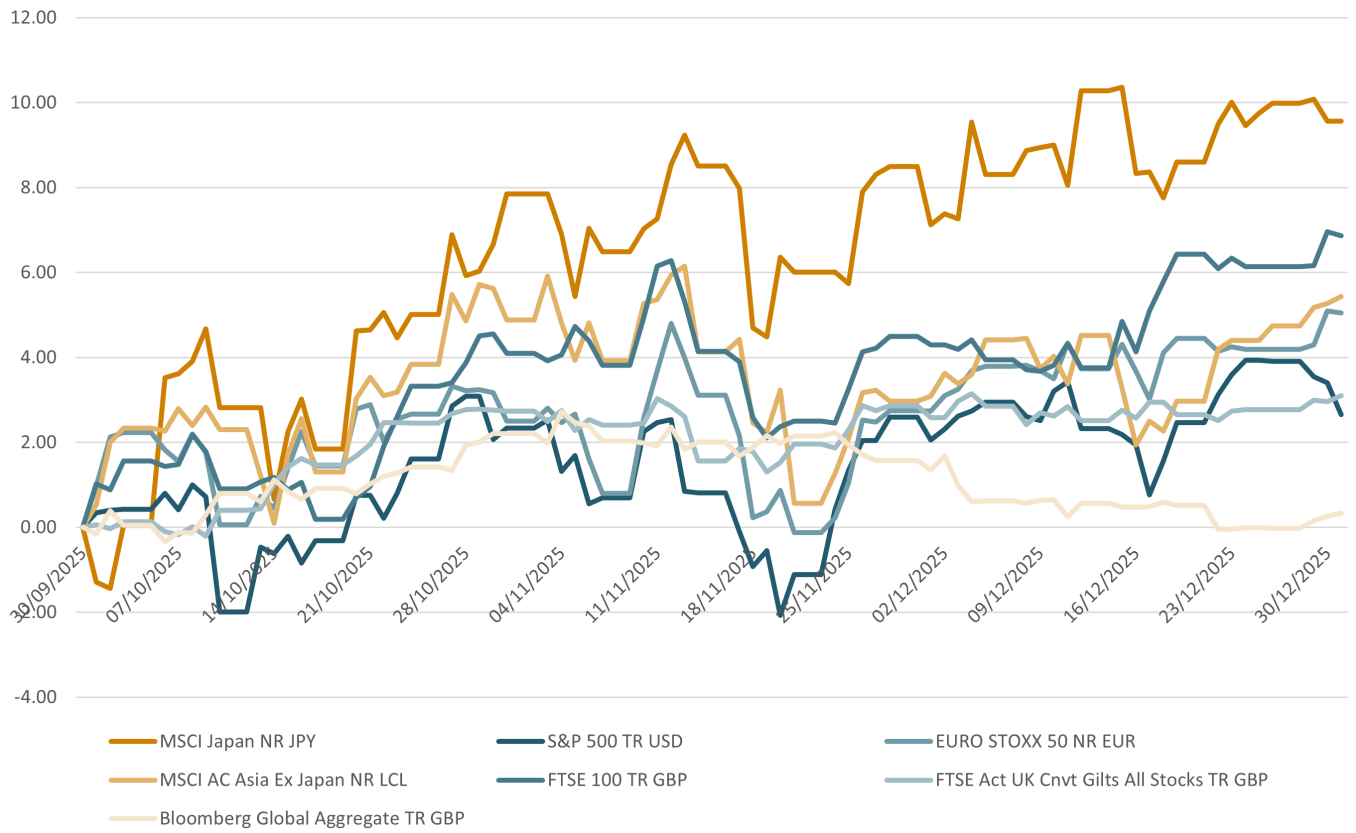


Heading into the first quarter of 2026, earnings growth, innovation and supportive fiscal policy remain key themes. Expected US rate cuts may provide further equity support, although valuations remain important to watch. Europe could benefit from sustained infrastructure spending, while Asia continues to play a central role in global growth, particularly in technology and domestic consumption. Bond markets may experience volatility as central banks adjust policy to inflation and debt dynamics, presenting selective opportunities. Against this backdrop, diversification remains essential, given ongoing geopolitical and economic uncertainty.



For a more detailed summary of the Q4 investment landscape, including insights from LGT's CIO Sanjay Rijhsinghani and other key team members, [click here](#).

# Q4 2025 index performance



Source: Morningstar as at 31/12/2025

Performance in local currency



# International SMPS performance

\*Figures in local currency (as at 31/12/2025)

International SMPS (GBP)	3 months	6 months	1 year	3 years	Inception date	Since inception
Sustainable Defensive	1.48	3.80	6.44	19.63	01/04/2020	30.87
Sustainable Cautious	1.71	4.87	7.08	21.87	30/11/2022	20.31
Sustainable Balanced	1.69	5.60	7.18	23.73	01/04/2020	53.48
Sustainable Growth	2.03	7.10	7.90	26.12	30/11/2022	22.99
Sustainable Adventurous	1.96	8.18	7.91	26.35	01/04/2020	68.65

International SMPS (EUR)	3 months	6 months	1 year	3 years	Inception date	Since inception
Sustainable Defensive	0.95	2.49	3.47	15.61	01/04/2020	22.61
Sustainable Cautious	1.27	3.39	3.50	18.70	30/11/2022	16.14
Sustainable Balanced	1.35	4.00	3.04	21.62	01/04/2020	48.74
Sustainable Growth	1.87	5.34	3.12	25.39	30/11/2022	20.49
Sustainable Adventurous	2.17	6.20	2.61	26.56	01/04/2020	66.44

International SMPS (USD)	3 months	6 months	1 year	3 years	Inception date	Since inception
Sustainable Defensive	1.39	3.40	8.12	23.85	11/11/2020	16.14
Sustainable Cautious	1.60	4.12	9.92	28.28	30/11/2022	26.99
Sustainable Balanced	1.56	4.50	11.60	31.80	11/11/2020	26.55
Sustainable Growth	2.00	5.64	13.64	36.68	30/11/2022	34.02
Sustainable Adventurous	1.97	6.32	15.04	39.10	11/11/2020	32.26

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Source: Morningstar



## Top performers

The **Robeco Smart Materials** fund (+10.59%) was our top performer. The fund focuses on advanced materials and smart manufacturing that help optimise the use of natural resources within scalable, clean and efficient solutions. The fund benefited from improved sentiment towards cyclical and innovation-driven industrials, with strong contributions from companies exposed to advanced materials, energy-efficient solutions, and sustainable infrastructure.

The **Sparinvest Ethical Global Value** (+6.71%) fund gained +6.71% in the fourth quarter of 2025. Performance was primarily driven by strong contributions from Financials and Information Technology, where the fund's holdings outperformed the broader market. A generally supportive environment for global value equities underpinned the fund's solid performance over the quarter, achieved within the constraints of its ethical investment approach.

## Bottom performers

**Morgan Stanley Global Quality Select** (-1.23%) the fourth quarter saw a continuation of the indiscriminate punishing of a diverse range of data-rich and software-enabled business models that has been underway since August, driven by heightened concerns around advanced AI (generative AI [GenAI] and agentic AI) disruption. This resulted in a derating across several differentiated, high quality holdings including RELX (-60 bps) and SAP (-55 bps).

The **Impax Environmental Markets** (-3.25%) fund returned -3.25% mainly due to negative, stock-specific earnings figures. Weak updates and guidance from holdings such as Northland Power (and related pressure on Boralex), Bentley Systems, PTC and Trex weighed on returns. While names like Repligen, Kingspan and Siemens Energy performed well, their positive impact however could not offset these earnings-driven setbacks, leading to a negative result for the quarter.

## Portfolio changes and rationale

### Diversifying US equity exposure

- We sold out of the **Stewart Investors** strategy this quarter. This decision followed the surprise announcement of a management transfer to FSSA Investment Managers. Whilst 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.



# Glossary of terms

Absolute Return Funds	A form of alternative asset. They actively adjust their positions between equities, bonds, gold and other asset classes, typically with the aim of providing investment return across all market conditions.
Active fund	A portfolio of investments that is selected by a professional investment manager and managed on an ongoing basis with the aim of achieving an outperformance objective.
Beta Strategies	Investment approaches that aim to match or closely follow the performance of a market index, reflecting the overall market movements.
Bonds	Bonds are debt securities issued by governments and corporations to raise money. Similar to an IOU, the investor lends money with the agreement that it will be paid back by a specific date, and they will receive periodic interest payments along the way. Bonds come under the umbrella of <b>'fixed income'</b> investments.
Credit Spreads	The difference in interest rates between two bonds, typically one being riskier than the other. It's a measure of the extra return investors demand for taking on additional risk.
Cyclical company	Companies with a direct relationship to the performance of the wider economy as consumers may purchase their goods when the economy is doing well but cut spending during downturns.
Defensive	Defensive positions prioritise preserving capital over growth. It is important to hold such positions in periods of market turbulence.
Diversification	Spreading your money across different types of investments, such as equities, bonds, and property, instead of putting all your money in just one type of investment. By doing this, you can reduce the overall risk of your investment portfolio.
Duration	The sensitivity of the price of a bond to changes in interest rates. A bond with a longer duration will typically be more sensitive to changes in interest rates than a bond with a shorter duration.
Fixed Income	Investments that provide regular, set interest payments, such as bonds or treasury bills, and return the principal at maturity.
Gilt:	A type of fixed income investment issued by the UK government. They are considered to be among the safest investments available. They have a fixed interest rate and a specific maturity date, which can range from a few months to several decades.
Growth vs Value	Most stocks are classified as either value stocks or growth stocks. Generally, a value stock trades for a cheaper price than its financial performance and fundamentals suggest it's worth. A growth stock is a company which comes at a higher price however, its profits are expected to grow significantly in the coming years as the company develops – this is typical for technology firms.
Hawkish	Describes a stance by central banks or policymakers that favor higher interest rates to control inflation, even if it might slow down economic growth.
High Yield Bonds	High yield bonds pay investors a higher level of interest due to a great risk the borrower may default.
Index	A fund that aims to track the performance of a market index.
Market Capitalisation (Market Cap)	Market 'cap' is the market value of a company based on its current share price and total number of shares. Ultra-large cap companies have the largest market capitalisation. The largest companies by market cap are currently Apple, Microsoft, Alphabet (Google), Amazon, Nvidia and Meta (Facebook).
Maturity	The length of time until the bond issuer must repay the original bond value to the investor.
Passive fund	A passive fund aims to follow a market index, offering a low-cost way to invest in a broad range of stocks or bonds.
Quality	Quality investing is an investment style that focuses on selecting stocks of companies with strong financial health, stable earnings, and solid management.
Rally	A market rally is a sustained increase in stock prices driven by positive investor sentiment and economic conditions.
Sentiment	Market sentiment is the overarching attitude or outlook of investors towards a particular security, sector of the market or economy as a whole.
Soft vs Hard landing	A soft landing refers to a gradual economic slowdown or adjustment, usually avoiding a recession, while a hard landing is a sudden and severe economic downturn often leading to a recession.
Volatility	The degree of fluctuation in a security's price or a market's performance over time. A highly volatile share experiences larger price changes compared to more stable investments, indicating higher risk.
Yield	The income you receive on an investment, such as dividends from shares or interest from bonds.
Yield Curve	A visual depiction of how the yields of bonds vary at different maturities. It shows how much you'd earn if you invested your money for a short time, e.g. 6 months, versus if you invested it for a longer time, e.g. 10 years.



Franz Anton von Scheidel, detail from "Depictions of conchiliae in watercolour after Johann Carl Megerle von Mühlfeld (1765–1840)," End of 18th century  
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