



# Sustainable Opportunities Balanced Fund

## Quarterly Update - Q4 2025

January 2026 - for existing investors only

### Sustainable Opportunities Balanced Fund (B-Share) - Q4 2025 - overview

- Over the fourth quarter of 2025, the Fund's return was +3.31% inline with the IA Mixed Investment 40%-85% Sector.
- Strong quarter driven by European and Japanese Equities as well as a market reset around the Health & Well-Being theme.
- Since launch (1st March 2010), the Fund has returned +198.45%, significantly outperforming the IA Mixed Investment 40%-85% Sector, which returned +167.13% over the same period.

Fund performance (to 31 December 2025)	3 Months %	1 Year %	Since Launch %
Sustainable Opportunities Balanced Fund - B Acc	3.31	10.25	198.45
IA Mixed Investment 40-85% Share Sector	3.31	11.58	167.13

Launch Date 01/03/2010. B Accumulation share class performance, inclusive of charges, in GBP with net income reinvested. The performance of other share classes may differ. The share price performance data uses an extended track record based on the Climate Assets Balanced A-Acc (donor share) up until 24 June 2012.

Source: FE fundinfo 31/12/2025. Past performance is not a guide to future performance and future returns are not guaranteed.

### Market review

Global markets delivered a third consecutive year of double-digit gains, with the MSCI All Country World Index returning 14.4%, driven by information technology, financials, and industrials.

After months of speculation the Autumn Budget had an almost anti-climactic feel, with many measures not set to kick-in for several years, in some cases after the next election. The lion's share of the £26bn additional taxes will go towards raising Chancellor Rachel Reeves' fiscal headroom to £22bn, more than twice the buffer given in 2024. Disappointingly, the Budget will not provide any boost to growth, according to the Office of Budget Responsibility.

A combination of slowing growth, rising unemployment and cooling inflation led Bank of England policymakers to cut interest rates in December, taking the base rate to 3.75%. This was the sixth cut (by 0.25% each time) since August 2024, although stubbornly high inflation has prevented an even faster pace of cuts. Rate cuts and falling inflation have supported bonds in recent months and underpinned a solid year of returns for this asset class, with lower volatility than equities.

Large-scale government spending plans on defence and infrastructure provided a major tailwind for European stocks, while US equities faced a headwind of increased trade tariffs following Donald Trump's "liberation day" announcement in early April. Although Trump's apparent strategy of escalate-to-de-escalate has seen levies reduced from their most punitive levels, they remain elevated. The weighted applied tariff rate on all US imports has risen to 15.8%, according to the Tax Foundation, compared to a 2.5% effective tariff rate in 2024. Despite the longest US government shutdown on record, the US was the fastest-growing G7 economy in 2025, according to the International Monetary Fund, with solid equities returns.

With growth and earnings outlooks positive the backdrop appears favourable for stocks, particularly in Europe and Emerging Markets. Fixed income continues to offer attractive yields but risks around inflation and the sustainability of government debt levels remain. Credit spreads remain very tight but with some justification given the current benign economic backdrop.

## Fund manager comment

During the quarter, the Sustainable Opportunities Balanced Fund returned +3.31%, in line with the peer group, the IA Mixed Investment 40%-85% Sector. The Fund also ended the year with a strong return of +10.25%.

Financial markets provided strong returns in 2025, despite an array of negative headlines. The volatility in early April following the US tariff announcement shows the importance of maintaining a disciplined, long-term approach. Stocks fell more than 10% in a matter of days before bouncing strongly to recoup the losses and reach new highs just a few weeks later. Following a significant rally, US technology valuations have become increasingly elevated, and we believe risks are now more evenly balanced than in previous years. We continue to see AI as a transformative technology with considerable growth potential over the long term. However, the outlook is far from certain underpinning the need to have selective exposure to AI and semiconductors rather than a broad allocation. As such, the Fund only holds three of the Magnificent Seven: **Apple**, **Microsoft** and **Nvidia**.

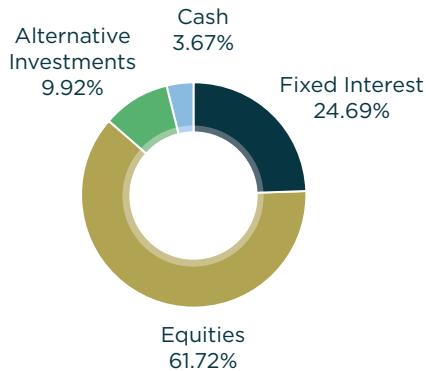
Healthcare and med tech companies delivered strong Q3 results and saw a meaningful rebound during the period, as investors shifted capital away from tech into more defensive sectors like healthcare and energy. Thus, a key driver of returns during the quarter was the allocation to Health & Well-Being stocks, like **Thermo Fisher**, **Danaher** and **Novartis**. Thermo raised full year guidance, supported by improving demand in pharma/ biotech and new launches of next generation diagnostics products late in the year. Danaher reported strong revenue ahead of analysts' estimates, with strength in life science and biotechnology, supported by operational efficiencies. Novartis' fourth quarter results significantly outperformed analysts' estimates, and encouraging news on pipeline and new approved therapies boosted investors' confidence.

During the period, American semiconductor company **Advanced Micro Devices** (AMD) was the largest contributor to returns, after Thermo Fisher. AMD was a clear beneficiary of a transformative year in AI, with a strong demand for high performance computing solutions, processors and graphics cards. The company reported exceptional growth in datacentre and the PC segment and guided ahead of analysts' estimates.

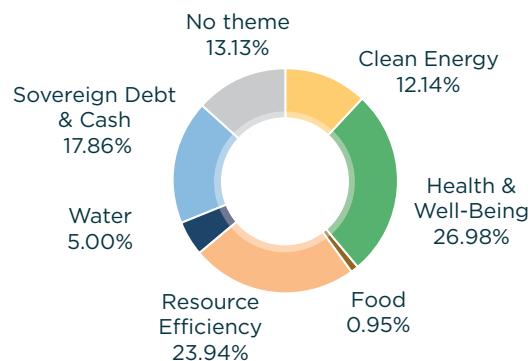
After a strong performance among semis, we locked in profits by reducing the holdings in **AMD**, **TSMC** and **Nvidia**. We initiated a new position in **Broadcom**, a market leader across AI chips, AI networking and infrastructure software. We like that Broadcom's networking business is a vital component of AI infrastructure underpinned by strong partnerships with major hyperscalers.

**References to specific securities are not recommendations to buy or sell those securities.**

### Asset allocation



### Investment themes



## Outlook

Looking ahead, we believe the outlook is normalising, although several risks remain which could lead to lower growth and potentially higher inflation. The chances of a recession are lower than six months ago, so we favour being invested as opposed to having cash.

Despite Trump's anti-renewables policy and rhetoric, the International Energy Agency estimates 2025 investment in clean energy was double that of fossil fuels, totalling c.\$2.2trillion. Sustainable investment themes, such as energy transition and efficiency, are back on the centre stage as the drive towards artificial intelligence continues. Companies in the industrials, utilities, and infrastructure sectors are emerging as beneficiaries of this digital transformation and diversifiers beyond the Magnificent Seven.

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**Approver: Quilter Cheviot Limited, 08 January 2026.**