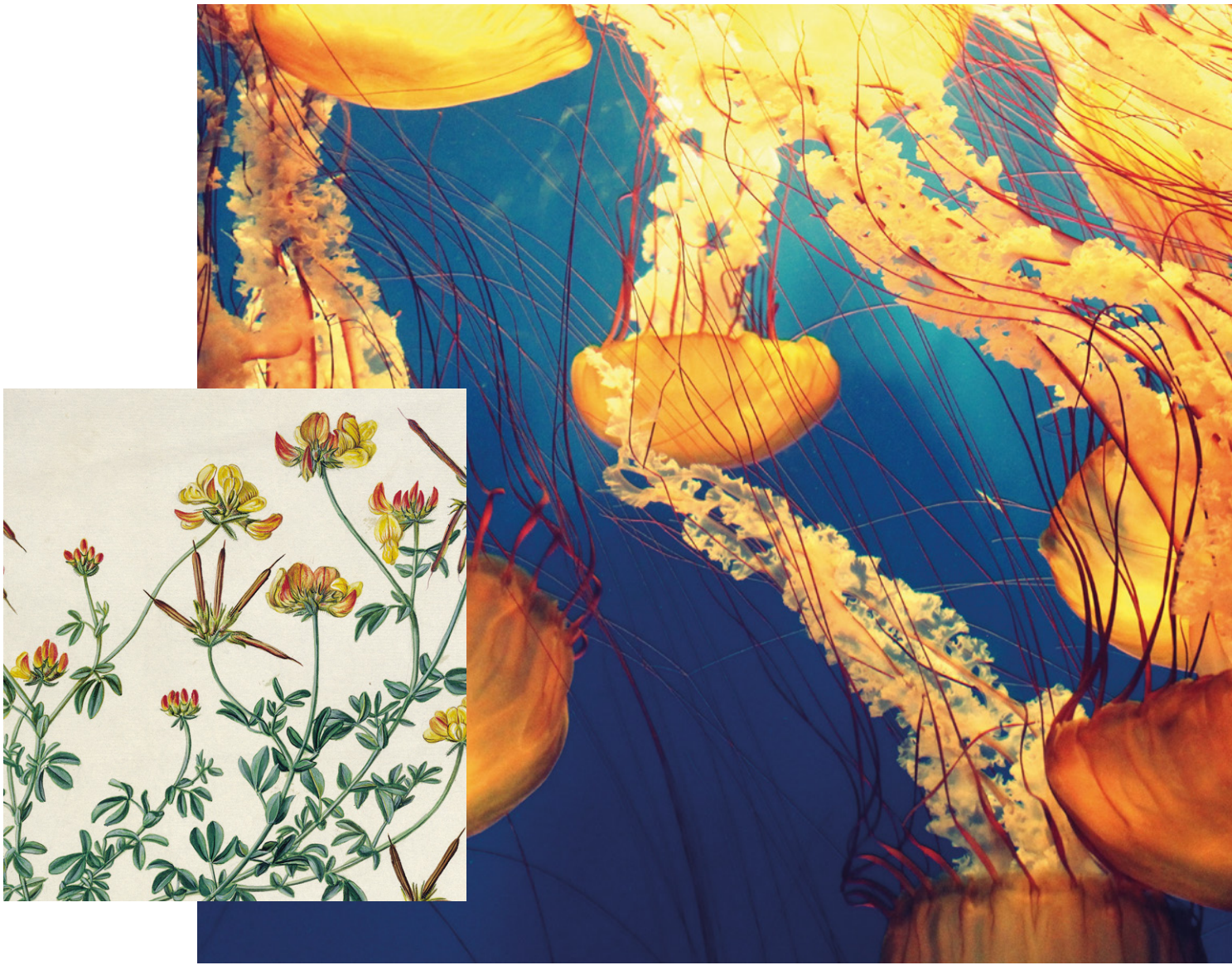
Wealth
Management

Quarterly Report
Sustainable Portfolio Service

Q3 2026



Forward-looking
for generations



Cover image
Bauer brothers, Hortus Botanicus, detail from "Lotus corniculatus L.," around 1788
© LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna

Contents

4 Summary: Q3 2026

6 Portfolios in review

9 Sustainability update

10 Conclusion

Q3 2026

Summary

Higher energy prices and rising government bond yields shaped markets in the third quarter. Concerns that inflation would remain elevated led several central banks to raise interest rates, putting pressure on bonds. US equities nonetheless stayed close to record levels, supported by resilient earnings and enthusiasm for artificial intelligence (AI). The contrast raised a central question for investors: could company profits continue to support valuations as borrowing costs increased?

Government bond yields rose across developed markets as inflation concerns and heavy borrowing weighed particularly on longer-dated bonds. These moves formed an important backdrop for markets, even as equities in some regions continued to advance.

Equity-market performance was mixed. The S&P 500 returned 2.3% and the Nasdaq 2.6%, supported by resilient growth, robust earnings and AI-related shares. Europe's STOXX 600 reached a record in August but declined 0.6% over the quarter as the energy shock and firmer central banks weighed on sentiment. The FTSE 100 returned 1.8%, its seventh consecutive quarterly gain. Japan's TOPIX returned 3.8%, despite slipping in September as government-bond yields rose. Hong Kong's Hang Seng returned 8.6%, with the whole gain coming in July; the Shanghai Composite fell 5.3% as weak domestic demand persisted.

Oil prices rose sharply as hopes that the June US–Iran interim accord would reopen the Strait of Hormuz faded. The US withdrew an Iranian oil-sales licence in July and, by August, fewer than ten vessels a day were crossing the strait. Brent crude ended the quarter at USD 104 a barrel, up 42%. Iran later offered to reopen the strait on conditions rejected by President Donald Trump. Contacts through mediators continued, but no new agreement had been reached by the end of September. Brent futures for delivery in December 2027 also rose, suggesting investors expected prices to remain high for some time.

European gas futures rose 67% over the quarter, although prices remained far below their 2022 crisis levels. Gold gained more than 3.7% despite a September setback: a weaker dollar and central-bank buying supported it in August, before higher bond yields and a stronger dollar weighed on it the following month.

Technology shares led US markets, but gains remained concentrated. The Magnificent 7 returned 11.1% over the quarter, compared with 2.3% for the S&P 500 as a whole. Strong demand for memory chips and cloud computing supported earnings. Microsoft's and Amazon's latest quarterly results showed Azure revenue grew 43% and Amazon Web Services revenue grew 37% to USD 42.2 billion. In our view, it may take some time for this investment to translate into productivity gains across the wider economy.



The Federal Reserve held rates in July before raising them in September, while the European Central Bank and Bank of England held Bank Rate in September and paused active sales of its government-bond holdings, offering some relief to the UK bond market. These decisions reflected the difficulty central banks faced in responding to higher energy prices without unduly slowing growth.

After another strong showing of earnings growth in the second quarter, the forthcoming third-quarter earnings season will test whether company profits can keep pace with higher borrowing costs. Geopolitical risks and interest rates will continue to affect sentiment. Over time, however, companies' ability to grow earnings remains central to the investment case, and a diversified, long-term approach remains important.

> **Over time, however, companies' ability to grow earnings remains central to the investment case, and a diversified, long-term approach remains important.**
>
> Sanjay Rijhsinghani, Chief Investment Officer

Portfolios in review

Fixed income

Fixed income markets faced a difficult third quarter. Renewed tensions in the Middle East lifted energy prices and inflation concerns, while resilient economic activity reinforced expectations of tighter monetary policy. Government bond yields rose across developed markets, with heavy sovereign and corporate issuance adding to the pressure, particularly at longer maturities.

In the US, the 10-year Treasury yield rose by 82 basis points over the quarter to 5.28%, while the 30-year yield ended at 5.63%. The Fed held rates unchanged in July, but Chair Kevin Warsh's firmer message at Jackson Hole reinforced expectations that persistent inflation could require further action. The Fed raised its target range by 25 basis points to 3.75%–4.00% in September. The move, and the accompanying emphasis on inflation risks, pushed shorter-term yields higher and flattened the Treasury yield curve towards quarter-end. Softer employment data complicated the Fed's task, but resilient growth and substantial long-term borrowing by large technology companies continued to put pressure on yields.

Spread between 2-year and 30-year US Treasury yields



Source: LGT, Bloomberg

Eurozone government bonds came under pressure as higher energy costs revived inflation concerns in a region dependent on imported fuel. The ECB raised its deposit rate by 25 basis points to 2.50%, while Germany's 10-year yield rose by 73 basis points to 3.58% over the quarter. Investors also remained attentive to fiscal spending and sovereign-debt risks, particularly in France, where the spread between French and German government bonds widened to 119 basis points.

In the UK, gilts were unsettled by above-target inflation, higher energy prices and concerns about the government's limited fiscal headroom. The 30-year gilt yield ended the quarter at 5.95%, after reaching its highest level since 1998 in September. The BoE held Bank Rate at 3.75%, with three of nine policymakers favouring an increase. It also paused active sales of its gilt holdings, offering some relief to the market without reversing the quarter's rise in yields. With higher borrowing costs narrowing the government's room for manoeuvre, the October Budget will be an important test of its commitment to fiscal discipline.

In credit markets, investment-grade credit recorded negative returns as higher government bond yields were compounded by modestly wider spreads. Global high-yield spreads widened by 37 basis points over the quarter, but high-yield bonds still delivered positive returns, supported by income carry and their relatively short duration.

From a portfolio perspective, the bond allocation returned -2.6% and was the largest drag on the portfolio. Renewed inflation concerns and government borrowing needs drove gilt yields and yields across other developed markets higher, reducing the value of existing bonds. The July 2035 gilt fell -3.7% and the July 2033 gilt declined -2.9%. L&G Global Inflation Linked Bond lost -3.3%: the rise in real yields outweighed the protection afforded by its inflation linked holdings. Corporate bond funds were also weaker, with Brown Advisory Global Sustainable Total Return Bond down -2.9% and Rathbone Ethical Bond down -2.5%. TwentyFour Sustainable Short Term Bond declined a more limited -1.0%, reflecting its shorter interest rate exposure, while CT UK Social Bond fell -1.4% before it was sold.

Equity

Equities posted gains this quarter, though performance varied across global markets. Technology shares came under pressure in July before markets regained momentum in August, supported by resilient economic data and a strong second quarter earnings season. Commodities also strengthened during the summer, with materials performing particularly well. Rising inflation, interest rate expectations and tensions in the Middle East nevertheless kept investors cautious.

Within the portfolio, global value funds provided the strongest support. Schroder Global Sustainable Value returned +4.2%, helped by stock selection and renewed interest in areas outside the dominant US technology names. Its holdings in HP and Bristol Myers Squibb contributed to performance. Sparinvest Ethical Global Value rose +0.9%, a more muted result from the other global value holding. Lazard Global Equity Select gained +2.7%, with its technology holdings benefiting from the recovery in sentiment towards cloud computing and AI infrastructure. Janus Henderson Global Sustainable Equity returned +1.9%.

Cadira Sustainable Japan Equity rose +6.0%, supported by Japanese corporate reform, domestic investment and exposure to digital infrastructure. Recruit Holdings and Hitachi were notable contributors within the fund. Rathbone Asia Equity returned +6.2% over the period held, providing a positive contribution despite a difficult start to the quarter for Asian semiconductor shares. By contrast, Polar Capital Emerging Market Stars fell -3.4% as emerging market equities faced a less favourable backdrop, including declines among Asian semiconductor companies. The two US equity funds were subdued: Mirova US Sustainable Equity gained +1.0%, while AllianceBernstein Sustainable US Thematic, in its hedged share class, declined -0.6%.

Environmental and real infrastructure funds were the main equity detractors. Impax Environmental Markets fell -6.3% and Ninety One Global Environment declined -6.0%, reversing some of their strong gains in the previous quarter. Foresight Global Real Infrastructure fell -6.4%. Its exposure to essential infrastructure remains relevant to the expansion of power networks and other physical assets, but listed infrastructure was not immune to the repricing of investments sensitive to interest rates

Alternatives

Alternatives delivered a modest negative return. Brevan Howard Absolute Return Government Bond declined -1.3% as rates markets remained volatile, whereas Trojan Ethical gained +1.2%. A position in Royal Mint Responsibly Sourced Physical Gold ETC was established during the quarter, which had a small negative return from the point it was added to the end of the quarter.

All fund returns quoted are total returns in GBP equivalent. Source: portfolio performance – FactSet; asset and market performance – Bloomberg.

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



Portfolio changes

Several global equity holdings were reduced after the strong recovery in the preceding quarter, including Janus Henderson Global Sustainable Equity, Schroder Global Sustainable Value and Sparinvest Ethical Global Value. AllianceBernstein Sustainable US Thematic and Polar Capital Emerging Market Stars were also trimmed. The holding in Rathbone Asia Equity was increased, adjusting the balance of Asian and emerging market exposure while retaining diversified participation in the region.

CT UK Social Bond was sold and the proceeds were used to increase the July 2033 UK government bond. The switch reflected the limited additional yield available from investment-grade credit relative to gilts. It increased direct exposure to UK government bonds at yields that had risen over the quarter, although their prices remain sensitive to further changes in inflation and interest rate expectations.

A position was introduced and then increased in Royal Mint Responsibly Sourced Physical Gold ETC, which provides physically backed gold exposure. The addition was funded through reductions in equity holdings and Brevan Howard Absolute Return Government Bond. Gold was introduced as a distinct diversifier at a time when inflation shocks can cause equities and bonds to fall together, rather than as a substitute for the portfolio's other defensive assets. The ETC holds only LBMA post-2019 standard responsibly sourced bars, over half of which are recycled.

Sustainability update

Healthcare's return

Healthcare delivered solid returns in Q3 2026. The MSCI World Health Care Index rose 3.33% over the quarter, compared with a 1.88% gain for the MSCI World Index. The healthcare sector has historically been one that has enjoyed more stable demand through periods of economic uncertainty, but the COVID pandemic changed this and left the sector with a large hangover which is continuing to now fade. For diversified portfolios, healthcare offered a different set of return drivers from the dominant AI and technology trade: demand for medicines, diagnostics and treatment is shaped principally by patient needs and clinical progress, rather than data-centre capital expenditure. That distinction can be valuable when sentiment towards AI shifts, even though healthcare is not immune to wider market volatility.

The sector also appears to be moving further beyond the distortions of the pandemic. The uneven recovery in elective procedures and the unwinding of exceptional COVID-related testing demand have complicated comparisons for several years. Thermo Fisher Scientific's latest reported results offer an encouraging sign of underlying demand: second-quarter revenue rose 10% year on year, including 5% organic growth, with management citing strength in bioproduction and clinical research. Recovery in complex procedures also remains uneven, according to IQVIA. The direction of travel is positive, but a full recovery has not yet arrived.

The longer-term case for healthcare innovation rests on need rather than a single market cycle. The World Health Organization projects that one in six people globally will be aged 60 or over by 2030, while the International Diabetes Federation estimates that 589 million adults were living with diabetes in 2024, rising to a projected 853 million by 2050. Ageing populations and chronic disease increase the need for better prevention, diagnosis and treatment - and for ways to deliver care more efficiently.

From a sustainability perspective, that opportunity is strongest where innovation translates into meaningful patient outcomes and broader access, without placing unsustainable pressure on healthcare budgets. We therefore continue to look beyond the pace of product development to its clinical benefit, affordability and practical adoption. In our view, these factors will help determine which businesses can turn structural demand into lasting value for patients and investors alike.

> "The longer-term case for healthcare innovation rests on need rather than a single market cycle.
>
> Jordan Kelly, Sustainable Investing Lead

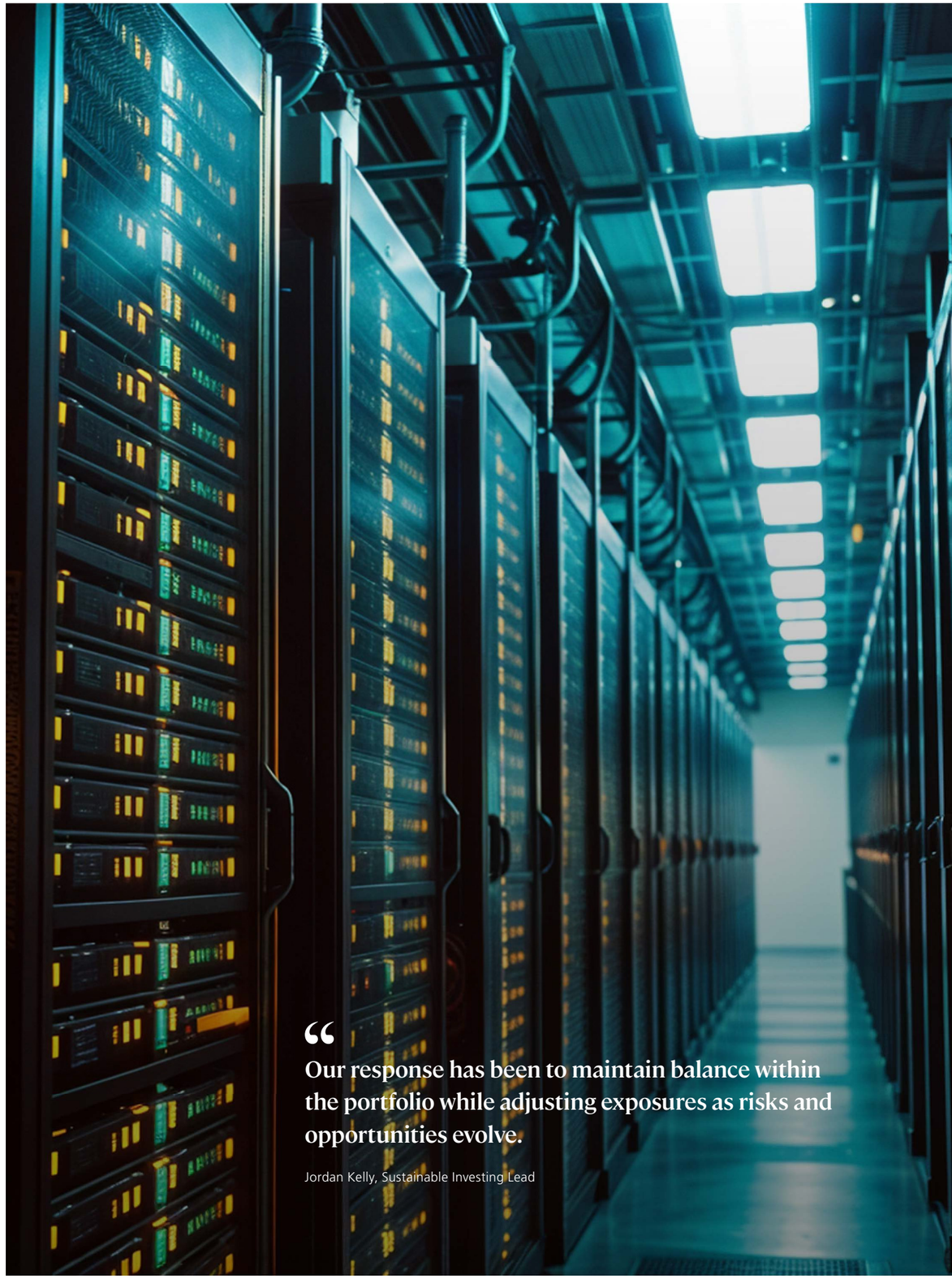
Conclusion

Both bond and equity markets were buffeted by two dominant forces in the third quarter: AI investment and global energy prices. By quarter-end, enthusiasm for AI had regained momentum. A strong earnings season gave investors reason to look beyond the concerns about funding and profitability that had unsettled share prices earlier in the summer. Even coordinated warnings from leading AI developers about safety risks did little to dampen sentiment.

Meanwhile, renewed tensions between Iran and the US pushed energy prices higher, adding to inflation concerns and rising interest rate expectations. Alongside economic data that was stronger than expected, this contributed to the Fed raising rates in September, while other central banks also adopted a more hawkish tone. It was a difficult backdrop for bonds: yields rose across the curve to levels not seen for several years. The effect on equities was more mixed. Energy and materials companies found support, while energy intensive and more heavily indebted sectors faced greater pressure.

Equity markets have delivered positive returns so far in 2026, but the headline figures conceal substantial shifts beneath the surface. Expectations of easing tensions in the Middle East, falling oil prices and moderating rate expectations have reversed, showing how quickly the investment backdrop can change.

Our response has been to maintain balance within the portfolio while adjusting exposures as risks and opportunities evolve. We are also mindful that bonds and equities can move together during periods of inflation, reducing the diversification investors might normally expect from holding both. We have therefore introduced a standalone gold holding alongside the portfolio's other alternative strategies to broaden our sources of return. The underlying equity funds also offer exposure to healthcare, where demand for medicines, diagnostics and treatment has different drivers from AI investment and energy prices. This continuing reassessment of risk and opportunity is central to our approach to portfolio construction, and 2026 has been a clear illustration of its importance.



> “Our response has been to maintain balance within the portfolio while adjusting exposures as risks and opportunities evolve.
>
> Jordan Kelly, Sustainable Investing Lead



Imprint

Image credits

Cover: LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna, Nagoor Ashraf/shutterstock.com
Page 2: unterwegs/shutterstock.com
Page 5: jo.pix/shutterstock.com
Page 8: CineVI/shutterstock.com
Page 11: KM Stock/shutterstock.com
Page 12: Aleksandar Grozdanovski/shutterstock.com

Media relations

Chloe Poole
Phone +44 (0)203 207 8466, chloe.poole@lgt.com

Important information

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority Registered in England and Wales: OC329392. Registered office: 14 Cornhill, London, EC3V 3NR.

LGT Wealth Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in Scotland number SC317950 at Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP.

LGT Wealth Management Jersey Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission in the conduct of Investment Business and Funds Service Business:102243. Registered office: Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey JE2 3QB.

LGT Wealth Management US Limited is authorised and regulated by the Financial Conduct Authority and is a Registered Investment Adviser with the US Securities & Exchange Commission ("SEC"). Registered in England and Wales: 06455240. Registered Office: 14 Cornhill, London, EC3V 3NR.

This publication is marketing material. It is for information purposes only. Certain services described herein are not available to retail clients as defined by the FCA or the JFSC, as applicable; please speak to your investment adviser for further clarification in this regard. All services are subject to status and where local regulations permit. The wording contained in this document is not to be construed as an offer, advice, invitation or solicitation to enter into any financial obligation, activity or promotion of any kind. You are recommended to seek advice concerning suitability from your investment adviser. Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject any LGT Wealth Management entity to any registration requirements. When we provide investment advice it is on the basis of a restricted approach where we consider a restricted range of products or providers rather than assessing the whole market.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

LGT Wealth Management
14 Cornhill, London EC3V 3NR
Phone +44(0)20 3207 8000, info-uk@lgt.com

www.lgtwm.com

00314en 1026