



Wealth
Management



Eden Park

Q2 2025 quarterly report



Overview

- Volatile start, strong rebound in global equities
- Tech and growth stocks led performance
- Regional divergence in equity market strength

Macroeconomic landscape



The second quarter of 2025 has been a story of volatility, recovery and renewed optimism across global markets. After a strong start to the year, April brought a sharp correction, driven largely by the surprise implementation of new global trade tariffs and Trump's self-declared 'Liberation Day'. Equity markets pulled back significantly, with the S&P 500 dropping nearly 19% by mid-April, briefly testing bear market territory. The announcement of a 90-day pause in new tariff actions, along with stabilising economic data and more measured rhetoric, helped equities rebound meaningfully through May and June. By mid-May, the S&P 500 had returned to positive territory for the year, restoring confidence for investors.



The standout performance came from large-cap US technology names. The Magnificent Seven delivered an impressive +21.5% return in Q2, marking a powerful rebound from April's lows and reasserting itself after this relief rally. Global growth equities also rallied strongly, with the MSCI World Growth index up +17.7%, significantly outperforming the +5.4% gain in the MSCI World Value index. US equities led developed markets, with the MSCI USA index gaining +11.3%, driven by strong earnings in the tech and consumer sectors. The MSCI World index rose +11.5%, reflecting wider global participation.



In Asia, MSCI Asia ex Japan advanced +8.5%, supported by strength in South Korea and India. Japan delivered gains of +7.6%, weighed down slightly by yen weakness and softer domestic activity, though we continue to believe that the improved corporate activity will benefit Japanese equities over the long term. Chinese equities were softer, rising +2.6%, as concerns linger over growth momentum. Emerging markets continued to benefit from a more favourable macro backdrop, with MSCI EM returning +7.9%, supported by commodity-linked economies and a softer US dollar.



European equities saw more muted returns following a strong first quarter. MSCI Europe ex UK rose +3.1% and MSCI UK gained +2.4%, held back by slower growth data and political noise. The US dollar softened slightly against a basket of major currencies, offering a tailwind to non-US equity markets and emerging economies. The Japanese yen remained under pressure, testing multi-year lows, which provided some support to Japanese exporters despite weighing on domestic sentiment.



Overall, Q2 has reinforced the importance of remaining globally diversified. While geopolitical risk and policy uncertainty persist, the breadth of this quarter's recovery across regions and asset classes is a positive sign for investors heading into the second half of the year.



For a more detailed summary of the Q2 investment landscape, including insights from LGT's CIO Sanjay Rijhsinghani and other key team members, [click here](#).



Reindustrialisation: Building a more efficient manufacturing sector

Written by Ben Palmer, Team Head, Sustainable Portfolios

As the global landscape becomes more fractured, governments and companies are rethinking supply chain and manufacturing footprints. Reindustrialisation refers to the strategic reconfiguration of global supply chains and manufacturing capacity, mainly to bring production closer to domestic markets. The focus on reindustrialisation has gained momentum over recent years for several reasons, including the rise of geo-political tensions and the frailties exposed during the COVID-19 pandemic. This year the impact of President Trump's trade and foreign policy agenda has added further impetus to the debate.

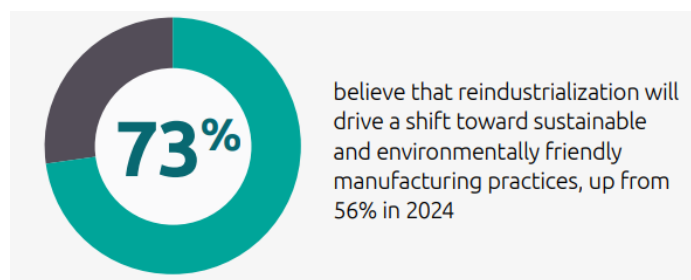
Whilst much has been written about the potential negative impacts of Trump's policies on the global economy, the prospect of reindustrialisation provides some interesting opportunities for areas of the sustainable investment universe. By bringing manufacturing closer to home, companies can address vulnerabilities exposed by recent global disruption while modernising operations, adopting more sustainable practices and leveraging better technologies to improve efficiency. With businesses across Europe and the US prepared to invest approximately \$4.7 trillion towards reindustrialisation over the next three years[1], the shift presents a significant opportunity for companies that can increase efficiencies, decrease waste and lower costs for manufacturing companies.

Cumulative investments in reindustrialization over the preceding three years		Cumulative investments in reindustrialization over the next three years	
2024	\$2.9 trillion	2024	\$3.4 trillion
2025	\$3.1 trillion	2025	\$4.7 trillion

Source: Capgemini, Reindustrialisation strategies in Europe and the US – 2025

The opportunity

While tariffs create uncertainty and introduce higher costs for international trade, in a recent study of over 1400 global executives, nearly three-quarters of organisations believe that reindustrialisation will drive a shift towards sustainable and environmentally friendly manufacturing practices.[2]



Source: Capgemini, Reindustrialisation strategies in Europe and the US – 2025

A key part of this is the growing investment in infrastructure. In the context of clean energy, German renewable company Developer PNE plans to construct a 1 GW green hydrogen project in Spain with an estimated cost of €3 billion.[3] In the US, Schneider Electric, a French electrical equipment company, announced its largest capital expenditure commitment this year with plans to invest \$700 million in US energy infrastructure and automation.[4] These investments not only strengthen domestic manufacturing and enhance energy security - they also accelerate the expansion of renewable energy infrastructure and hasten both regions' transitions to low carbon economies.

Relocating also presents an opportunity to upgrade to more efficient processes. Regional manufacturing hubs reduce transportation distances, which in turn lowers travel-related emissions. New manufacturing facilities can replace outdated infrastructure and align operations with a company's sustainability goals. Digitally enabled factories can improve operational efficiencies and reduce waste. New factories built with green technologies, such as solar panels and water filtration systems, can reduce environmental impact. The dual benefits of improving the sustainable footprint whilst reducing financial costs provides strong tailwinds for companies enabling the re-industrialisation trend. As an executive from EnerSys, a US battery manufacturing company, noted, "this makes reindustrialisation not just an economic decision, but a chance to align with climate goals and improve long-term efficiency".

[1] Reindustrialisation strategies in Europe and the US 2025, Capgemini <https://www.capgemini.com/wp-content/uploads/2025/03/Final-Web-Version-Report-Reindustrialization-Edition-2.pdf>

[2] Reindustrialisation strategies in Europe and the US 2025, Capgemini <https://www.capgemini.com/wp-content/uploads/2025/03/Final-Web-Version-Report-Reindustrialization-Edition-2.pdf>

[3] German Developer announces plan to build 1GW green hydrogen project in Spain at a cost of €3bn, Hydrogen Insight: https://www.hydrogeninsight.com/production/german-developer-announces-plan-to-build-1gw-green-hydrogen-project-in-spain-at-a-cost-of-3bn/2-1-1639096?zephrr_sso_ott=Qxa8BS

[4] Schneider Electric plans to invest over \$700 million in the US., supporting energy & AI sectors and job growth, Schneider Electric <https://www.se.com/us/en/about-us/newsroom/news/press-releases/schneider-electric-plans-to-invest-over-700-million-in-the-u-s-supporting-energy-ai-sectors-and-job-growth-67bdeb3ee4475a5955011b6a>

Q2 2025 Sustainable MPS performance

Model portfolio performance as at 30 June 2025

Portfolio	3 months	6 months	1 year	3 years	Since inception
EPIM Sustainable Defensive	2.09	2.51	5.01	13.07	23.99
EPIM Sustainable Cautious	2.79	2.16	4.72	16.39	32.01
EPIM Sustainable Balanced	3.39	1.51	3.93	19.05	42.41
EPIM Sustainable Growth	4.07	0.94	3.21	20.95	51.41
EPIM Sustainable Adventurous	4.47	0.46	2.46	21.74	54.87

12-month rolling performance

Portfolio	01/04/2020-31/03/2021	01/04/2021-31/03/2022	01/04/2022-31/03/2023	01/04/2023-31/03/2024	01/04/2024-31/03/2025
EPIM Sustainable Defensive	6.74	-6.70	0.58	7.06	5.01
EPIM Sustainable Cautious	11.19	-8.21	2.77	8.14	4.72
EPIM Sustainable Balanced	17.60	-9.64	5.20	8.89	3.93
EPIM Sustainable Growth	22.18	-12.02	6.92	9.61	3.21
EPIM Sustainable Adventurous	24.82	-13.33	8.43	9.58	2.46

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

Performance of all LGT WM funds in Q2 2025

Liontrust Sustainable Futures
UK Growth
+8.94%

Janus
Henderson
Global
Sustainable
Equity
+8.65%

HC Cadira
Sustainable
Japan Equity
+8.2%

Liontrust
Sustainable
Futures
Europe
+7.66%

Stewart APAC
Leaders
-0.33%

Source: Morningstar





Sustainable MPS Q2 2025 performance update

Written by Kevin Le, Associate Portfolio Manager

The second quarter of the year provided significant volatility and a strong recovery, driven by proposed new trade tariffs and geopolitical uncertainty. Equity markets experienced a sharp decline in April but recovered quickly with the S&P 500 returning to positive territory by mid-May. As markets recovered, the rebound was driven by US mega cap names and global growth equities.

For the sustainable portfolios, our fixed income allocation has delivered positive returns with the majority of our corporate funds outperforming the Bloomberg Global Aggregate index this quarter. On the equity side, while equities performed well, they slightly lagged the MSCI ACWI index overall. However, through the quarter it was pleasing to see that the active selection and quality resilient characteristics helped protect during the downturn through April. In addition, recent dollar weakness over the quarter has been challenging for sterling-based investors exposed to US dollar denominated investments. Our regional allocations outside of the US therefore tended to perform strongly, outperforming the US dominated global market.

Liontrust Sustainable Futures UK Growth (+8.94%) was our top performer for the quarter. UK equities had performed well over the period which had been the main tailwind for the fund. More specifically, the fund's exposure to growth and cyclical sectors such as Technology and Financials were the largest contributors to positive performance.

Janus Henderson Global Sustainable Equity (+8.65%) also performed well over the quarter, driven predominately by the fund's Technology exposure, a sector that has driven the market recovery from the April lows. The fund's exposure to Magnificent 7 names such as Microsoft and Nvidia rebounded significantly as trade tensions eased and US earnings remained robust.

HC Cadira Sustainable Japan Equity (+8.2%) performed strongly, supported by positive sentiment for the region. Corporate governance reforms and recent wage rises have been attributes to stronger corporate earnings for Japan relative to other developed markets. In particular, the fund's exposure to higher growth Japanese names such as Tokyo Electron, an electronics and semiconductor company, have contributed to positive performance for the period.

Liontrust Sustainable Futures Europe (+7.66%) performed well driven by the fund's exposure to European Technology. Holdings such as ASML, a supplier of photolithography systems for the semiconductor industry, and Spotify, an audio streaming and media service provider, were among the most significant contributors to performance.

Stewart APAC Leaders (-0.33%) struggled to perform over the quarter. While the fund's quality bias has provided some protection during volatile periods, its holdings in more defensive names has meant the fund has lagged in an otherwise rising Asian market.



Portfolio changes and rationale

Mirova Euro Short Term Sustainable Bond

The Mirova Euro Short Term Sustainable bond fund is an Article 9 SFDR fund focused on eligible green and sustainable bonds that contribute to the low carbon transition. The fund emphasizes high quality, shorter duration and a rigorous sustainability process. Given European credit spreads remain tight and the fund offers the same geographical characteristics but at a lower duration to the Threadneedle Euro social bond fund, the committee decided to reallocate capital from Threadneedle into the Mirova Euro Short Term sustainable bond fund for Defensive and Cautious.

Adjusting Asia exposure

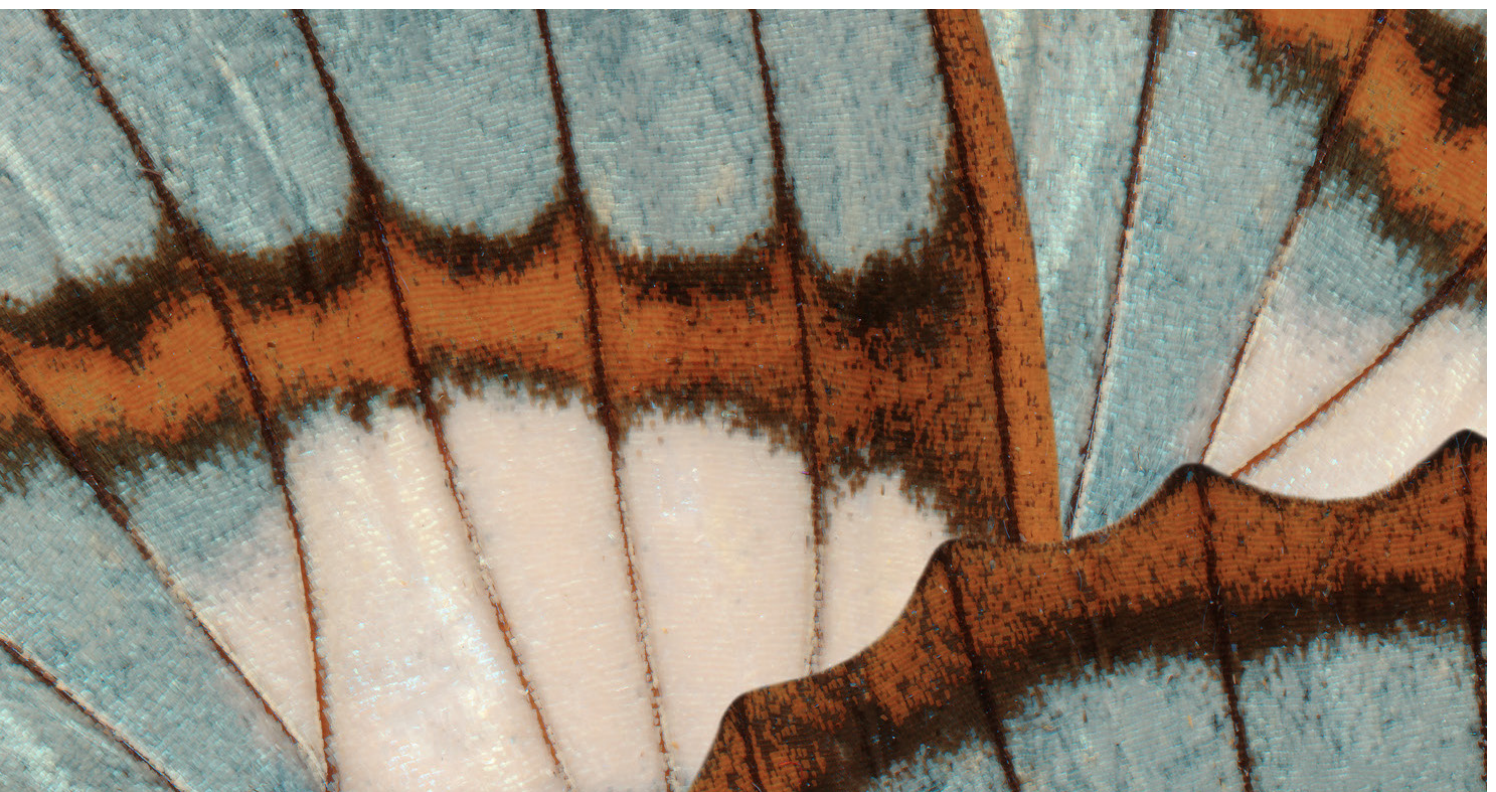
The committee reviewed Stewart Asia Pacific Leaders and while the fund's quality bias has provided some protection during volatile periods, its holdings in more defensive names has meant the fund has lagged in an otherwise rising Asian market.

As a result, the committee decided to reallocate from Stewart Asia Pacific Leaders to the HC Cadira Sustainable Japan fund. Japan has continued to remain attractive over the medium and long term due to efforts by the Tokyo Stock Exchange to boost corporate efficiency and the regions relatively lower valuations.

Mirova US Sustainable Equity

Recently the Mirova US Sustainable Equity fund has been available to access for the sustainable portfolio range. The fund is a large cap US equity strategy with a quality bias coupled with a strong sustainability approach. The fund's high conviction and disciplined approach makes the fund a strong complement to the portfolio's existing US holdings.

The committee therefore, decided to split our US allocation between Alliance Bernstein and Mirova US Sustainable Equity. In the Balanced, Growth and Adventurous portfolios, the Liontrust Sustainable Futures Global Growth fund was sold and reallocated equally to both US funds. The Liontrust fund has significant exposure to the US (above 70%) but also to more mid-cap names which has seen earnings growth lag against larger peers. Tariff uncertainty has also shown early signs of having a tangible impact on the domestic economy, reducing the attractiveness for mid-cap names.



Glossary

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



Cover image Bauer brothers, Hortus Botanicus, detail from "Lilium," 1776/1804
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