



Wealth  
Management



# Eden Park

Q4 2025 quarterly report



## Overview

- US and Europe remained strong, led by technology, AI and fiscal support
- Asia was mixed, with gains in Japan and India offset by weaker sentiment in China
- Diversification and quality businesses remain key as market leadership broadens

# Macroeconomic landscape



The final quarter of 2025 saw US equities continue their strong run, driven largely by technology and AI-related sectors. The S&P 500 and Nasdaq reached new highs on the back of strong corporate earnings and ongoing investment in AI and automation. Consumer spending stayed resilient and markets anticipated potential Federal Reserve rate cuts in 2026, which would be supportive of equity markets. That said, high valuations prompted some investors to rotate from mega-cap technology into more cyclical and value sectors.



European equities also delivered strong returns. Fiscal stimulus, defence and infrastructure spending supported earnings growth, while the FTSE 100 had one of its best years since 2009. It crossed the 10,000 level late in the year as sentiment improved and overseas investors returned to the UK market. Continental Europe benefited from cheaper valuations than the US and targeted policy support, although growth remained uneven across the region. The European Central Bank kept policy relatively steady while balancing inflation and growth risks.



Asian markets were mixed. Japan gained from corporate reform, shareholder-friendly policies and stable momentum. India continued to stand out due to strong domestic growth and structural investment. China, however, lagged. Although some large technology and AI-linked firms performed well, broader sentiment was held back by weaker earnings trends and ongoing regulatory and geopolitical concerns, which increased market dispersion across the region, reinforcing the importance of being active and selective.



Heading into the first quarter of 2026, earnings growth, innovation and supportive fiscal policy remain key themes. Expected US rate cuts may provide further equity support, although valuations remain important to watch. Europe could benefit from sustained infrastructure spending, while Asia continues to play a central role in global growth, particularly in technology and domestic consumption. Bond markets may experience volatility as central banks adjust policy to inflation and debt dynamics, presenting selective opportunities. Against this backdrop, diversification remains essential, given ongoing geopolitical and economic uncertainty.



For a more detailed summary of the Q4 investment landscape, including insights from LGT's CIO Sanjay Rijhsinghani and other key team members, [click here](#).



# AI transformation of healthcare

Written by Ben Palmer, Team Head, Sustainable Portfolios

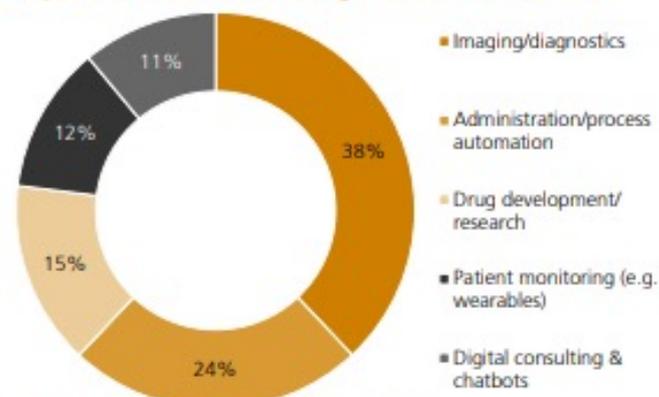
The potential impact of Artificial intelligence (AI) has dominated investor debates for the last two years. Whilst this will continue in 2026 healthcare is one sector where considerable progress has already been achieved. We have seen major breakthroughs in diagnostics and process efficiency, yet its full potential is only beginning to unfold.

The link between AI and medicine is longstanding. The functioning of human synapses inspired artificial neural networks, and as early as the 1970s an early Stanford AI programme already supported diagnosis of bacterial infections and choosing suitable antibiotics. Over recent years AI applications in healthcare have expanded rapidly and are now transforming many aspects of medical practice.

Today, the largest AI market segment in healthcare is diagnostics and clinical decision support. Modern AI systems can analyse X ray and MRI scans and detect difficult to see tumours or abnormalities with increasing speed and accuracy. In patient monitoring, algorithms continuously evaluate data from wearables to promptly identify irregularities such as cardiac arrhythmias. AI tools also support therapy selection by systematically analysing large volumes of patient data and scientific studies, enabling more personalised treatment recommendations. The second largest segment reflects early applications we have seen across the economy regarding administrative process automation. Virtual assistants help with workflows; organising appointments and answering basic questions.

Drug development is often regarded as the “Holy Grail” of AI in healthcare. It is already extensively used from drug design, clinical trial optimisation, and analysis trial results. Compared with traditional approaches, it promises faster development, lower R&D costs and better side effect prediction. Estimates suggest potential total cost savings of up to 30%. Nonetheless, no drug has yet been developed entirely by AI from initial concept to regulatory approval. There are still significant obstacles with the AI model capabilities. Like many other areas of the economy regulators and law makers are also grappling with the balance between harnessing the transformational potential and guarding against potential negative consequences. AI therefore complements and accelerates traditional drug development but cannot yet replace it.

Graph 1: AI healthcare sector – segmentation/market shares

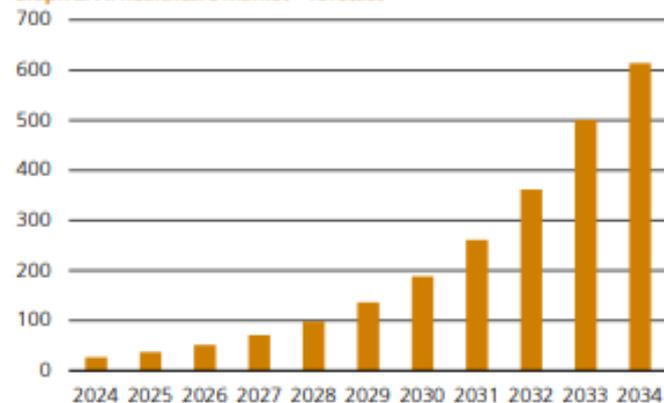


Source: Grand View Research, MarketsandMarkets, LGT

Market forecasts reflect the strong momentum that exists within healthcare related AI. Precedence Research estimate that the market could increase from around USD 27 billion in 2024 to over USD 600 billion in 2034. This implies annual growth of around 37% over the period, with some studies forecasting even higher values.

We acknowledge the potential risks, and support a responsible and considered approach to integrating AI into healthcare. However, the potential is vast and over the coming years we could see transformational improvements in global healthcare provision, whilst reducing costs. We believe AI represents a new and exciting structural driver behind our ‘health and wellbeing’ investment pillar. This is particularly interesting given the relative underperformance of the sector through 2025 has created compelling valuations in high quality companies that are well placed to benefit from these forces. The first wave of AI enthusiasm has focussed on the infrastructure ‘hyperscalers’, the next wave will likely focus on who is harnessing its potential. If that is the case healthcare is a great place to look.

Graph 2: AI healthcare market – forecast



Source: Precedence Research, LGT

# Q4 2025 Sustainable MPS performance

Model portfolio performance as at 31 December 2025

| Portfolio                    | 3 months | 6 months | 1 year | 3 years | Since inception |
|------------------------------|----------|----------|--------|---------|-----------------|
| EPIM Sustainable Defensive   | 1.67     | 3.86     | 6.46   | 18.76   | 28.77           |
| EPIM Sustainable Cautious    | 1.88     | 4.89     | 7.15   | 21.80   | 38.46           |
| EPIM Sustainable Balanced    | 2.00     | 5.86     | 7.46   | 23.78   | 50.75           |
| EPIM Sustainable Growth      | 2.33     | 7.12     | 8.12   | 26.25   | 62.19           |
| EPIM Sustainable Adventurous | 2.49     | 8.36     | 8.86   | 27.68   | 67.83           |

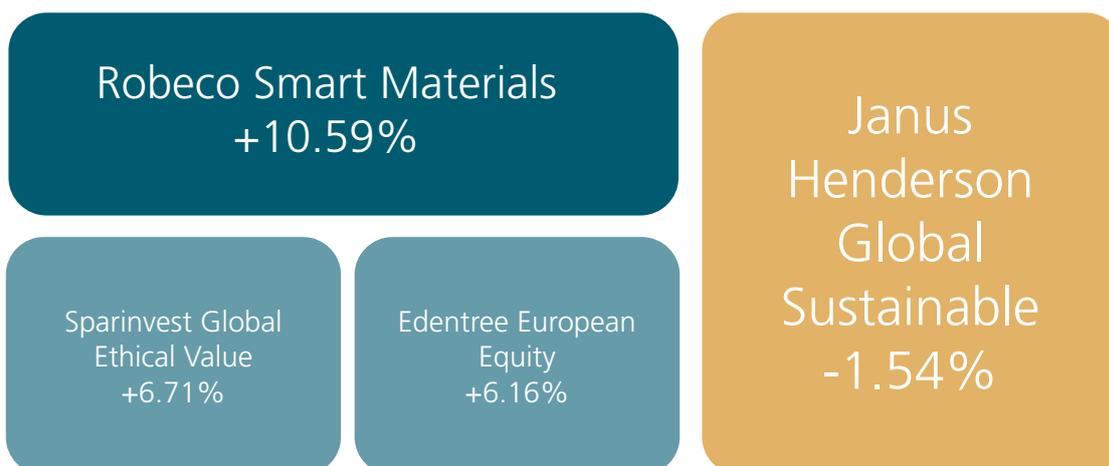
## 12-month rolling performance

| Portfolio                    | 01/01/2021 - 31/12/2021 | 01/01/2022 - 31/12/2022 | 01/01/2023 - 31/12/2023 | 01/01/2024 - 31/12/2024 | 01/01/2025 - 31/12/2025 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| EPIM Sustainable Defensive   | 5.33                    | -10.82                  | 6.51                    | 4.73                    | 6.46                    |
| EPIM Sustainable Cautious    | 8.22                    | -12.15                  | 7.41                    | 5.83                    | 7.15                    |
| EPIM Sustainable Balanced    | 11.95                   | -13.34                  | 8.00                    | 6.66                    | 7.46                    |
| EPIM Sustainable Growth      | 14.15                   | -15.65                  | 8.75                    | 7.37                    | 8.12                    |
| EPIM Sustainable Adventurous | 15.59                   | -16.73                  | 8.82                    | 7.78                    | 8.86                    |

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.

Source: Morningstar

## Performance of all LGT WM funds in Q4 2025



Source: Morningstar



## Sustainable MPS Q4 2025 performance update

Written by Ben Richards, Trainee Analyst

Global equities ended the fourth quarter on a broadly constructive but increasingly differentiated note. October extended the rally as strong corporate earnings and an improvement in US China trade sentiment helped markets recover from early tariff related volatility, with technology again leading and Japan outperforming on renewed policy optimism. In November, returns were more muted as shifting expectations for US rate cuts and renewed scrutiny of elevated technology valuations drove sharper day to day swings, leaving major US indices broadly unchanged whilst investors reassessed the balance between growth, profitability and policy support. By December, the market narrative shifted further toward diversification as stretched valuations in parts of US technology encouraged a broader mix of regional and sector leadership, with Europe and the UK benefiting from relatively cheaper valuations and improved sentiment, aided by currency effects for sterling-based investors.

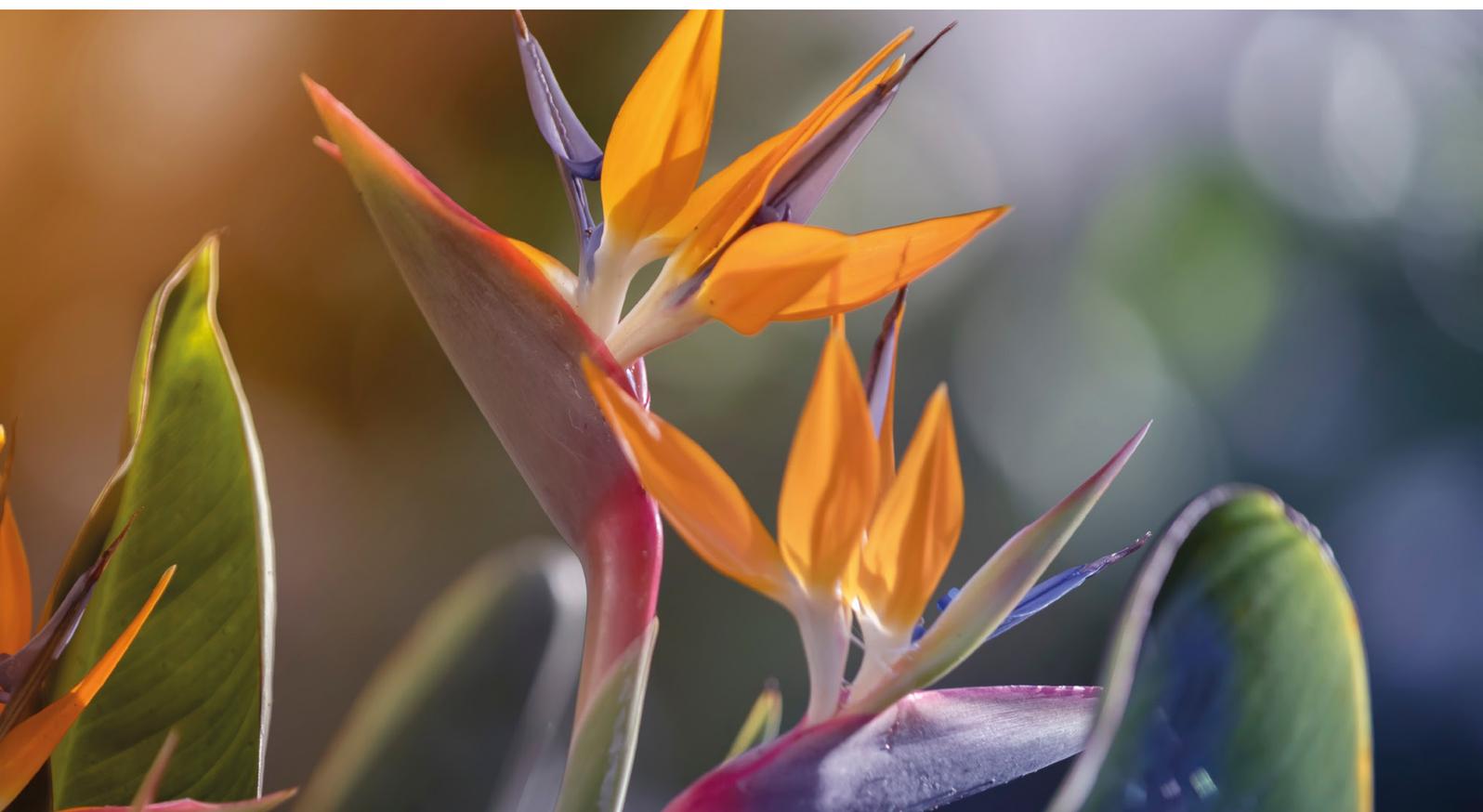
Within the quarter, the sustainable portfolios have delivered material positive returns. Emerging markets continued their rally from the previous quarter and increasingly rewarded our overweight position. Likewise, to the previous quarter, our satellite exposure to **Robeco Smart Materials** (held in higher risk portfolios) continued to perform well being supported by positive cyclical tailwinds. Our global value orientated strategies which are held across portfolios also finished the year well, capping off a strong 2025 generating above market returns. On the fixed income side, our exposure to the **Vanguard UK Long Duration Gilts** fund delivered strong performance driven by gains in October due to a decline in yields as the market eased its concerns over government debt.

The **Robeco Smart Materials** fund (+10.59%) was the best performer across our Growth and Adventurous portfolios. The fund targets advanced materials and smart manufacturing that improve resource efficiency through scalable, clean, and energy-efficient solutions. Similar to Q3, the fund's cyclical growth bias, alongside its exposure to the commodities rally, helped generate its portfolio-leading returns in the final quarter of the year.

The **Sparinvest Global Ethical Value** fund (+6.71%), held across all portfolios was the second-best performer over the quarter. The fund, which has a high allocation to US equities and focuses on value-oriented areas of the market, benefited from the broadening of the market and the shift in focus away from the Mag 7.

The **Edentree European Equity** fund (+6.16%), held in Balanced and above was the third-best performer within the quarter and demonstrated our conviction in rotating out of the **Liontrust Sustainable Future European Growth** fund in the previous quarter. The fund's exposure to value mid-cap firms has performed well and was well placed for the latest market rotations.

The **Janus Henderson Global Sustainable** fund (-1.54%) was the worst performer across the portfolios and was primarily impacted by its drawdown in November, which was led by the fund's exposure to US technology firms. The fund's preference for growth companies, whilst beneficial in previous quarters, has been hampered by its exposure to the quality factor which has underperformed.



# Portfolio changes and rationale

## No changes

Upon reviewing the current market economic backdrop and performance for the quarter, the investment committee felt that our existing asset allocation remained structurally intact. Our continued emphasis on diversification and investing in high-quality companies provides protection against market volatility and we expect they will continue to do so.



# 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 <b>'fixed income'</b> 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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