Economic Outlook & Portfolio Review

Q4 2025

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Contents

From Thanks Wealth Planning

This update provides our clients with a summary of recent market developments and how the typical portfolios we use within your financial plan have performed.

The market commentary and performance data are supplied by our discretionary investment partner, Timeline Portfolios, and are shared here to help keep you informed and grounded in your long-term plan.

Economic Outlook and Portfolio Review – Q4 2025

2025 Wrapped

2025 really did seem to go by in the blink of an eye. The year was filled with events that few could have predicted, from trade wars to an Oasis reunion; it feels like each twist was less expected than the next.

Despite a year packed with potential upsets, the equity markets continued to be a true juggernaut, providing yet another year of double-digit returns. However, if we travel back to January 2025, Wall Street's predictions were somewhat lacklustre. Many analysts thought the S&P 500 might end the year close to the 6,500 to 6,600 mark (only Deutsche Bank predicted a 7,000 year-end close), which proved to be rather pessimistic given the record close of 6,845.5[1] that the index actually delivered.[2] It wasn't just the US where some missed the mark: Citibank was "particularly downbeat" on European equities, which proved to be misguided given their market-leading returns in 2025. In fact, Morningstar's Developed Europe Target Market Index recorded returns of 27.36% for the year, dwarfing the US Target Market and Broad Market indices at 9.63% and 8.34%, respectively[3].

Bonds faced many headwinds going into 2025, with markets concerned about excessive government borrowing and central banks' uncertain plans for rate cuts. However, despite these potential speedbumps, bonds achieved a perfectly respectable return over the year. Inflation globally saw a slow but steady progression downwards, helping central banks cut rates several times across the year. The UK ended 2025 with inflation at roughly 3.2% in the year to November, having fallen from 3.9% in January.[4] Whilst inflation still sits above target levels globally, given the implications of US tariffs and the Budget closer to home, the year showed solid progress in the battle against sticky inflation.

As markets continued on, the world had quite a year in terms of events. Across the Atlantic, the US administration had a "this can't really be happening" year. While implementing the most executive orders in history in the first 100 days (143), they also had time to add a journalist to their war-plans Signal chat, ban TikTok, un-ban TikTok, set up DOGE with Musk, fight with Musk on Truth Social/X, and send the world into panic over some dubious tariffs. Outside of the White House, there was plenty to keep us occupied: from the impeachment of the South Korean President, to Nepal's Gen Z revolution, which inspired their new leadership vote to take place online and resulted in government buildings being set on fire; the Louvre being robbed; and the UK Budget being released early for the first time in history.

To finish this whirlwind summary, the UK did have some fantastic victories; however, these were mainly confined to the sporting pitches. 2025 saw Europe win the Ryder Cup in a nail-biting match, the Lionesses and the Red Roses secure gold in their respective sports, and Luke Littler become World Champion in the darts.

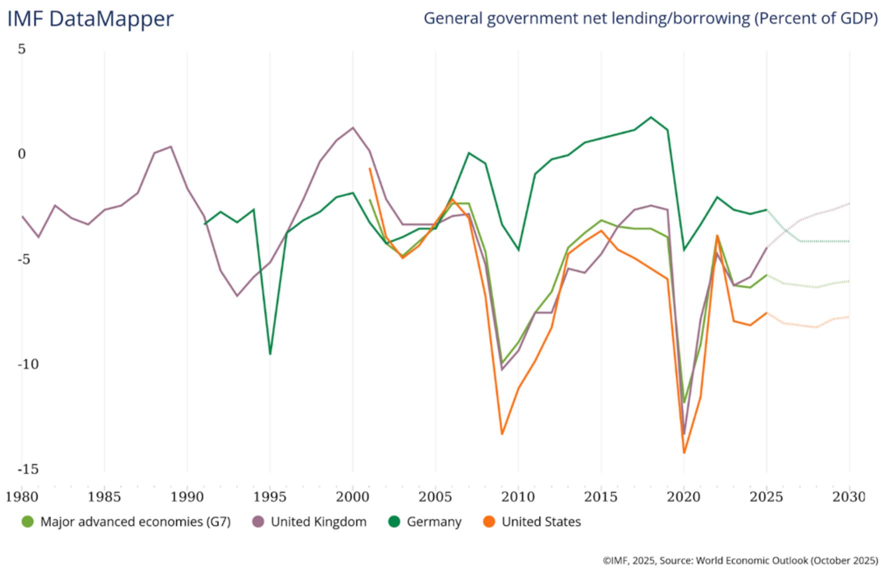
Without further ado, please settle in for our economic review of the past year.

[1] CNBC, S&P 500 closes lower Wednesday, but wraps 2025 with a 16% gain: Live updates, 2025.
[2] Bloomberg, Here's (Almost) Everything Wall Street Expects in 2025, 2025.
[3] All figures as at 31st December 2025 from Morningstar API.
[4] OBR, Consumer price inflation, UK: November 2025 & January 2025, 2025.

The Power of Bond Markets

While equity markets have continued to capture global attention with another year of high growth, debt markets have quietly been influencing the global economy in a significant way over the past year. At the end of 2025, global government debt stands at over $100 trillion, exceeding 235% of global GDP[5]. Government debt in the developed world has been a particularly important topic in 2025, with bond investors expressing growing concerns that governments are not doing enough to curtail uncomfortably high debt levels.

The chart below illustrates how government net borrowing as a percentage of GDP has evolved over time. Values below zero indicate budget deficits, so deeper dips on the chart reflect heavier government borrowing. The sharp drops during major crises, particularly COVID, show how fiscal balances deteriorate in periods of stress. While borrowing has improved since then, it remains elevated compared to earlier periods, with implications for debt levels and bond yields.



Source: World Economic Outlook (October 2025)

The UK, in particular, has been subject to global scrutiny over the past year, with debt markets viewing Labour's fiscal plans unfavourably and expressing uncertainty about Britain's ability to control its finances. At the end of 2025, Public Sector Net Debt (PSND) sat at 94.5% of GDP, and Public Sector Net Financial Liabilities (PSNFL) sat slightly lower at 81.3% of GDP[6]. Put simply, these figures show how large the government's debt burden is relative to the size of the economy, and therefore how much strain public finances may face over time. While these levels are elevated, they are not the highest the UK has experienced, suggesting that the challenge is one of sustainability and credibility rather than an unprecedented fiscal position.

This was the backdrop for the Budget in November, leaving Chancellor Reeves in a difficult position, with little leeway to fund spending. Gilt markets appeared to reflect this, with investors selling long-dated gilts and thereby increasing yields. Those who remember the mini-Budget crisis of 2022 may recall that sharp moves in gilt yields can be a sign of reduced investor confidence, and that this dynamic contributed to Bank of England intervention to maintain financial stability.

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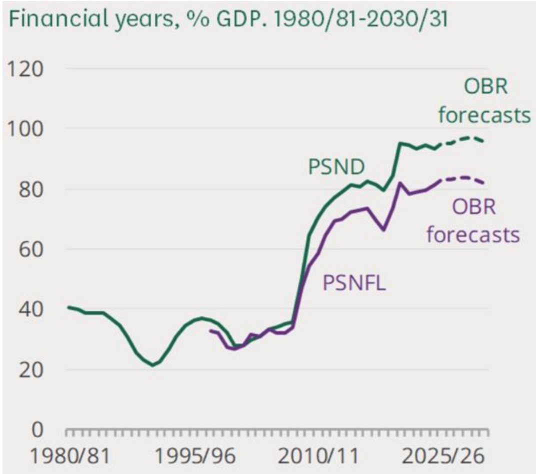
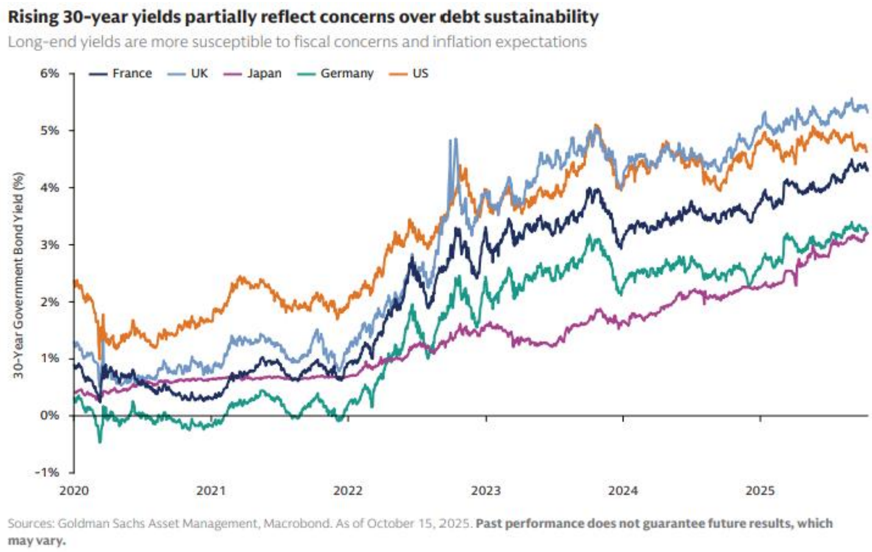
[5] IMF, Global Debt Remains Above 235% of World GDP, 2025.
[6] House of Commons Library, Public Finances: Economic Indicators, 2025.

When push came to shove, Reeves delivered a Budget that was received more positively by debt investors, with some commentators suggesting it was designed to reassure gilt markets. With increases in tax revenues and extensions to the income tax band freezes, bond investors viewed this as the government taking a step towards curbing borrowing. Gilt yields fell, and with them the cost of government borrowing. This is a sign that bond market “vigilantism” may be here to stay, and that investors may have a reduced tolerance for high deficits without credible fiscal plans.



Source: House of Commons Library, Public finances: Economic indicators 2025

Despite the UK's position, we are not experiencing a debt crisis at present. A crisis can be difficult to define and depends on several complex factors, which means that levels of debt can vary widely between countries before there are major default concerns. Japan is a notable example of these differences in practice. Japan currently sits on an extremely high level of government debt for a country in peacetime. Its debt-to-GDP ratio is over 200%[7], but government bond yields are far lower than UK equivalents, as shown in the graph below.



There are several reasons for this. First, Japan has had much lower interest rates than other countries. Second, its debt profile differs from many other developed economies. Monetary policy in Japan has also differed from the rest of the world: after a prolonged period of negative interest rates, it has only recently moved back into positive territory. This has helped suppress yields in recent years.

[7] M&G Investments, Japan’s debt mountain: A crisis or a misunderstanding? 2025.

There is potential for this to change in the coming years as Japan faces pressure to tackle inflation through higher interest rates, while also aiming to keep debt-servicing costs down. Japan is also unique in that the majority of its debt is held domestically; in fact, the Bank of Japan holds almost half of the government bonds in issue[8]. Unlike debt held by international investors and institutions, this can, in practice, mean that debt can be rolled over for longer periods. This is not to suggest that Japan's debt position is risk-free; rather, it serves as an example of how complex debt dynamics and public finances can be across countries.

So, 2026 will likely be another interesting year for bond markets. The US Federal Reserve Chair, Jerome Powell, is due to finish his tenure in May. While this would not normally be expected to cause significant market concern, he has been a long-time adversary of Trump, who previously raised the prospect of removing him early in his second term. At the time of writing, Trump is interviewing potential replacements. There has been speculation over whether he will choose a successor perceived to be more politically aligned.

This may matter because central banks typically aim to operate independently from the government. Independence can help avoid monetary policy being driven by short-term political objectives, which can have implications for inflation and economic growth over the longer term. The Fed often acts as a catalyst for global interest rate trends, so this may encourage investors to remain cautious going into 2026.

Valuations: Boom or Bust for US Exceptionalism?

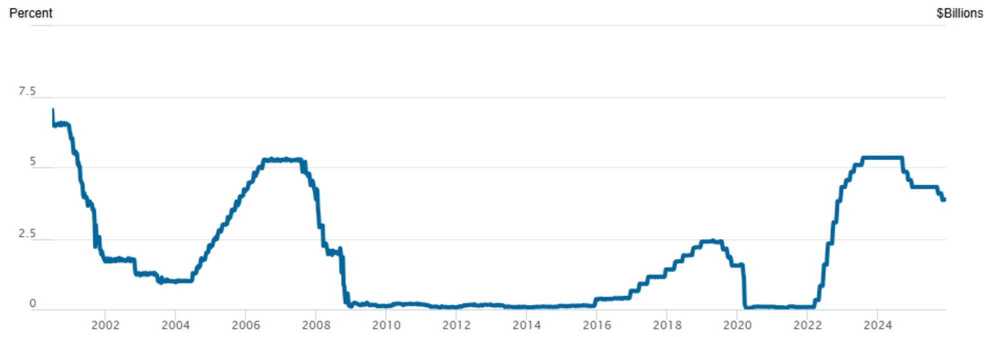
There seems to be a buzzing narrative surrounding the markets this year that has thoroughly taken root in the minds of investors. US equities have been going from strength to strength with expectation-defying returns, with the S&P 500 delivering double-digit returns (for US $ investors) for the third consecutive year. However, there's a lingering concern that these returns are unsustainable and that valuations may be too expensive given the underlying company fundamentals. This stems from multiple sources, including data indicating that current US valuations, as measured by CAPE[9], are near their highest levels in over 140 years. While we, or anyone else for that matter, may not be able to provide a definitive answer as to whether valuations will take a hit over the next year, it is worth considering some key points. Firstly, something that is potentially highly valued does not necessarily mean it is overvalued.

It's worth thinking about two of the major components that drive index returns: earnings growth and monetary policy. Let's consider the earnings growth of companies in the S&P 500. As of the time of writing, 91% of companies in the index have reported their earnings for the year, and of that 91%, 82% have beaten consensus earnings estimates.[10] This is impressive profit growth and presents a different perspective to previous financial shocks, such as the 2000s dot-com bubble, where many companies failed to reach profitability. While no one can truly predict what may happen to future earnings, analysts do believe that profit growth may continue in the US. JP Morgan reports that it expects 13% to 15% annual earnings growth over the next two years, driven by both the heavy-hitting Magnificent 7 and the broader market.[11] The broadening of this market is a positive sign for those concerned about the particularly high valuations of the Magnificent 7, which are being fuelled by AI.

While earnings growth is important for valuations, monetary policy also plays a role. In the US and across developed markets more generally, interest rates have been reduced from the post-COVID highs that were used to curb inflation, which we can see in the effective Fed rate graph below. The Fed may have been cautious with its cuts in 2025, but compared to

[8] M&G Investments, Japan's debt mountain: A crisis or a misunderstanding? 2025.
[9] Schroders, Cyclically adjusted price-earnings.
[10] Forbes, S&P 500 Q3 2025 Earnings: AI Spending and Economy Fuel Market Risks, 2025.
[11] Reuters, J.P. Morgan sees S&P 500 at 7,500 by end 2026, double-digit gain from here, 2025.

historical averages, the US is currently on the lower end of the rate spectrum[12]. When interest rates are low, this can impact bond returns, making them less attractive than equities for some investors. This can cause equity prices to rise as investors search for higher returns. Given relatively low interest rates alongside strong earnings growth, these factors can help explain the current high valuations in the US.



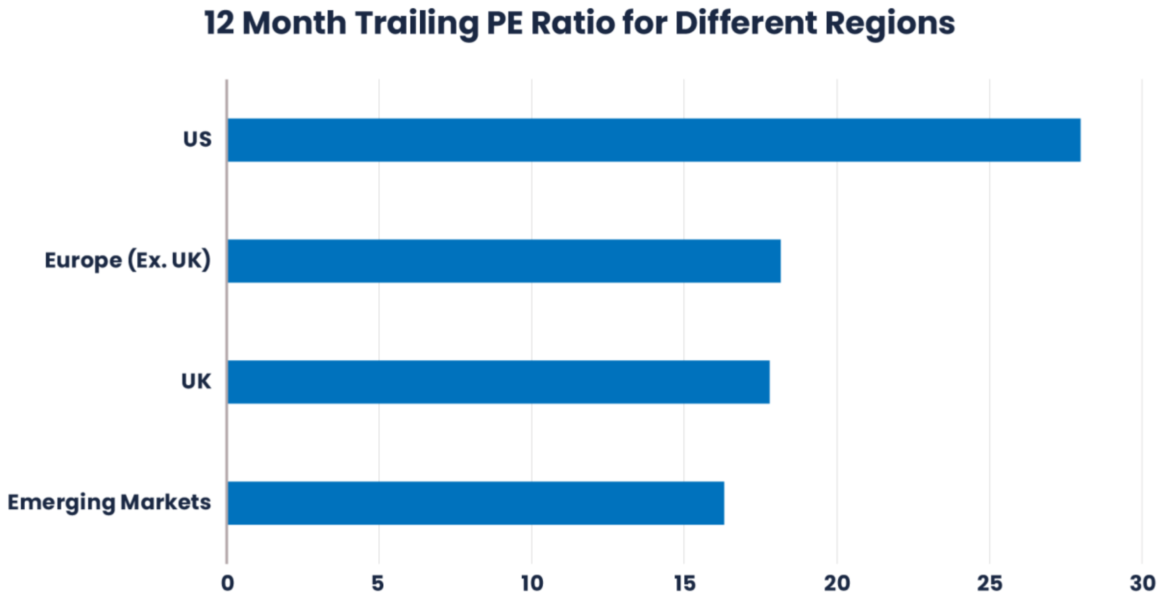
Source: Federal Reserve Bank of New York (2025)

However, stocks don't exist in a vacuum. For the US to be considered overvalued, investors are likely comparing it with alternative options for their capital. It follows that other international markets may be more attractively valued or potentially undervalued in comparison. European stocks have emerged as the obvious alternative this year, particularly given their strong market performance relative to those in the US.

At the time of writing, price-to-earnings (P/E) ratios for both the US and Europe do not fully reflect the discrete market performances of the two regions. There is currently a wide valuation gap, with the US trading on a P/E multiple of around 28x compared to roughly 18x in Europe. This implies that US equities are valued at roughly 55% higher than European equities. For valuations to converge, Europe would need to see an increase of around 55% in prices, assuming no change in earnings, or alternatively a roughly 36% decline in US equity prices if earnings were unchanged. Valuations could also converge if the US were to experience a roughly 55% increase in earnings, all else equal.

If you compare US valuations to emerging markets (EM), the disparity is even wider, with the US trading on a P/E multiple around 1.7 times higher than EM, which currently sits at roughly 16.3x. It is important to stress that a lower P/E multiple does not automatically signal an attractive investment. Valuations need context. Some markets are cheap for good reasons, reflecting structural, political, or governance risks rather than overlooked opportunities.

[12] Trading Economics, United States Effective Federal Funds Rate, 2025.



Source: Data retrieved from Morningstar API on 10.12.25. Using Funds as Regional Proxies.[13]

As a final note on valuations, it is important to consider that we are moving into uncharted territory. Concerns are particularly heightened around AI and the impact this technology may have as we move forward. It is becoming increasingly rare to find someone or a company that hasn't embraced the technology to streamline workflows. Even with widespread adoption, markets are still finding it difficult to price a technology that is advancing at an exponential pace, without a clear view of what it can ultimately achieve.

Technology stocks have been driving these high US valuations, with the sector rising roughly 22% over 2025 in the S&P 500[14]. This has fostered a sense of vulnerability in the markets to potential missteps, contributing to investor nervousness. However, there is also a case that this represents a structural change, not just in markets but a broader societal transition as adoption accelerates. There will undoubtedly be winners and losers, and at the moment, it is unclear who these may eventually be. Diversification remains an important tool for investors to prepare for both the successes and setbacks that may come from this transitional period.

The question then becomes: what does this renewed focus on valuations actually mean for investors? At its core, it should serve as a reminder to keep a long-term perspective. Short-term noise can make markets feel overvalued and tempt investors to plan around an imminent correction, but history shows that this is a difficult and often unrewarding game. Successfully stepping out of markets and then re-entering at the right time requires getting it right twice, which is difficult to do consistently.

Over the long run, global equity markets have continued to grow despite periodic corrections. While this journey inevitably involves short-term volatility, evidence supports staying invested as a more reliable path to long-term growth. Against this backdrop, valuation differences reinforce the importance of global diversification. A global market-capitalisation approach remains an efficient and highly diversified way to allocate capital, reflecting where markets collectively see the strongest opportunities today.

[13] EM represented by LGIM Global Emerging Markets Index Fund (GB00BG0QP489), UK represented by iShares UK Index fund (GB00B7C44X99), Europe represented by iShares Europe ex UK Index Fund (IE000FZW9C08) and US represented by LGIM US Index Trust (GB00BG0QPL51).
[14] U.S. Bank, Investing in tech stocks: Is now a good time? 2025.

Touching on Tariffs

It would be remiss not to address the buzzword of 2025 in our end-of-year review. (Ironically, there is now a question over whether the tariffs themselves may be unlawful, pending a US Supreme Court ruling.) US tariffs were monumental in shifting geopolitical relationships. With the effective US tariff rate now settling at around 18%, the highest level since 1934[15], it is likely that international relations and geopolitical tension will continue to be a key theme into 2026.

The initial positive news is that there has been some stabilisation since the tariffs were introduced, with the US striking trade deals with regions such as the UK, EU and Japan. However, relations were less smooth with the world's second-largest economy, China. After the tense exchange of escalating tariffs following "Liberation Day", relations appeared to calm somewhat. There is currently a "tariff truce" between the two nations, but there is potential for tensions to escalate as we move into next year. One of the biggest global impacts has been the shift in supply chains.

Perhaps it might be hard to believe with such a backdrop, but China has shown resilience throughout 2025. In November, it became the first country to reach a record trade surplus of $1 trillion[16]. While this is positive for China, it may prove a thorn in Trump's side, as China may be able to take a firmer approach in future negotiations. Some reporting suggests a key driver behind this surplus has been China's ability to diversify away from the US, towards regions such as Europe, Africa and Southeast Asia.

There are two potential tariff impacts that may emerge in 2026, depending on the Supreme Court's decision on whether the tariffs are ruled lawful or unlawful. Should they be deemed lawful, US consumers may feel the impact of price rises on inflation as costs are passed through by companies[17]. In a report by Democrats on Congress's Joint Economic Committee, it was found that average costs to American households had already reached $1,198 by November 2025[18].

However, should the tariffs be deemed unlawful, US stocks could benefit. Companies took a hit in 2025, having absorbed some of the tariff costs; with tariffs reduced, any short-term relief may help support corporate earnings[19]. An additional boost could come in the form of government refunds from these tariffs, which some reporting suggests may be as much as $168bn owed to businesses[20].

Regardless of the outcome, Trump's tariffs have impacted markets this year and may continue to do so in the years ahead. The shift in global trade dynamics is still developing, and there remain a number of trade deals left to be signed between nations. In periods of uncertainty, volatility can increase over the short term. Investors taking a well-diversified approach are likely to be best placed to navigate what comes next.

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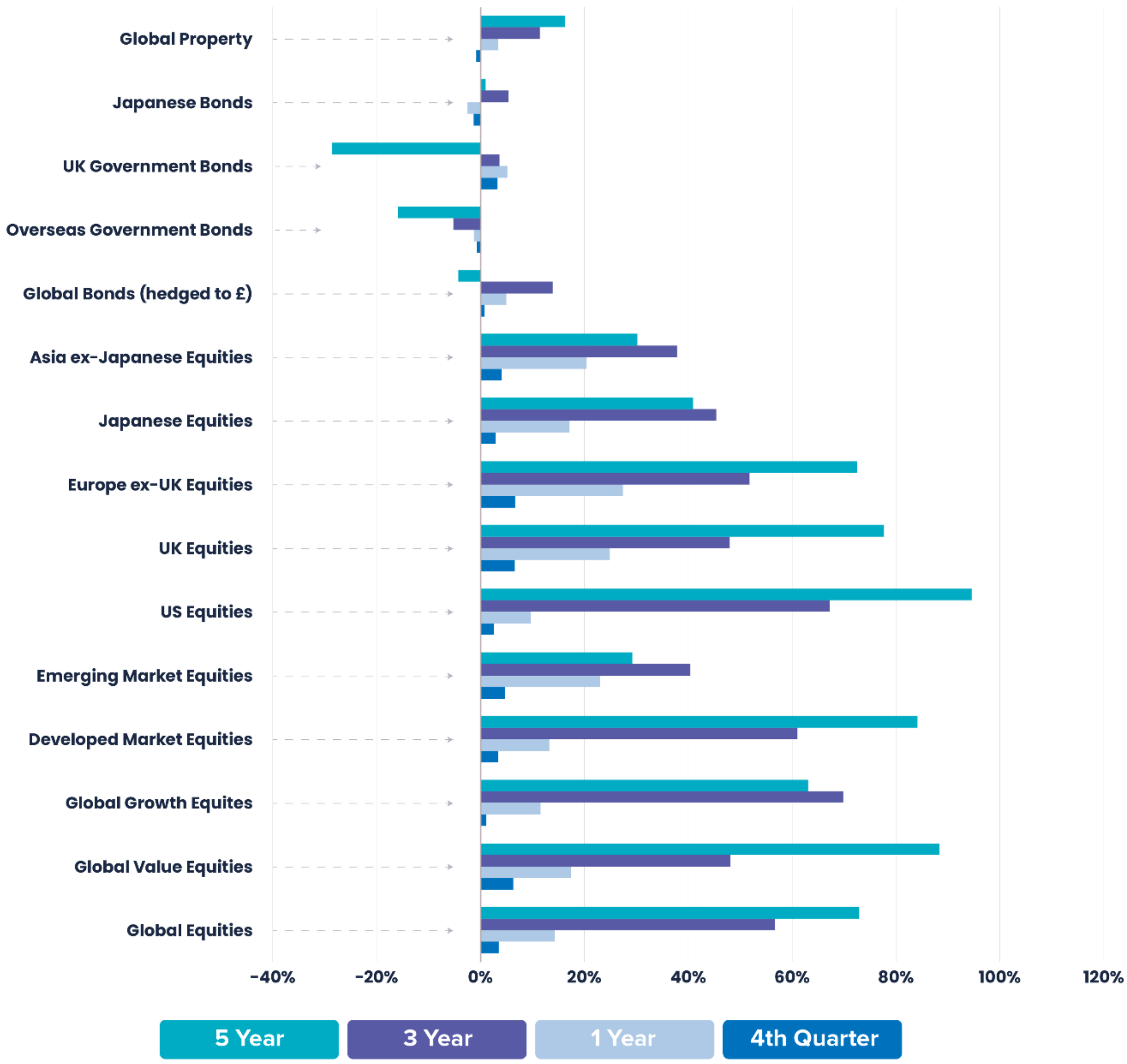
[15] Goldman Sachs, Seeking Catalysts Amid Complexity, 2025.
[16] CNN Business, How Trump's tariffs forces China to pivot - and export more, 2025.
[17] Goldman Sachs, Seeking Catalysts Amid Complexity, 2025.
[18] The Independent, Trump's tariffs have cost each American household $1,200 in added expenses, Dems say, 2025.
[19] Bloomberg, Stocks Poised to Win If the Supreme Court Strikes Down Tariffs, 2025.
[20] CBS News, U.S. could owe businesses $168 billion if Supreme Court rules against Trump tariffs, analysis finds, 2025.

Asset Class Review

Introduction

2025 has been a year of resilience for markets. The year started with concerns about a new trade war and policy shocks from the US, but markets held up better than many expected. Instead, it became a year of adjustment: inflation stayed sticky, trade policy tightened in a more measured way than feared, and a spring drawdown in equities was followed by a broad-based recovery, with major indices reaching new highs by year-end. Bonds were steadier than in recent years, with higher starting yields providing a useful income cushion and helping to dampen portfolio volatility as rate expectations gradually shifted towards cautious cuts.

Asset Class Returns



Proxies: Asia ex-Japanese Equities: Morningstar Asia Pacific ex-Japan Large-Mid Cap GR GBP; Developed Market Equities: Developed Market Equities: Morningstar Developed Markets Target Market Exposure GR GBP; Emerging Market Equities: Emerging Market Equities: Morningstar Emerging Markets Target Market Exposure GR GBP; Europe ex-UK Equities: Europe ex UK Equities: Morningstar Developed Europe Target Market Exposure GR GBP; Global Bonds: Global Bonds: Vanguard Global Bond Index Hedged Acc GBP in GB; Global Corporate Bonds (hedged £): Vanguard Global Bond Index Hedged Acc GBP in GB: Global Equities: Global Equities: Morningstar Global Markets GR GBP; Global Growth Equities: Global Growth Equities: Morningstar Global Growth Target Market Exposure GR GBP; Global Property: Global Property: Morningstar Global Real Estate GR GBP; Global Value Equities: Global Value Equities: Morningstar Global Value Target Market Exposure GR GBP; Japanese Bonds: Japanese Bonds: Morningstar Japan Treasury Bond TR GBP Hedged; Japanese Equities: Japanese Equities: Morningstar Japan GR GBP; Overseas Government Bonds: Overseas Government Bonds: iShares Overseas Government Bond Index (UK) D Acc in GB; UK Equities: UK Equities: Morningstar UK GR GBP; UK Government Bonds: Vanguard UK Government Bond Index Acc GBP in GB; US Equities: US Equities: Morningstar US Target Market Exposure TR GBP. Performance periods: 4th Quarter: 30/09/2025 – 31/12/2025, Year: 31/12/2024 - 31/12/2025,; 3 Year: 31/12/2022 - 31/12/2025, 5 Year: 31/12/2020 - 31/12/2025.

Equity: Diversified Momentum

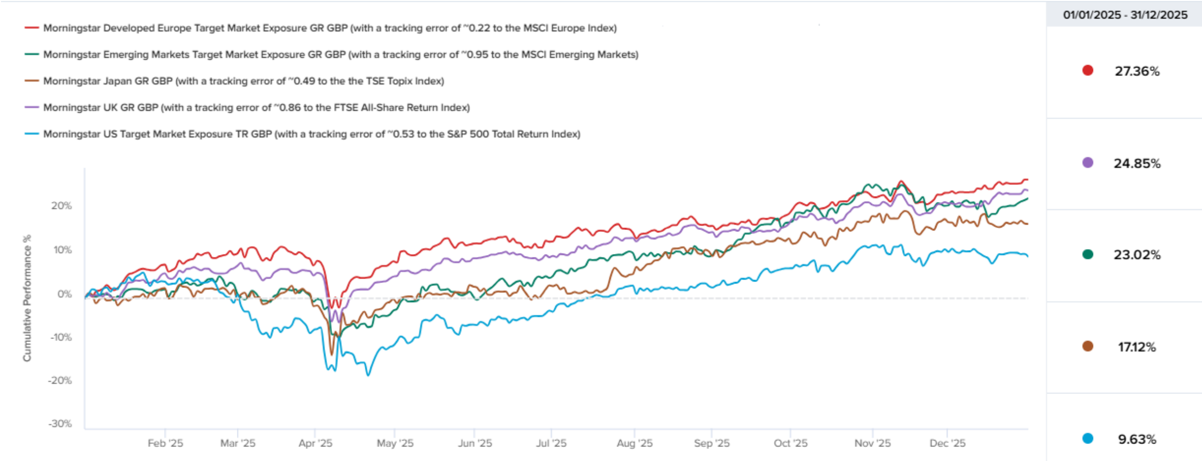
Global equities delivered strong returns in 2025 despite tariff uncertainty, shifting central bank expectations and a sharp bout of volatility in April. The key theme was a broadening of market leadership. The year began with gains concentrated in a small group of US mega-cap technology companies, but by the second half, the rally had become more global and more diversified. AI remained an important driver of sentiment, yet the "Magnificent Seven" were no longer the sole engine of index-level returns[21].

Source: Market data is supplied by Timeline Portfolios as portfolio manager (31.12.24 to 31.12.25). Returns shown in GBP.

US equities delivered another year of positive returns, although performance lagged the strongest international markets. US equities returned around 9.63%[22] in 2025, reflecting steady but more moderate progress than in the previous two years. In the first half, gains were heavily influenced by AI-linked businesses within the "Magnificent Seven", as investors continued to price strong demand for cloud computing, data centres and semiconductor capacity[23]. As the Federal Reserve began to cut rates in the autumn, leadership broadened: small caps rallied as borrowing costs fell, financials and healthcare benefited from improved earnings visibility, and industrials strengthened alongside firmer demand.

UK equities made a stable contribution to global portfolios, returning 24.85%[24] over the year. Large-cap performance was supported by the FTSE 100's exposure to energy, mining[25] and globally diversified firms, which benefited from stabilising commodity markets and stronger external earnings. Mid-cap shares saw improved sentiment as inflation pressures eased and the Bank of England adopted a more accommodative tone. While the UK lagged the strongest-performing regions, it delivered steady returns. As we discussed in our Economic Outlook, UK valuations remain attractive relative to other global regions.

[21] MarketWatch, Magnificence beyond the Magnificent 7? Here's the next generation of AI winners powering the stock market, 2025.
[22] Morningstar US Target Market Exposure Total Return (GBP).
[23] Reuters, Investors see US stocks rally broadening, even as 'Magnificent Seven' rebound.
[24] Morningstar UK Gross Return (GBP).
[25] IG, UK stocks edge higher as copper rally drives miners to fresh records, 2025.



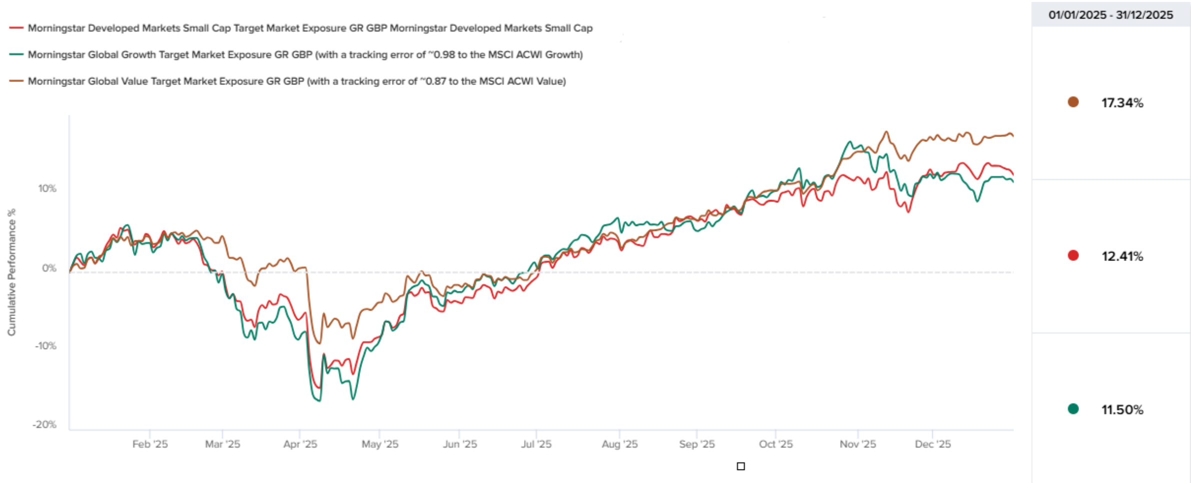
Source: Market data is supplied by Timeline Portfolios as portfolio manager (01.01.25 to 31.12.25). Returns shown in GBP.

European equities also delivered strong results, returning 27.36%[26] in 2025. Industrials and capital goods companies benefited from improved export conditions and higher spending on automation, semiconductor equipment and AI-related infrastructure. Electrification and defence also benefited from large EU programmes such as the €800 billion NextGenerationEU plan, alongside broader rearmament initiatives[27]. Financials and utilities also contributed as inflation eased and governments maintained higher investment in the energy transition and defence. Although parts of manufacturing, particularly in Germany, remained under pressure, European equities were supported by relatively attractive valuations and a broad mix of sector winners, rather than dependence on a small group of technology giants.

Emerging Markets (EM) were another major contributor to global equity returns, rising by 23.02%[28]. Returns were uneven across countries, but EM Asia led the gains, helped by strong demand for AI-related hardware. Technology supply chain markets such as Taiwan and South Korea benefited in particular, with semiconductor and memory stocks (companies involved in the manufacturing of memory chips) among the strongest performers[29]. Later in the year, some profit-taking added volatility. Latin American markets, such as Brazil, improved as inflation trends moderated and commodity prices stabilised[30]. China was mixed, with periods of policy support lifting sentiment but structural challenges limiting momentum. Overall, Emerging Markets delivered some of the strongest regional returns of the year, with AI and technology supply chains a key part of the story.

Japan remained one of the stronger developed markets. Ongoing corporate governance reforms, rising share buybacks and improved capital discipline supported returns. The Nikkei 225 reached new highs during the year and was up around 25% by late October, with some near-term volatility[31]. A weaker Yen often supported exporters, although currency moves also added volatility for overseas investors. Despite the rally, Japanese equities continued to trade at a valuation discount to the US, which helped sustain international interest.

[26] Morningstar Developed Europe Target Market Exposure Gross Return (GBP).
[27] Franklin Templeton, Why Europe? The case for European equities in 2025 and beyond, 2025.
[28] Morningstar Emerging Markets Target Market Exposure Gross Return (GBP).
[29] Reuters, AI demand powers Taiwan November exports to fastest growth in 15-1/2 years, 2025.
[30] Deloitte, Brazil economic outlook, 2025.
[31] Reuters, Japan's Nikkei tops 50,000 mark for first time on stimulus euphoria, 2025.



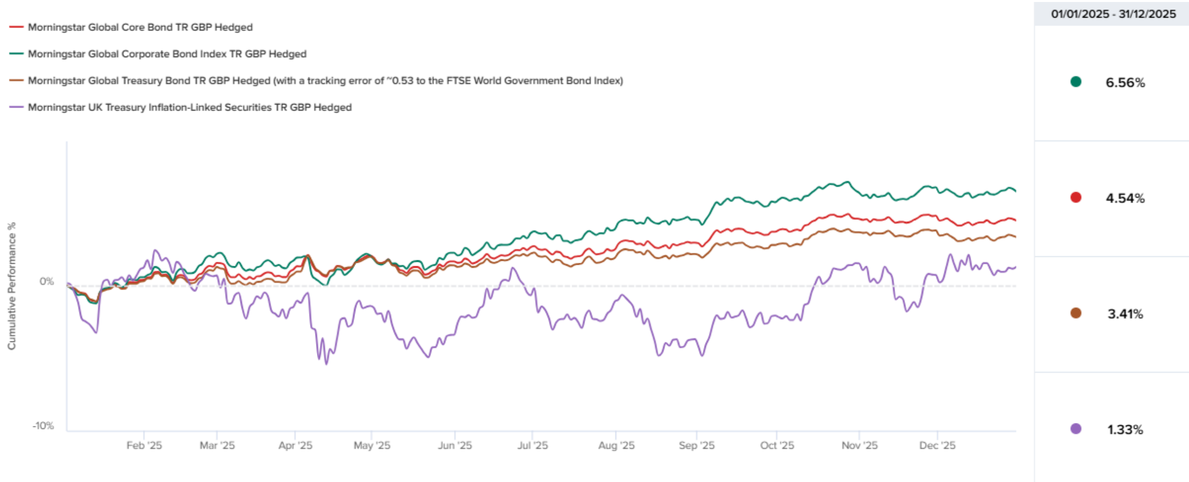
Source: Market data is supplied by Timeline Portfolios as portfolio manager (01.01.25 to 31.12.25). Returns shown in GBP.

From a factor perspective, growth and AI-linked stocks still performed well, but they were no longer the only driver of global equity returns. As inflation eased later in the year and markets became more confident that interest rates had peaked, performance broadened into more cyclical and value-oriented areas. Sectors such as financials, industrials and energy contributed more to returns, particularly in Europe, where these sectors account for a larger share of the index. Early in the year, large-cap growth, particularly US mega-caps, led the rally. Later, as recession fears faded and policy expectations shifted lower, small and mid-caps improved and closed some of the gap. This is consistent with past periods where easier monetary policy has supported more economically sensitive companies.

Taken together, 2025 marked a shift from narrow, AI-led performance dominated by a small group of US mega-caps to a more balanced and diversified equity environment. Market leadership broadened across regions and sectors as the year progressed, supported by resilient earnings and improving investor confidence. From a factor standpoint, returns shifted away from being mainly driven by large-cap growth stocks, as value stocks, emerging markets and smaller companies had a greater influence later in the year. For long-term investors, this reinforced the value of global diversification and staying invested through periods of volatility, with AI demand increasingly supporting a wider range of companies rather than a handful of headline names.

Fixed Income: Stability Amid Easing and Elevated Yields

Fixed income was more stable in 2025. Yields remained higher than before the pandemic, coupon income was a meaningful driver of total returns, and bonds again helped diversify portfolios during periods of equity market volatility. This was reflected in index performance, with global corporate bonds leading, core bonds and Treasuries delivering more modest gains, and UK inflation-linked gilts lagging over the year.



Source: Market data is supplied by Timeline Portfolios as portfolio manager (01.01.25 to 31.12.25). Returns shown in GBP.

US bonds were mainly driven by the shift in Fed policy[32]. As markets moved from "higher for longer" towards rate cuts, short-dated yields fell, but longer-dated Treasuries were more volatile. Concerns about government borrowing and heavy issuance kept pressure on the long end, which is consistent with government bond returns being more modest than credit over the period.

UK government bonds had a tougher spell at times during the year, with yields rising as investors reacted to political uncertainty and fiscal headlines. The run-up to the autumn Budget was a clear pressure point for gilts, as markets focused on fiscal credibility, the scale of borrowing, and the risk of tougher tax and spending choices. The most significant moves were in long-dated gilts, particularly 30-year maturities[33], while short-dated gilts were steadier and largely followed Bank of England rate expectations.

The tone improved later as the Budget was viewed as more credible and expected gilt supply appeared lower than feared, with the Institute for Public Policy Research (IPPR) noting early signs that the UK's borrowing cost premium relative to peers may be starting to unwind. UK index-linked gilts underperformed as rising real yields and their very long duration weighed on prices. Inflation expectations stabilised rather than increased, limiting the benefit of inflation protection, while heavy government issuance and episodes of fiscal volatility added further pressure, particularly at the long end of the curve.

Eurozone government bonds were relatively steady as the European Central Bank moved rates lower and then paused, anchoring the front end even though longer maturities continued to move with global rates and supply[34]. ECB analysis also noted that rising defence spending plans are among the factors investors are watching when pricing longer-dated euro area government bonds[35]. EFAMA data pointed to continued investor demand for bond funds and ETFs throughout the year, supporting the broader fixed income backdrop[36]. Emerging market debt was one of the brighter areas, especially local currency exposure, supported by high yields and improving sentiment. In parts of Latin America, stronger currencies also helped returns.

Credit spreads remained relatively tight for most of 2025[37], reflecting strong demand for corporate bonds and a generally stable economic backdrop. Investment-grade spreads narrowed or stayed contained for much of the year, helping global corporate bonds

[32] The Guardian, Fed cuts interest rates by a quarter point amid apparent split over US economy, 2025
[33] IFS, The Budget and bond markets: 'when you're in a hole, stop digging', 2025.
[34] European Central Bank, Monetary policy decisions, 2025.
[35] EuroNews, European bond yields are rising again, but inflation isn't to blame, 2025.
[36] EFAMA, Record inflows into bond funds in Q3 2025.
[37] Fidelity, Fixed Income Monthly - December 2025.

outperform broader core bond benchmarks (6.56% vs 4.54%)[38]. There were brief periods of spread widening when risk appetite dipped, but higher starting yields meant income provided a strong cushion, limiting the impact on returns.

Overall, 2025 reinforced a simple message for fixed income: earning interest matters again. Better outcomes came from combining diversified aggregate exposure with corporate credit, while keeping a close eye on duration risk, particularly in long-dated government bonds where fiscal supply concerns persist.

Glittering Gold and Crypto Casualties in 2025

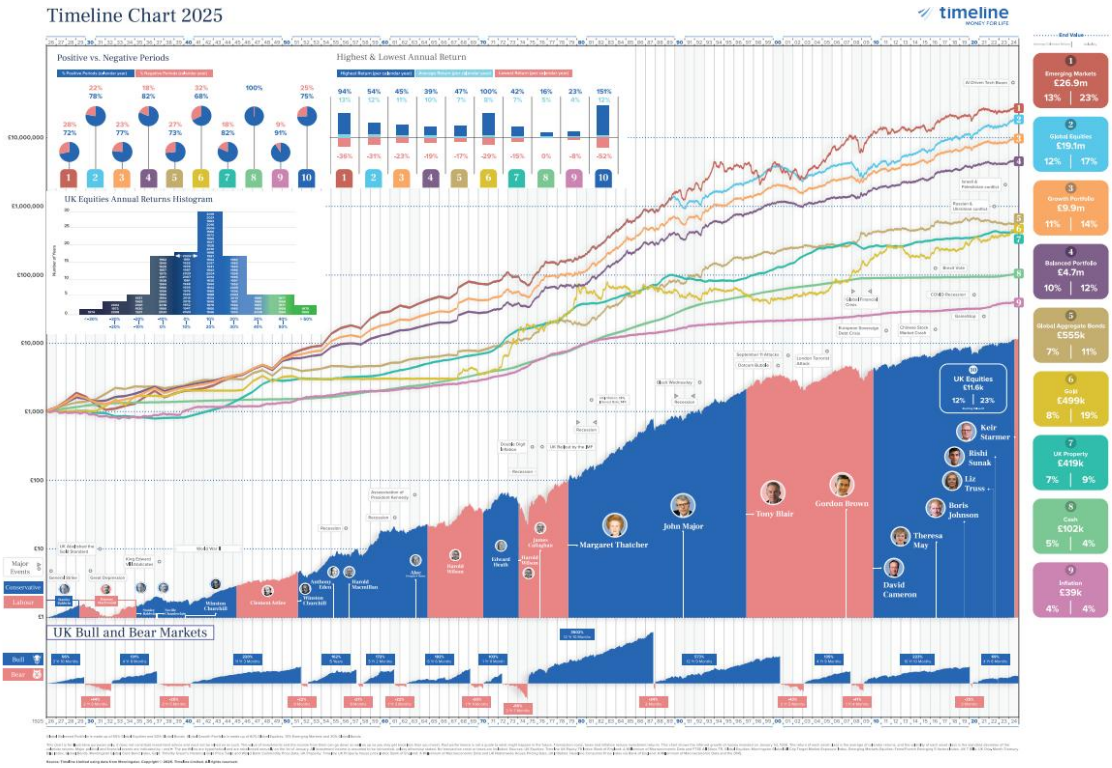
Each quarter, this review includes a short spotlight on a theme beyond the core asset classes to provide broader market context. This quarter, we focus on gold and cryptoassets, which have attracted renewed investor attention and are often discussed as potential alternatives or hedges during periods of market uncertainty.

In 2025, alternatives were back in the spotlight. Gold and cryptoassets were both discussed as potential diversifiers and, at times, as possible “safe havens”. The year’s price action made the differences clearer. Gold delivered a very strong annual gain of around 64% to 65% in 2025, reaching a record $4,381/oz in October[39]. Bitcoin also had a strong run earlier in the year, reaching a record high in October, but then sold off sharply, including a fall of around 36% from its October peak. By late November, it had given up its year-to-date gains[40].

Gold’s strong 2025 performance was supported by heightened economic and geopolitical uncertainty, shifting interest rate expectations and strong investor and central bank demand. Evidence also suggests these drivers may have a more structural element in this cycle, with central bank and investor demand expected to remain supportive into 2026[41]. However, gold remains a non-yielding asset, so returns derive primarily from price movements, and it can remain volatile, particularly when real yields rise or the US dollar strengthens. Academic research also adds a note of caution, suggesting that gold’s safe haven behaviour has weakened over time and that it can sometimes move more in line with equities during periods of market stress (Faraj, H. et al., 2025)[42].

Cryptoassets told a different story. Bitcoin’s drawdown from its October high and the broader market weakness were consistent with how crypto has typically behaved in risk-off phases. As investors became more cautious and risk appetite faded, crypto traded more like a high-risk asset than a defensive one. This underscores why crypto remains a speculative asset class, driven mainly by sentiment, liquidity conditions and positioning rather than fundamentals such as cash flow. This pattern also reinforces a broader point: when liquidity tightens and risk appetite falls, cryptoassets have historically been vulnerable to sharp drawdowns. Even after strong rallies, moves can reverse quickly, which limits their reliability as a defensive holding.

[38] Morningstar Global Corporate Bond Index Total Return (GBP) Hedged and Morningstar Global Core Bond Total Return (GBP) Hedged.
[39] Reuters, Gold forecast to glitter again next year despite biggest gain since 1979, 2025.
[40] Reuters, Crypto investors show caution, shift to new strategies after crash, 2025.
[41] JPMorgan, Will gold prices break $5,000/oz in 2026?, 2025.
[42] The diminishing lustre: Gold’s market volatility and the fading safe haven effect, 2025.



Source: Supplied by Timeline Portfolios as portfolio manager (2025)

The chart above helps put gold's role in context. It shows that different assets lead at different times, and that gold can have strong periods but also meaningful swings. It is best viewed as a supporting diversifier, rather than a guaranteed stabiliser.

So, can gold and Bitcoin be considered safe havens? Gold can sometimes behave defensively and can help diversify portfolios over time, but 2025 also showed it is not a guaranteed stabiliser, especially after a strong rally. Cryptoassets are not reliable safe havens. Their large drawdowns during shifts in risk sentiment limit their usefulness as a protective measure in stressed markets.

From a portfolio perspective, 2025 was a reminder that relying on any single alternative asset for protection is challenging. A well-diversified mix of global equities and high-quality bonds has typically been a more consistent way to manage risk over time. Equities remain the main source of long-term growth, while high-quality bonds can help cushion portfolios when equity markets are unsettled. Gold can sometimes help as an additional diversifier, but it is best viewed as a supporting holding rather than the foundation of a long-term portfolio.

Portfolio Performance

The following section summarises how the Timeline Portfolios investment strategies we use within our clients' financial plans have performed.

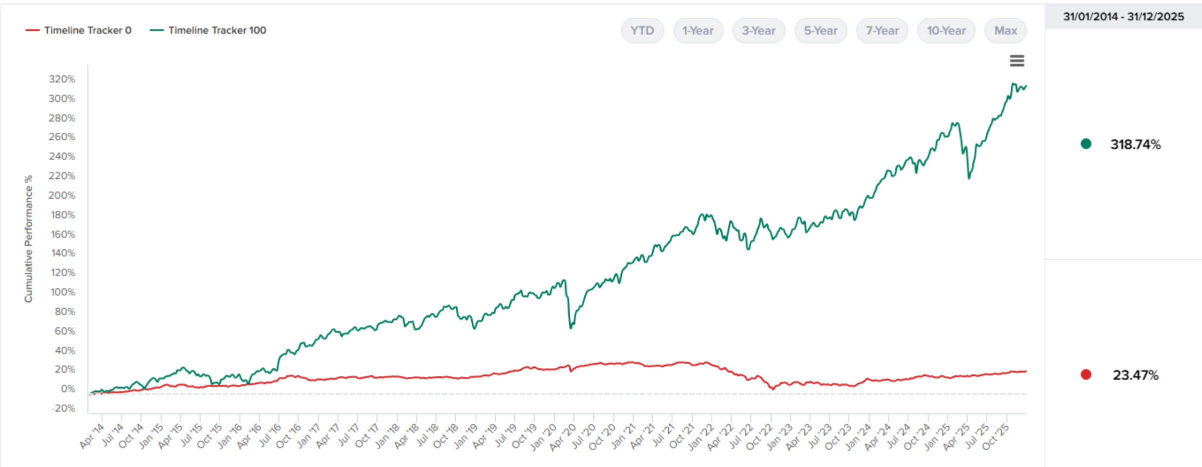
Tracker

Over the course of 2025, the Tracker portfolios closely reflected the strong market returns seen globally. As discussed above, global equities delivered another year of solid performance, helping the equity allocations within client portfolios drive returns. The 100% equity model was almost on par with the Morningstar Global Target Market comparator, returning 15.69% over the year. This marked the third consecutive year of double-digit returns for Tracker 100.

Over the final quarter, we saw Tracker build on the solid market performance seen earlier this year, reaching 4.41%, and outperforming its peer group and RPI comparators. This was driven by global markets, with particularly strong contributions from European and emerging market equities, highlighting the geographic diversification of the range. Since its inception, there has been a similar story for the 100% equity portfolio, with the range achieving a 318.74% return since 2014. Relative to the range's RPI and Morningstar comparators, this represents a strong outcome over the period. This highlights the benefits of broad market exposure and the contribution of the equity risk premium to long-term returns.

On the fixed income side, the portfolios again sat just above their Morningstar Global Core Bond comparator. Over the year, the range returned 5.31%, compared to 4.49% for the Morningstar Global Core Bond index. The range outperformed RPI and just underperformed Morningstar peer group over the quarter (1.5%) as well.

While the year was positive for fixed income overall, the higher interest rate environment has made it difficult for the asset class to compete with equities. Over the longer term, the portfolio remained resilient despite the inflationary conditions of recent years. The fixed income portfolio has lagged behind RPI due to these conditions. Tracker 0, which is a 100% bond portfolio, has also trailed its Morningstar peer group comparator over the longer term; however, this may be partly explained by the Morningstar peer group including portfolios that hold some allocation to equities.



Timeline Holdings Ltd 2026: All data is as of 31 Dec 2025. Past performance is not a reliable guide to future returns. The value of investments and income from them can fall as well as rise, and you may get back less than you invest. Returns are reduced by transaction costs, taxes, and inflation. Performance data is supplied by Timeline Portfolios, our discretionary investment partner, and reflects their standard calculation methodology utilising data from Morningstar, for which we bear no responsibility, and encompasses the following:

- *For completeness, Timeline Portfolios calculates performance using the application of a 10% drift-tolerance rebalancing methodology*
- *Performance calculated net of the constituent funds' Ongoing Charges Figures (OCFs), but doesn't exclude the Discretionary Fund Management (DFM) Fees*
- *As part of the discretionary management process the investment strategy has evolved over time, and the performance displayed duly incorporates these changes.*

Portfolio	Portfolio Return	RPI +% Comparator	Morningstar Peer Group Comparator	Market Composite Index Comparator
	Quarter	Quarter	Quarter	Quarter
Tracker 0	1.5 %	0.2 %	1.6 %	0.7 %
Tracker 10	1.9 %	0.3 %	1.6 %	1 %
Tracker 20	2.2 %	0.3 %	1.6 %	1.3 %
Tracker 30	2.6 %	0.4 %	2.2 %	1.6 %
Tracker 40	2.9 %	0.4 %	2.2 %	1.8 %
Tracker 50	3.1 %	0.4 %	2.8 %	2.1 %
Tracker 60	3.4 %	0.5 %	2.8 %	2.4 %
Tracker 70	3.7 %	0.5 %	3.5 %	2.7 %
Tracker 80	4 %	0.6 %	3.5 %	2.9 %
Tracker 90	4.2 %	0.6 %	3.8 %	3.2 %
Tracker 100	4.4 %	0.7 %	3.8 %	3.5 %

Portfolio	Portfolio Return			RPI +% Comparator			Morningstar Peer Group Comparator			Market Composite Index Comparator		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
Tracker 0	5.3 %	-7.4 %	14.1 %	3.3 %	31.7 %	42.3 %	5.8 %	0.3 %	25.4 %	4.5 %	-3.4 %	14.3 %
Tracker 10	6.5 %	2.2 %	33.8 %	3.8 %	34.8 %	49.1 %	5.8 %	0.3 %	25.4 %	5.4 %	4.2 %	36.8 %
Tracker 20	7.8 %	8.2 %	49.6 %	4.2 %	37.9 %	56.3 %	5.8 %	0.3 %	25.4 %	6.4 %	11.8 %	59.3 %
Tracker 30	9 %	16.8 %	68.3 %	4.7 %	41.2 %	63.9 %	8.4 %	14.1 %	50.3 %	7.3 %	19.5 %	81.7 %
Tracker 40	10.1 %	24.4 %	88.1 %	5.2 %	44.4 %	71.7 %	8.4 %	14.1 %	50.3 %	8.2 %	27.1 %	104.2 %
Tracker 50	11 %	32.5 %	109.8 %	5.6 %	47.8 %	80 %	11 %	29 %	83.2 %	9.2 %	34.7 %	126.7 %
Tracker 60	12.1 %	41.4 %	134.6 %	6.2 %	52.1 %	90.9 %	11 %	29 %	83.2 %	10.1 %	42.4 %	149.2 %
Tracker 70	13.1 %	49.2 %	161.4 %	6.7 %	55.7 %	100 %	13.5 %	45.5 %	118.6 %	11 %	50 %	171.7 %
Tracker 80	14 %	60.8 %	193.1 %	7.1 %	59.3 %	109.7 %	13.5 %	45.5 %	118.6 %	12 %	57.6 %	194.2 %
Tracker 90	14.9 %	69.5 %	220.2 %	7.6 %	63 %	119.7 %	15.4 %	63 %	169.1 %	12.9 %	65.2 %	216.7 %
Tracker 100	15.7 %	78.2 %	248.8 %	8.1 %	66.8 %	130.3 %	15.4 %	63 %	169.1 %	13.8 %	72.9 %	239.2 %

Portfolio Comparators: Tracker 0 against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; Tracker 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; Tracker 20 against RPI and the Morningstar UK Cautious Target Allocation Index™; Tracker 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; Tracker 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; Tracker 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; Tracker 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Tracker 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Tracker 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and Tracker 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite comparators are based on the Morningstar Global Markets GR and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

Classic

The Classic portfolio range aims to capture global market returns while also favouring equities either in emerging markets or those that fall within the small-cap, value and profitable segments of the market. These risk factors have historically outperformed broader market returns over the long term.

The 100% equity portfolio once again delivered a solid return for the year, with double-digit growth over 2025, returning 13.06%, just shy of the Tracker 100 portfolio return. This return also outpaced RPI but marginally underperformed against its Morningstar peer comparators.

In the final quarter of the year, the Classic range continued its solid performance, returning 3.33%, just below the market benchmark but above that of its peers. Returns were primarily driven by positive global equity markets, alongside strong performance from value and emerging market equities. Value stocks outpaced growth in 2025, returning 17.34% versus 11.50%, supporting portfolio performance. However, small-cap stocks, while delivering solid returns of 12.41%[43], lagged behind the other risk premia and detracted from relative performance within the equity allocation over the year.

From a fixed income perspective, the Classic range held up well and was broadly in line with the other core portfolio ranges. Returns over the year sat just below the Morningstar Global Core Bond comparator, reflecting that Classic 0 continued to track global bond market performance closely. Over the longer term, however, the Classic 0 portfolio, which is 100% fixed income, has underperformed due to the effects of high inflation and elevated interest rates. The range sits below its RPI and Morningstar peer comparators, which is broadly consistent with the current interest rate environment.

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[43] Small-cap stocks represented by the Morningstar Developed Markets Small Cap Target Market benchmark. Data retrieved from Morningstar API and correct as at 31st December 2025.

Portfolio	Portfolio Return	RPI +% Comparator	Morningstar Peer Group Comparator	Market Composite Index Comparator
	Quarter	Quarter	Quarter	Quarter
Classic 0	1 %	0.2 %	1.6 %	0.7 %
Classic 10	1.3 %	0.3 %	1.6 %	1.1 %
Classic 20	1.6 %	0.3 %	1.6 %	1.4 %
Classic 30	1.8 %	0.4 %	2.2 %	1.6 %
Classic 40	2 %	0.4 %	2.2 %	1.9 %
Classic 50	2.3 %	0.4 %	2.8 %	2.2 %
Classic 60	2.5 %	0.5 %	2.8 %	2.5 %
Classic 70	2.7 %	0.5 %	3.5 %	2.8 %
Classic 80	2.9 %	0.6 %	3.5 %	3.1 %
Classic 90	3.1 %	0.6 %	3.8 %	3.4 %
Classic 100	3.3 %	0.7 %	3.8 %	3.7 %

Portfolio	Portfolio Return			RPI +% Comparator			Morningstar Peer Group Comparator			Market Composite Index Comparator		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
Classic 0	4.3 %	-2 %	20.2 %	3.3 %	31.7 %	42.3 %	5.8 %	0.3 %	25.4 %	4.5 %	-3.4 %	14.3 %
Classic 10	5.3 %	4.2 %	33.4 %	3.8 %	34.8 %	49.1 %	5.8 %	0.3 %	25.4 %	5.5 %	3.3 %	34.3 %
Classic 20	6.2 %	9.9 %	46.7 %	4.2 %	37.9 %	56.3 %	5.8 %	0.3 %	25.4 %	6.5 %	10 %	54.4 %
Classic 30	7.3 %	16.3 %	61 %	4.7 %	41.2 %	63.9 %	8.4 %	14.1 %	50.3 %	7.5 %	16.7 %	74.5 %
Classic 40	8.2 %	22.6 %	76.3 %	5.2 %	44.4 %	71.7 %	8.4 %	14.1 %	50.3 %	8.6 %	23.4 %	94.5 %
Classic 50	9.1 %	28.9 %	92.2 %	5.6 %	47.8 %	80 %	11 %	29 %	83.2 %	9.6 %	30.1 %	114.6 %
Classic 60	9.9 %	35.4 %	109 %	6.2 %	52.1 %	90.9 %	11 %	29 %	83.2 %	10.6 %	36.8 %	134.6 %
Classic 70	10.7 %	41.8 %	126.9 %	6.7 %	55.7 %	100 %	13.5 %	45.5 %	118.6 %	11.6 %	43.6 %	154.7 %
Classic 80	11.5 %	48.7 %	145.5 %	7.1 %	59.3 %	109.7 %	13.5 %	45.5 %	118.6 %	12.6 %	50.3 %	174.8 %
Classic 90	12.4 %	55 %	164.3 %	7.6 %	63 %	119.7 %	15.4 %	63 %	169.1 %	13.6 %	57 %	194.8 %
Classic 100	13.1 %	61.8 %	185.7 %	8.1 %	66.8 %	130.3 %	15.4 %	63 %	169.1 %	14.7 %	63.7 %	214.9 %

Portfolio Comparators: Classic 0 against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; Classic 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; Classic 20 against RPI and the Morningstar UK Cautious Target Allocation Index™; Classic 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; Classic 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; Classic 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; Classic 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Classic 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; Classic 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and Classic 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite comparators are based on the Morningstar Global Markets GR, Global Value Target Market Exposure, Developed Markets Small Cap Target Market Exposure, Emerging Markets Target Market Exposure, and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

ESG Tracker

The ESG Tracker portfolios aim to closely mimic global equity markets in a low-cost manner, while also incorporating ESG considerations within the underlying securities. Much like its non-ESG counterpart, the range delivered strong performance over 2025, in line with broader equity markets. The 100% equity portfolio sat just below the Morningstar Global All Cap comparator at 13.97% over the last 12 months. As with the other core ranges, this marked the third consecutive year of double-digit returns for the portfolio.

In the final quarter of the year, the ESG Tracker continued its solid performance, with the 100% equity portfolio returning 3.93%. Compared with both its RPI and Morningstar peer comparators, this represented a strong relative outcome. Over longer periods, the portfolios have continued to deliver consistent returns, with the 100% equity portfolio returning 220.89% over 10 years, outperforming both RPI and Morningstar comparators.

The ESG Tracker 0 portfolio, composed solely of fixed income securities, also performed well over 2025, returning 5.13%, broadly in line with both wider bond markets and the other core ranges. This pattern was also seen over the final quarter, with the portfolio outperforming RPI and its Morningstar peer group with a return of 1.58%. As with wider market patterns, 2025 was a positive year for fixed income, although it still came with its own challenges.

Since inception, the ESG Tracker range has experienced periods of volatility due to challenging interest rates and inflationary environments. This has meant that, over the longer term, the fixed income portfolio has lagged behind RPI due to these conditions and trailed Morningstar comparators, partly reflecting the ESG framework and resulting differences in market exposure.

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- *As part of the discretionary management process the investment strategy has evolved over time, and the performance displayed duly incorporates these changes.*

Portfolio	Portfolio Return	RPI +% Comparator	Morningstar Peer Group Comparator	Market Composite Index Comparator
	Quarter	Quarter	Quarter	Quarter
ESG Tracker 0	1.6 %	0.2 %	1.6 %	0.7 %
ESG Tracker 10	1.9 %	0.3 %	1.6 %	1 %
ESG Tracker 20	2.1 %	0.3 %	1.6 %	1.3 %
ESG Tracker 30	2.4 %	0.4 %	2.2 %	1.6 %
ESG Tracker 40	2.6 %	0.4 %	2.2 %	1.8 %
ESG Tracker 50	2.9 %	0.4 %	2.8 %	2.1 %
ESG Tracker 60	3.1 %	0.5 %	2.8 %	2.4 %
ESG Tracker 70	3.3 %	0.5 %	3.5 %	2.7 %
ESG Tracker 80	3.5 %	0.6 %	3.5 %	2.9 %
ESG Tracker 90	3.7 %	0.6 %	3.8 %	3.2 %
ESG Tracker 100	3.9 %	0.7 %	3.8 %	3.5 %

Portfolio	Portfolio Return			RPI +% Comparator			Morningstar Peer Group Comparator			Market Composite Index Comparator		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
ESG Tracker 0	5.1 %	-2.5 %	15.2 %	3.3 %	31.7 %	42.3 %	5.8 %	0.3 %	25.4 %	4.5 %	-3.4 %	14.3 %
ESG Tracker 10	6.2 %	3.4 %	29.2 %	3.8 %	34.8 %	49.1 %	5.8 %	0.3 %	25.4 %	5.4 %	4.2 %	36.8 %
ESG Tracker 20	7.1 %	9.7 %	46.3 %	4.2 %	37.9 %	56.3 %	5.8 %	0.3 %	25.4 %	6.4 %	11.8 %	59.3 %
ESG Tracker 30	8.1 %	16 %	62 %	4.7 %	41.2 %	63.9 %	8.4 %	14.1 %	50.3 %	7.3 %	19.5 %	81.7 %
ESG Tracker 40	9 %	22.6 %	79.2 %	5.2 %	44.4 %	71.7 %	8.4 %	14.1 %	50.3 %	8.2 %	27.1 %	104.2 %
ESG Tracker 50	10 %	29.5 %	99 %	5.6 %	47.8 %	80 %	11 %	29 %	83.2 %	9.2 %	34.7 %	126.7 %
ESG Tracker 60	10.8 %	36.7 %	121.3 %	6.2 %	52.1 %	90.9 %	11 %	29 %	83.2 %	10.1 %	42.4 %	149.2 %
ESG Tracker 70	11.7 %	43.6 %	145.8 %	6.7 %	55.7 %	100 %	13.5 %	45.5 %	118.6 %	11 %	50 %	171.7 %
ESG Tracker 80	12.4 %	51.2 %	168.1 %	7.1 %	59.3 %	109.7 %	13.5 %	45.5 %	118.6 %	12 %	57.6 %	194.2 %
ESG Tracker 90	13.3 %	58.7 %	194 %	7.6 %	63 %	119.7 %	15.4 %	63 %	169.1 %	12.9 %	65.2 %	216.7 %
ESG Tracker 100	14 %	66.9 %	220.9 %	8.1 %	66.8 %	130.3 %	15.4 %	63 %	169.1 %	13.8 %	72.9 %	239.2 %

Portfolio Comparators: ESG Tracker 0 against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; ESG Tracker 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; ESG Tracker 20 against RPI and the Morningstar UK Cautious Target Allocation Index™; ESG Tracker 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; ESG Tracker 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; ESG Tracker 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; ESG Tracker 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; ESG Tracker 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; ESG Tracker 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; ESG Tracker 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and ESG Tracker 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite comparators are based on the Morningstar Global Markets GR and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

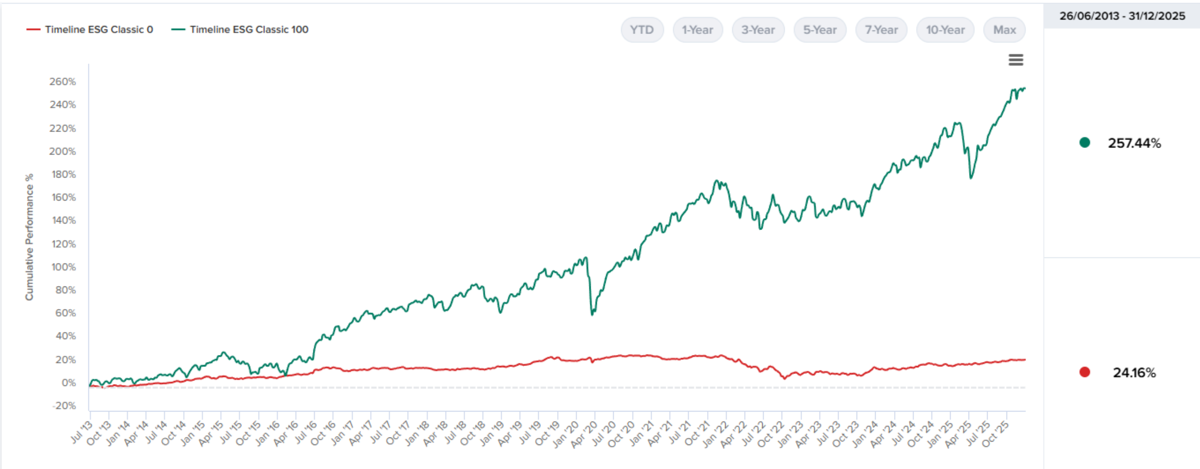
ESG Classic

Finally, we will touch on the ESG Classic range. Much like its non-ESG counterpart, the range aims to capture global market returns while also favouring equities either in emerging markets or those that fall within the small-cap, value and profitable segments of the market. The range also aims to favour securities with stronger ESG characteristics, while underweighting those that may not score as highly.

Both value and emerging market equities performed well over the year, supporting returns. The 100% equity portfolio returned 13.33% in 2025. This was a strong outcome within the core ranges and outperformed its non-ESG counterpart. Relative to external benchmarks, the range outpaced both RPI and its Morningstar peer group over this period.

During the final quarter of the year, the ESG Classic range delivered a solid return of 3.61%, outpacing both its peers and the RPI benchmark. As with its non-ESG counterpart, this was supported by strong general market returns and a particularly strong year for value stocks.

The fixed income portion of the ESG Classic range also held up well over the year, returning 4.27%. This sat just below its market comparator, reflecting the portfolio's ability to capture broader market performance. Over a 10-year period, lower-equity portfolios have been challenged by high inflation and elevated interest rates. The ESG Classic 0 sits below both comparators; however, we have discussed the key drivers of this in other range sections.



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Portfolio	Portfolio Return	RPI +% Comparator	Morningstar Peer Group Comparator	Market Composite Index Comparator
	Quarter	Quarter	Quarter	Quarter
ESG Classic 0	1.0 %	0.2 %	1.6 %	0.8 %
ESG Classic 10	1.3 %	0.3 %	1.6 %	1.1 %
ESG Classic 20	1.6 %	0.3 %	1.6 %	1.4 %
ESG Classic 30	1.9 %	0.4 %	2.2 %	1.6 %
ESG Classic 40	2.1 %	0.4 %	2.2 %	1.9 %
ESG Classic 50	2.4 %	0.4 %	2.8 %	2.2 %
ESG Classic 60	2.7 %	0.5 %	2.8 %	2.5 %
ESG Classic 70	2.9 %	0.5 %	3.5 %	2.8 %
ESG Classic 80	3.1 %	0.6 %	3.5 %	3.1 %
ESG Classic 90	3.4 %	0.6 %	3.8 %	3.4 %
ESG Classic 100	3.6 %	0.7 %	3.8 %	3.7 %

Portfolio	Portfolio Return			RPI +% Comparator			Morningstar Peer Group Comparator			Market Composite Index Comparator		
	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year	1 Year	5 Year	10 Year
ESG Classic 0	4.3 %	-2.7 %	14.9 %	3.3 %	31.7 %	42.3 %	5.8 %	0.3 %	25.4 %	4.5 %	-3.4 %	14.3 %
ESG Classic 10	5.3 %	2.4 %	27.9 %	3.8 %	34.8 %	49.1 %	5.8 %	0.3 %	25.4 %	5.5 %	3.3 %	34.3 %
ESG Classic 20	6.3 %	7.8 %	43.8 %	4.2 %	37.9 %	56.3 %	5.8 %	0.3 %	25.4 %	6.5 %	10 %	54.4 %
ESG Classic 30	7.2 %	13.1 %	58 %	4.7 %	41.2 %	63.9 %	8.4 %	14.1 %	50.3 %	7.5 %	16.7 %	74.5 %
ESG Classic 40	8.2 %	18.6 %	73.4 %	5.2 %	44.4 %	71.7 %	8.4 %	14.1 %	50.3 %	8.6 %	23.4 %	94.5 %
ESG Classic 50	9.1 %	24.1 %	90.7 %	5.6 %	47.8 %	80 %	11 %	29 %	83.2 %	9.6 %	30.1 %	114.6 %
ESG Classic 60	10 %	29.9 %	110.3 %	6.2 %	52.1 %	90.9 %	11 %	29 %	83.2 %	10.6 %	36.8 %	134.6 %
ESG Classic 70	10.9 %	35.8 %	132.4 %	6.7 %	55.7 %	100 %	13.5 %	45.5 %	118.6 %	11.6 %	43.6 %	154.7 %
ESG Classic 80	11.7 %	41.8 %	151.5 %	7.1 %	59.3 %	109.7 %	13.5 %	45.5 %	118.6 %	12.6 %	50.3 %	174.8 %
ESG Classic 90	12.5 %	47.9 %	174 %	7.6 %	63 %	119.7 %	15.4 %	63 %	169.1 %	13.6 %	57 %	194.8 %
ESG Classic 100	13.3 %	54.1 %	196.2 %	8.1 %	66.8 %	130.3 %	15.4 %	63 %	169.1 %	14.7 %	63.7 %	214.9 %

Portfolio Comparators: ESG Classic 0 against RPI -1.0% and the Morningstar UK Cautious Target Allocation Index™; ESG Classic 10 against RPI -0.5% and the Morningstar UK Cautious Target Allocation Index™; ESG Classic 20 against RPI and the Morningstar UK Cautious Target Allocation Index™; ESG Classic 30 against RPI +0.5% and the Morningstar UK Moderately Cautious Target Allocation Index™; ESG Classic 40 against RPI +1.0% and the Morningstar UK Moderately Cautious Target Allocation Index™; ESG Classic 50 against RPI +1.5% and the Morningstar UK Moderate Target Allocation Index™; ESG Classic 60 against RPI +2.0% and the Morningstar UK Moderate Target Allocation Index™; ESG Classic 70 against RPI +2.5% and the Morningstar UK Moderately Adventurous Target Allocation Index™; ESG Classic 80 against RPI +3.0% and the Morningstar UK Moderately Adventurous Target Allocation Index™; ESG Classic 90 against RPI +3.5% and the Morningstar UK Adventurous Target Allocation Index™; and ESG Classic 100 against RPI +4.0% and the Morningstar UK Adventurous Target Allocation Index™. Composite comparators are based on the Morningstar Global Markets GR, Global Value Target Market Exposure, Developed Markets Small Cap Target Market Exposure, Emerging Markets Target Market Exposure, and Morningstar Global Core Bond Indexes, with weightings adjusted to reflect the underlying asset allocation of each portfolio.

Reflections on the Year

From an investment-market perspective, each year when we provide this overview, there is a fear that we sound a little like a broken record. The pattern emerges that markets continuously evade their predicted path and throw a spanner or two into the works for good measure. 2025 was really no different. Despite the meandering path, markets continued to deliver a fantastic return for investors, highlighting once again that keeping calm and staying invested has historically been a strong course of action.

From our perspective, some key themes that emerged last year will likely transition into 2026 and form prominent drivers for markets as a result. Geopolitical tensions have been a strong undercurrent over the past couple of years, and 2026 may be no different. There is still ongoing conflict between Russia and Ukraine, and a precarious peace in Israel and Palestine, leading to concerns about long-term stability in the region. The US also released its National Security Strategy document in December, which sent a few shockwaves through Europe and may influence the outlook over the next year.

AI is at the forefront of everyone's minds at the moment, with many believing that we may be on the verge of a structural shift in society. Concerns surrounding artificial general intelligence, commonly referred to as AGI, are central and arise from both sides of the debate: firstly, whether it would ever be possible to truly create artificial general intelligence, and secondly, whether this is something that we as a species want to pursue at all. Progress in quantum computing also continues in leaps and bounds, driving forward the potential for discoveries and breakthroughs. Whether or not all of the lofty hopes for AI and computing are achieved, it is clear that these technologies are going to remain an important theme as we move forward.

Despite what the next year throws our way; we remind our readers to consider the evidence and historical data before reacting. Volatility is part and parcel of investing and is simply the price of admission for long-term returns in the markets. It is key that we don't let short-term movements drive investor behaviour. Having faith in well-structured and robust financial plans, alongside investing in well-diversified and well-crafted investment strategies, is an important part of navigating what the next year might bring.

As a final sign-off from the whole team at Thanks Wealth Planning, we would like to say thank you to each reader who has supported us for another fantastic year. We truly wouldn't be where we are today without the support and trust of clients and contacts like yourselves. At Thanks Wealth Planning, we want to help as many people as possible to plan, invest and retire with confidence and support them on their way towards greater financial freedom.

May 2026 be the best year yet, filled with success, happiness and growth.

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