



Quarterly Investment Update

October - December 2025

QUARTERLY MARKET COMMENTARY

SNAPSHOT

- Global markets posted solid Q4 gains, capping a strong year across all major asset classes.
- UK and US markets reached record highs on strong earnings, and gold hit a new high.
- Bond markets were volatile as rate cut expectations fluctuated.

All percentages below are quarterly returns unless indicated otherwise

EQUITIES



BOND MARKETS

BONDS

Yields fluctuated amid shifting policy expectations

	UK GILTS	3.1%
	US TREASURIES	0.9%
	GLOBAL CORPORATE BONDS	0.8%
	GLOBAL HIGH YIELD BONDS	2.3%

*Values represent bond index returns

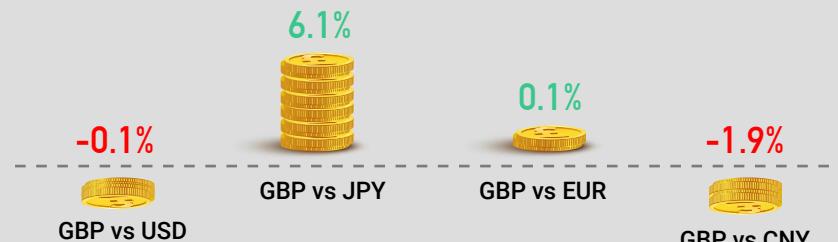
CURRENCIES

Sterling mixed as growth concerns persisted



CURRENCIES

Pound vs Other Currencies



KEY INDICATORS



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GLOBAL MARKETS

Global markets performed strongly, supported by robust corporate earnings, easing trade tensions, and growing expectations of interest rate cuts.



US MARKETS

Advanced on strong corporate earnings

US equities advanced over the quarter, supported by strong earnings growth and continued enthusiasm for artificial intelligence. Corporate profits rose at their fastest pace in four years, extending gains beyond the largest technology stocks. However, the labour market softened and consumer sentiment weakened. The Federal Reserve cut interest rates by 25 basis points for the third consecutive meeting, though policy uncertainty persisted amid incomplete economic data during the government shutdown.

2.4%

US 500



UK MARKETS

Hit record levels



UK equities delivered strong performance, with the FTSE 100 reaching record levels and enjoying its best year in over a decade. Gains were driven by resilient corporate earnings and growing expectations of lower interest rates. Inflation continued to ease, falling to 3.2% in November, prompting the Bank of England to cut rates to 3.75% in December. Economic momentum weakened, with growth contracting slightly and unemployment rising to a four-year high. Business confidence fell, and the public finances remain under severe strain.

5.7%

UK All Share



EUROPEAN MARKETS

Performed strongly

European equities performed well throughout the year, supported by improving economic growth, increased fiscal spending, and a stronger euro. Markets rallied early in the quarter on expectations of US rate cuts, and continued to benefit from resilient services activity. The European Central Bank kept rates unchanged at 2% in December, having delivered eight cuts since mid-2024. Despite rising input costs, business activity remained expansionary.

6.1%

Euro 600 Index ex UK



EMERGING MARKETS

Solid returns despite China

Emerging markets posted positive returns in Q4, but performance diverged sharply. MSCI China sold off materially, weighed down by renewed property sector stress, weak domestic demand, and fading confidence in the effectiveness of policy support, though the Shanghai Composite gained 2.2%. Taiwan significantly outperformed, driven by strong earnings growth in the semiconductor sector and sustained global demand linked to artificial intelligence. The declining Fed Funds Rate supported emerging markets overall, though China remained a laggard within the asset class during the quarter.

4.3%

Emerging Markets

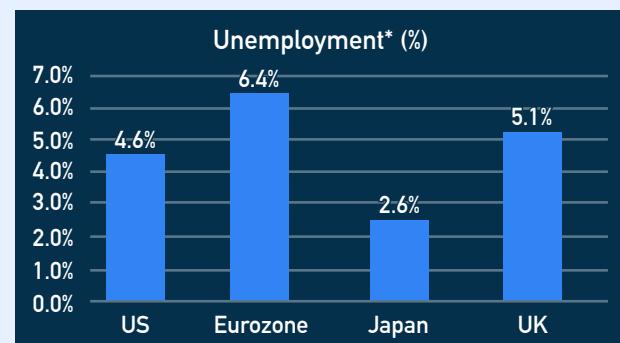
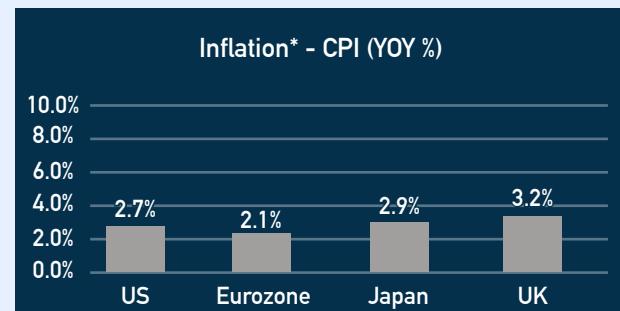
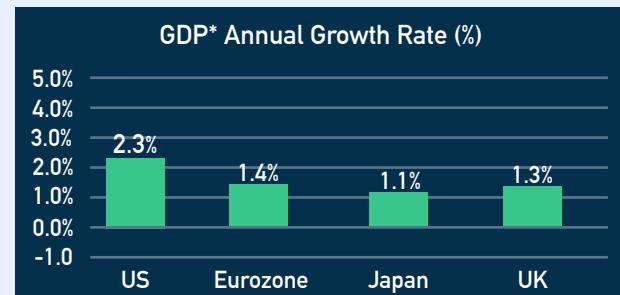


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THE WORLD AT A GLANCE

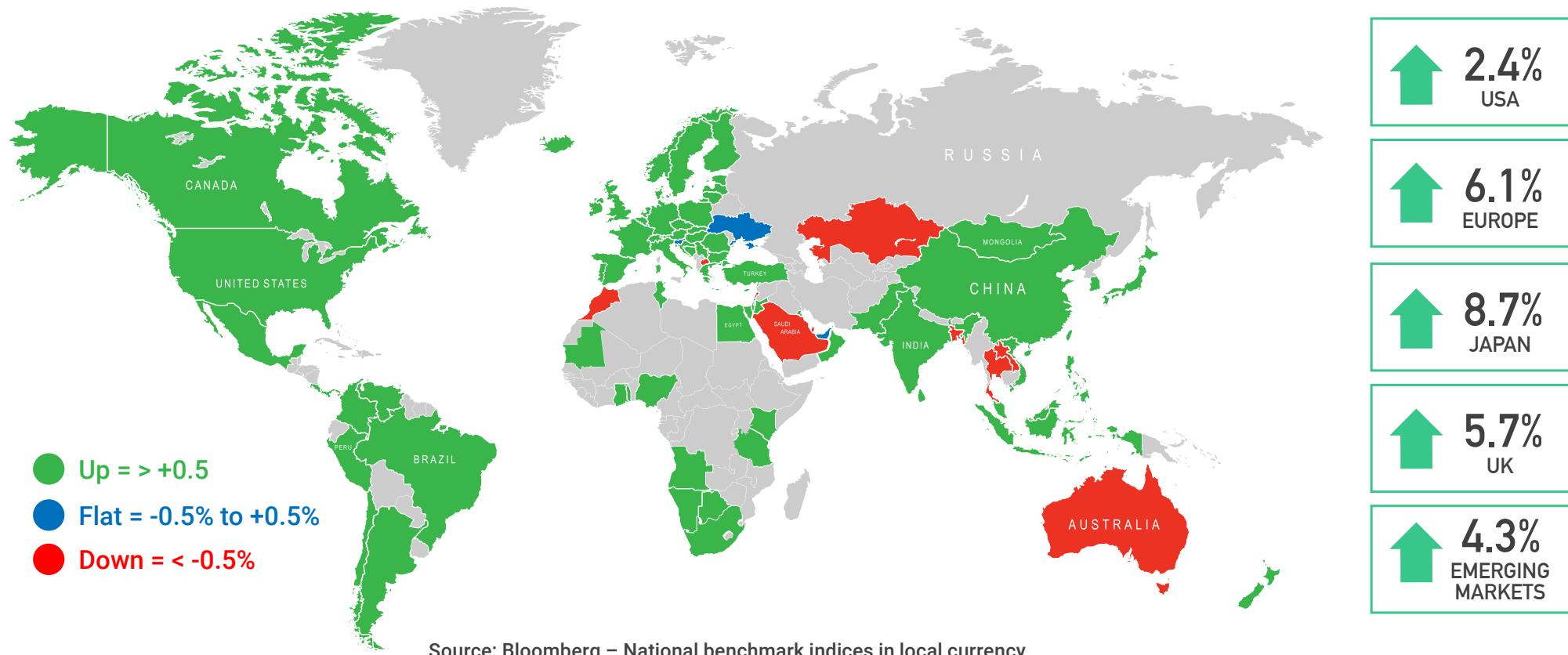
	2025 Q4	2025
UK Cash	1.0	4.3
US Dollar	0.6	-9.4
UK Gilts	3.1	5.0
US Treasuries	0.9	6.3
Global Corporate Bonds	0.8	2.7
Global High Yield Bonds	2.3	4.3
US 500	2.4	16.4
UK ALL SHARES INDEX	5.7	19.8
EURO 600 INDEX EX UK	6.1	17.4
JAPAN INDEX	8.7	22.4
Asia Ex Japan	5.4	31.6
Emerging Markets	4.3	30.6
Commodities	1.1	-0.3
Gold	12.2	62.5
Hedge Funds	1.5	7.2

	2024	2023	2022	2021
UK Cash	5.2	4.7	1.4	0.1
US Dollar	7.1	-2.1	8.2	6.4
UK Gilts	-3.3	3.7	-23.8	-5.2
US Treasuries	0.6	4.1	-12.5	-2.3
Global Corporate Bonds	2.8	4.0	-6.8	-1.9
Global High Yield Bonds	11.0	8.2	-2.3	2.0
US 500	23.3	24.2	-19.4	26.9
UK ALL SHARES INDEX	5.6	3.9	-3.2	14.6
EURO 600 INDEX EX UK	4.5	14.9	-15.0	22.5
JAPAN INDEX	17.7	25.1	-5.1	10.4
Asia Ex Japan	16.2	6.4	-15.4	-3.1
Emerging Markets	5.1	7.0	-22.4	-4.6
Commodities	11.2	-9.7	41.9	41.7
Gold	26.6	12.8	-0.7	-4.3
Hedge Funds	5.3	3.1	-4.4	3.7



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WORLD EQUITY MARKETS



Key Points

- Despite bouts of volatility linked to technology valuations and China's slowdown, global equities rose over the quarter, supported by strong earnings, easing trade tensions, and expectations of interest rate cuts.
- US equities were buoyed by continued enthusiasm for artificial intelligence, with earnings growth extending beyond the largest technology companies.
- European markets benefited from improving growth prospects, fiscal support, and resilient services activity, despite rising input costs.
- Asian markets diverged, with Chinese equities under pressure from weak demand while Japanese stocks surged on policy stimulus expectations.

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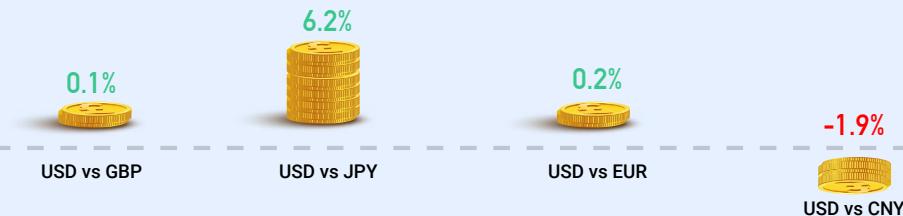
CURRENCIES



GBP VS OTHER CURRENCIES



USD VS OTHER CURRENCIES



Key Points

- The US dollar gained over the quarter despite expectations for Federal Reserve rate cuts and economic data signalling a cooling labour market.
- The euro softened despite improving growth prospects and resilient economic activity across the eurozone.



EUR VS OTHER CURRENCIES



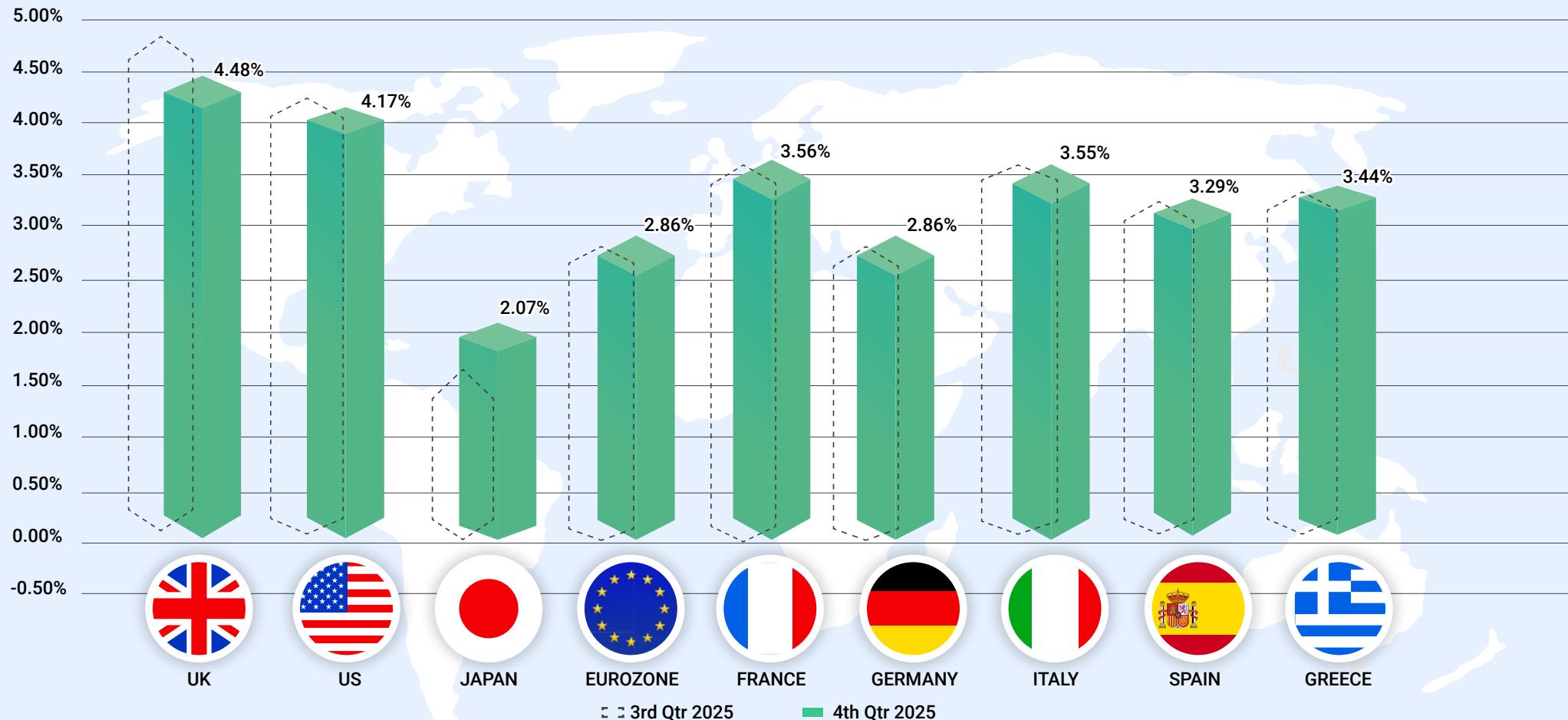
JPY VS OTHER CURRENCIES



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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Global bonds were volatile in Q4, rising in November as weaker economic data fuelled expectations of interest rate cuts, before retracing some gains in December as investors reassessed the policy outlook.
- US government bond yields were broadly unchanged over the quarter, reflecting uncertainty over the economic outlook from the prolonged economic shutdown and the widely predicted cut in interest rates.

- UK gilt yields fell over the quarter, reflecting sharp falls in October, ahead of the budget, with markets responding positively to the perception of heightened fiscal discipline, despite the very poor state of the public finances.
- European bond yields were broadly stable, following a pause in ECB policy amid resilient growth and steady inflation.
- Japanese government bond yields rose sharply after the Bank of Japan raised interest rates in December and the new government approved a large fiscal stimulus package, with 10yr bond yields reaching the highest since 1997.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as 'sterling'
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK