



2025 Economic & Market Review

2025 Performance

LT Cautious

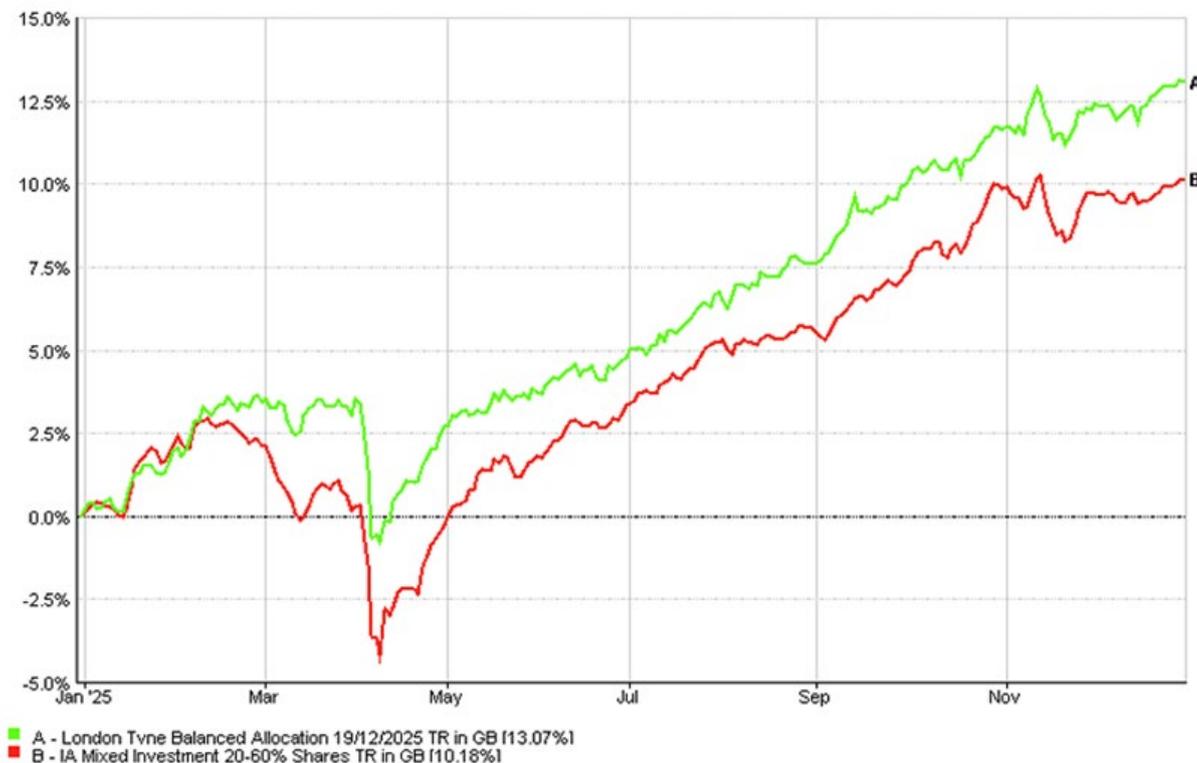


31/12/2024 - 31/12/2025 Data from FE fundinfo2026

**See returns disclosure on page 24.

*Past performance is not a reliable indicator of future returns.

LT Balanced



31/12/2024 - 31/12/2025 Data from FE fundinfo2026

**See returns disclosure on page 24.

*Longer term returns are included on pages 17 onwards.

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LT Opportunistic



LT Cautious Outperformance: **2.46%**
 LT Balanced Outperformance: **2.89%**
 LT Opportunistic Outperformance: **4.59%**

****See returns disclosure on page 24.**

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LT CC Cautious



****See returns disclosure on page 24.**

***Longer term returns are included on pages 17 onwards.**

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LT CC Balanced



31/12/2024 - 31/12/2025 Data from FE fundinfo2026

**See returns disclosure on page 24.

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LT CC Opportunistic



31/12/2024 - 31/12/2025 Data from FE fundinfo2026

LT CC Cautious Outperformance: **1.35%**

LT CC Balanced Outperformance: **2.32%**

LT CC Opportunistic Outperformance: **3.98%**

*Longer term returns are included on pages 17 onwards.

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Jan 1 - Poland assumes the six-month rotating presidency of the Council of the European Union.

Jan 20 - Donald Trump is inaugurated as the 47th President of the United States, commencing his second non-consecutive term.

Jan 26 - Belarusian President Alexander Lukashenko declares victory in the country's presidential election, extending his rule which began in 1994.

Feb 6 - The Bank of England cuts interest rates from 4.75% to 4.50%, the first reduction of the year, signalling a shift in global monetary policy.

Feb 23 - Germany holds an early federal election following the collapse of the previous coalition; the conservative CDU/CSU alliance secures the most seats, positioning them to form the next government.

Mar 12 - The European Central Bank (ECB) announces a rate cut earlier than the US Federal Reserve, citing sluggish growth in the Eurozone.

Apr 2 - Global markets suffer a sharp sell-off, dropping roughly 16.5% over the following weeks, as the US administration announces new tariffs on imported goods, reigniting trade tensions.

Apr 28 - Canada holds its 45th federal election; the Conservative Party defeats the incumbent Liberals, ending Justin Trudeau's premiership.

May 3 - Australia's Labor Party wins the federal election, retaining power for a second consecutive term.

May 15 - Precious metals begin a historic rally, with Silver eventually outperforming Gold by returning over 140% for the year as investors seek safe havens.

Jun 15 - Canada hosts the G7 Summit, where leaders clash over diverging approaches to climate policy and digital trade regulation.

Jul 18 - China hosts the Shanghai Cooperation Organisation summit, announcing new economic partnerships with member states to mitigate the impact of Western tariffs.

Aug 7 - The Bank of England cuts rates again to 4.00% following a narrow vote by the Monetary Policy Committee.

Aug 25 - A massive heatwave sweeps across South Asia, severely impacting agriculture and leading to power grid failures in northern India.

Sep 10 - Jaguar Land Rover is forced to halt production for weeks due to a historic cyber-attack, estimated to cost the company nearly £2 billion.

Oct 7 - The two-year anniversary of the escalation in the Israel-Gaza conflict is marked by renewed diplomatic efforts for a long-term ceasefire.

Oct 20 - Hurricane Melissa strikes the Caribbean as a Category 5 storm, devastating infrastructure in Jamaica and Cuba and disrupting regional tourism.

Nov 4 - The US holds off-year state and local elections, with the Democratic Party making key gains in mayoral and gubernatorial races.

Dec 12 - The US Federal Reserve finally pivots, cutting interest rates as inflation data stabilises, sparking a year-end “everything rally” across global equities.

Dec 31 - Emerging Markets end the year as the top-performing equity region, returning over 34% in dollar terms, while US tech stocks recover from early-year losses to finish near highs.



Executive Summary: The Year of Bifurcation

The financial year 2025 will be recorded in economic history as a period of extraordinary bifurcation and resilience. Following the liquidity-fuelled rallies of the preceding two years, 2025 demanded that investors navigate a complex labyrinth of regime shifts in monetary policy, a resurgence of aggressive trade protectionism, and severe geopolitical realignments.

Despite a mid-year liquidity shock precipitated by the threat of a global trade war, equity markets demonstrated remarkable fortitude. The headline performance metrics suggest a year of unbridled optimism. The **US S&P 500** delivered a total return of **17.9%**, marking its third consecutive year of double-digit gains. However, it was outperformed by the **UK FTSE All-Share (24.0%)**, which highlighted a significant rotation into value, and **Japan's TOPIX (25.5%)**, driven by the definitive end of its deflationary era. **Emerging Markets** reclaimed their status as a portfolio growth engine, surging **34.4%** (MSCI EM) in US dollar terms.

These year-end triumphs mask severe non-linear volatility. The “Spring Swoon” in Q2 saw global indices retreat significantly before fundamentals reasserted themselves. Under the surface, the drivers of return shifted decisively; in the US, 75% of the market's return was driven by earnings-per-share (EPS) growth rather than valuation re-rating, signalling a maturing bull market rooted in corporate profitability rather than speculative fervour.



Global Macroeconomic Backdrop

The macroeconomic narrative was defined by the tension between robust economic momentum and the friction of political intervention. While the global economy avoided the widely predicted recession, growth became increasingly desynchronised.

The United States: The Defiant Expansion - The US economy displayed exceptional resilience. Real GDP accelerated from 3.8% in the second quarter to 4.3% in the third, driven by resilient consumer spending and government outlays. This defied the consensus view that the lagged effects of interest rate hikes would precipitate a slowdown.

However, the defining feature of the landscape was the aggressive pivot in trade policy following the inauguration of President Donald Trump. The administration created a binary risk environment by deploying the International Emergency Economic Powers Act (IEEPA). The timeline of escalation—from 10% tariffs in February to the threat of 145% on Chinese goods in April—served as the primary volatility driver for risk assets. It was only the subsequent “truce” in May, and the formal reduction of tariffs in November, that acted as a release valve to unleash pent-up corporate investment.

Europe: Political Fragility - While the US surged, Europe grappled with deep-seated political instability. In France, the political centre collapsed under fiscal pressure, with Prime Minister François Bayrou ousted in September following failed austerity measures. Germany faced its own political earthquake in the February federal elections, where the far-right Alternative for Germany (AfD) surged to second place (20.8%), complicating coalition arithmetic. Despite these headwinds, the European Central Bank (ECB) proceeded with a rate-cutting cycle, lowering the deposit facility rate to 2.00% by June to support the flagging industrial base.

The Asian Pivot - Asia emerged as a locus of relative stability. China’s policymakers, facing property crisis headwinds, unleashed a coordinated stimulus package. Combined with a record \$1.189 trillion trade surplus—achieved as exporters diversified into ASEAN and the Global South—the economy met its “around 5%” growth target. Meanwhile, Japan navigated a historic monetary transition. The Bank of Japan’s move to raise rates to 0.75% in December signalled high conviction in the sustainability of the country’s reflationary cycle.

Equity Markets Review

United States: The Fundamentals-Driven Bull

The S&P 500's 17.9% return was a testament to the resilience of corporate America. Unlike previous years, this rally was characterised by a distinct shift towards fundamental drivers, with earnings growth accounting for the vast majority of the index's return.

The “Magnificent 7” continued to exert a powerful gravitational pull, though the composition of leadership evolved. Broadcom effectively replaced Tesla in terms of contribution impact, with the revised group accounting for nearly 48% of the S&P 500's return. Nvidia remained the titan, contributing 15.5% of the index's total gain alone. This performance was underpinned by the “AI Capex Supercycle,” with the largest tech firms deploying roughly \$437 billion in capital expenditures—a 61% increase over 2024.

The path to these returns was highly non-linear. The market faced a severe test during the “Spring Swoon” in Q2, dropping nearly 19% from February highs due to the tariff escalation mentioned in the macro section. The subsequent rally was fuelled not just by the trade truce, but by the realisation that US corporations maintained significant pricing power even in a protectionist environment.



United Kingdom: The Value Trap Springs Open

For years, the UK equity market traded at a steep discount. In 2025, the value trap finally sprung open, with the FTSE All-Share returning 24.0% and the FTSE 100 breaching the 10,000 level for the first time in early 2026.

The UK's structural bias towards "old economy" sectors became its greatest asset. The index's heavy weighting towards financials, mining, and consumer staples provided a perfect hedge against the tech-centric volatility that plagued other markets during Q2.

Resources: Diversified miners (e.g., Glencore) rallied on surging metal prices, with precious metals miners seeing triple-digit returns.

Financials: Banks benefited from the higher interest rate environment, as the Bank of England maintained the base rate at 3.75% for much of the year.

Defensive Rotation: During the US trade scare, global capital sought refuge in the high-dividend, low-beta characteristics of UK pharmaceuticals and staples.

Notably, this rally occurred despite a 7% appreciation in GBP/USD. This decoupling suggests investors were buying UK assets for their intrinsic value rather than purely as a currency arbitrage play.



Europe ex-UK: Performance Amidst Paralysis

European equity markets (MSCI Europe ex-UK) delivered a robust 20.1% return, an impressive feat given the continent's political fragmentation.

2025 created a sharp disconnect between sovereign risk and corporate performance. While the governments in Paris and Berlin struggled with gridlock, equity markets looked through the noise. European multinationals in luxury goods, industrials, and semiconductors derive the bulk of their revenue from outside Europe. Consequently, the resilience of the US consumer and the stimulus-led recovery in China mattered more to companies like ASML, SAP, and LVMH than the turmoil in their domestic parliaments.

The banking sector also enjoyed a banner year, generating returns close to 90% thanks to elevated interest rates and improving credit spreads.



Japan: The Renaissance Continues

Japan's equity market performance was historic, with the TOPIX gaining 25.5%. The rally was underpinned by the Tokyo Stock Exchange's continued pressure on capital efficiency, leading to a record unwinding of cross-shareholdings and unprecedented dividend payouts.

Crucially, the return of inflation—stabilising around 2%—has forced domestic households to move cash into equities, creating a powerful domestic bid. In a landmark shift, the Bank of Japan's rate hike to 0.75% was interpreted by investors not as a tightening measure, but as a vote of confidence in the economy, further fuelling the rally.



Emerging Markets & China: The Great Rebound

After a decade of underperformance, Emerging Markets were the standout asset class of 2025 (MSCI EM +34.4%).

China staged a dramatic recovery, vindicating those with an overweight allocation. The CSI 300 rose approximately 25% and the Hang Seng nearly 28%, driven by Beijing's "policy bazooka" regarding the property sector and a sharp valuation mean reversion for internet giants. Despite the volatility of the trade war negotiations, the eventual "truce" in November unleashed a significant relief rally in Q4.



Fixed Income and Commodities

Fixed Income: The Search for Equilibrium

Fixed income markets remained a theatre of volatility as the “immaculate disinflation” narrative faced the friction of real-world pricing pressures. The **Bloomberg Global Aggregate Bond Index** returned **8.2%**, reflecting a market coming to terms with a shifting rate environment.

US Treasuries: The 10-year yield ended the year at 4.18%, largely unchanged from the start but masking a wild ride where yields spiked toward 4.80% in Q2. The Federal Reserve eventually cut rates by 25 basis points in September, October, and December.

Europe: A divergence emerged. The UK 10-year Gilt yield settled around 4.40% due to embedded inflation, while 10-year German Bunds ended lower at 2.81%, as economic stagnation anchored yields and confirmed the Bund’s status as the Eurozone’s safe asset.

Commodities: A Tale of Two Markets

The Bloomberg Commodity Index returned 15.8%, hiding a historic divergence.

Gold: The undisputed asset of the year, rallying ~55% to close above \$4,600/oz. Drivers included central bank de-dollarisation, geopolitical hedging, and the Q4 monetary easing cycle. Silver outperformed even gold, returning nearly 150%.

Oil: Brent Crude defied geopolitical tension, falling 19% to near \$60 per barrel. Non-OPEC+ production (US, Brazil, Guyana) flooded the market, while China’s rapid EV adoption structurally lowered its oil import growth.

2025 Fund Performance Review

The portfolio's performance in 2025 was defined by a powerful rally in real assets and a broad-based rotation into value-oriented and active strategies. The headline percentage gain came from the commodities allocation, where **iShares Physical Gold ETC (+53.45%)** surged, supported by strong showings from **Pimco GIS Commodity Real Return (+17.40%)** and **L&G All Commodities (+7.58%)**. This appetite for tangible value was mirrored in European equities, where **Amundi Core Stoxx Europe 600 (+26.91%)**, **Invesco MSCI Europe ex-UK (+26.44%)**, and **HSBC FTSE 100 (+25.64%)** all delivered exceptional returns, significantly outpacing the broader **SSGA SPDR MSCI World (+19.00%)**.

Active management proved its worth across multiple regions. The **Artemis SmartGARP Global Equity (+32.36%)** was a standout leader, while in Asia, the portfolio captured growth through diverse avenues: **iShares MSCI EM Asia (+23.28%)**, **Franklin FTSE China (+22.40%)**, and the income-focused **Fidelity Asian Dividend (+21.23%)** all posted strong gains. Even broader regional exposures like **L&G Asia Pacific ex Japan (+12.88%)** and **Xtrackers MSCI Japan (+15.96%)** contributed solidly.

The "Alternatives" and "Absolute Return" bucket provided consistent, uncorrelated growth. **Jupiter Merian Global Equity Absolute Return (+16.56%)** and **AQR Managed Futures (+15.33%)** successfully navigated market volatility, while **Schroder Strategic Bond (+9.76%)** outperformed traditional fixed income.

In the defensive anchor of the portfolio, returns were stable but more muted. Short-duration and money market strategies, including **Royal London Short Term Money Market (+4.43%)** and **Royal London Short Duration Global Index Linked (+5.39%)**, protected capital effectively. However, longer-duration and currency-exposed debt faced headwinds, with **iShares Emerging Asia Local Govt Bond (-1.45%)** and **Vanguard USD Treasury Bond (-1.16%)** ending the year as rare detractors amidst an otherwise robust performance.

Conclusion & 2026 Outlook

2025 was a year where resilience triumphed over fragmentation. The global economy absorbed the shocks of higher rates, political instability, and trade wars without succumbing to recession. The “US exceptionalism” trade faced its first serious challenger in the form of a resurgent Asia and a value-rich Europe.

As we look to 2026, the correlations that defined the post-GFC era have fractured. The disparity between winners and losers in Emerging Markets will widen, requiring active selection. Furthermore, with fixed income yields reset and equity dividends growing, “income” is once again a viable driver of total return. Finally, while headline inflation has cooled, the structural drivers of inflation (deglobalisation and tariffs) remain, suggesting that portfolios will require significant ballasts to navigate the year ahead.



Performance Since Launch

LT Cautious



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06/09/2023 - 31/12/2025 Data from FE fundinfo2026

LT Balanced



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06/09/2023 - 31/12/2025 Data from FE fundinfo2026

LT Opportunistic



LT Cautious Outperformance: **5.55%**

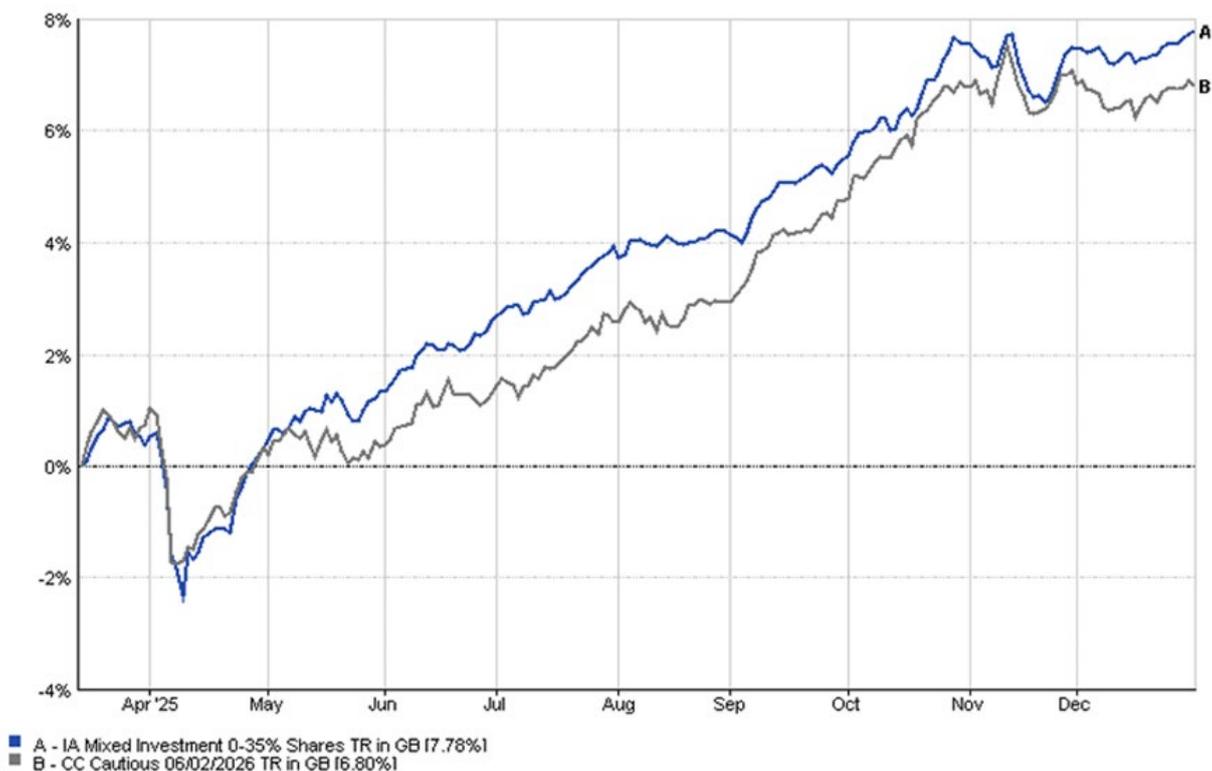
06/09/2023 - 31/12/2025 Data from FE fundinfo2026

LT Balanced Outperformance: **6.39%**

LT Opportunistic Outperformance: **7.66%**

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LT CC Cautious



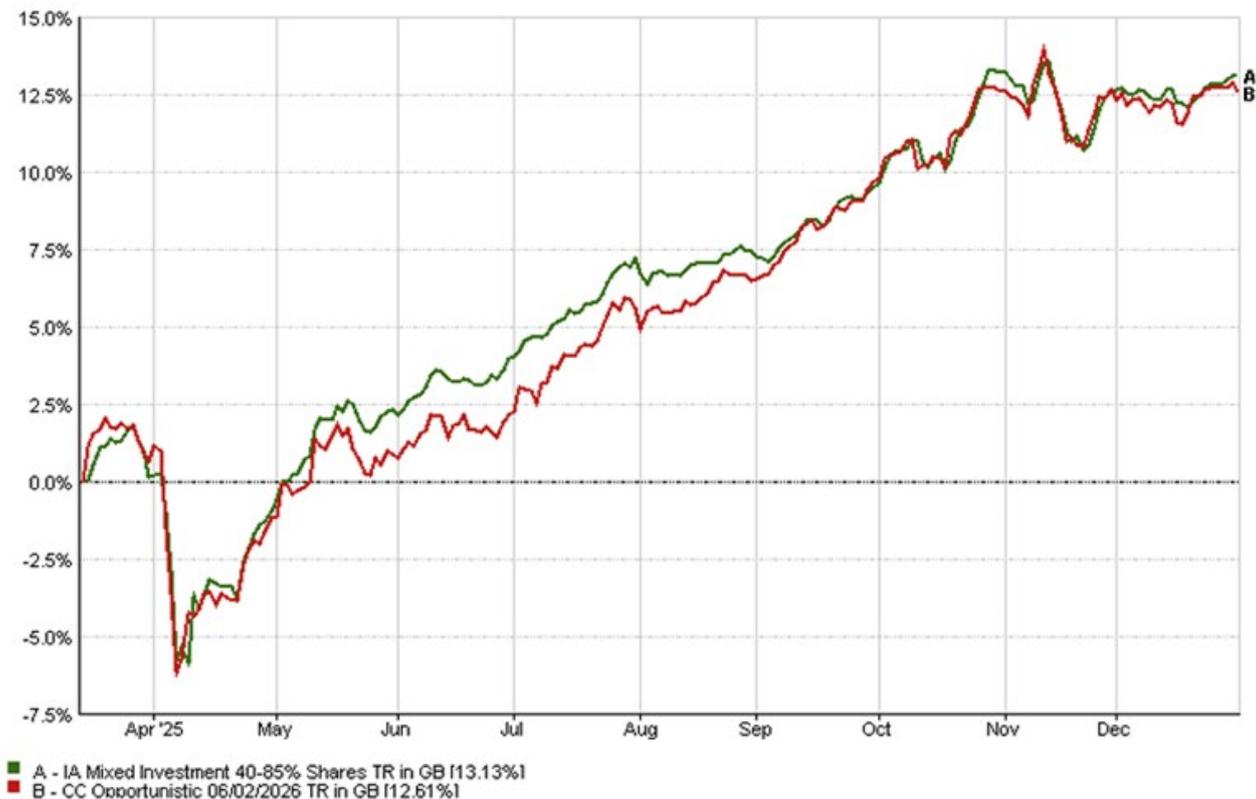
***Past performance is not a reliable indicator of future returns.**

13/03/2025 - 31/12/2025 Data from FE fundinfo2026

LT CC Balanced



LT CC Opportunistic



LT CC Cautious Outperformance: **-0.98%**

LT CC Balanced Outperformance: **-0.58%**

LT CC Opportunistic Outperformance: **-0.52%**

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13/03/2025 - 31/12/2025 Data from FE fundinfo2026

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Returns Disclosure & Disclaimer

Figures for the LT Premium Portfolios reflect the actual returns of a representative model of the given portfolio. Prior to 13/03/2025, figures for the LT CC Portfolios refer to actual returns of their Premium counterpart, from 13/03/2025 onward, performance reflects a representative model of the given portfolio. Past performance is not a reliable indicator of future performance. Returns are net of holdings' management fees and expenses based on the cheapest share class available; however, they do not include the fees charged by the manager (estimated to be 0.35% per annum), the adviser or the Platform. Returns are calculated assuming a single trading date in relation to any changes to underlying holdings which will not necessarily be the date that actual platform transactions occurred. Therefore, platform performance may vary from actual performance. For periods longer than one-year, cumulative performance has not been annualised. Movement in exchange rates may affect the value of some underlying investments.

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