Q4 2025

ASTUTE INVESTMENT MANAGEMENT

Quarterly Commentary.

www.astuteprivatewealth.co.uk

Introduction.

Thank you for taking the time to read our Q4 commentary. 2025 marked another year of strong returns for the portfolios. While the AI boom and resilient global growth provided a strong foundation for optimism, elevated valuations and shifting sentiment have led us to incrementally reduce risk and prioritize diversification. As we move into 2026, we remain focused on our long-term objectives, reacting to change as it happens, but always with a view to achieving the goals that really matter to our investors and their financial plans.

Our CIO letter this quarter focuses on “cognitive dissonance”. A unique dynamic between robust market returns and rising geopolitical economic fragility that investors are trying to navigate while scratching their heads. Will it be the “soft” or “hard” data that ultimately reigns supreme for financial choices in the future...

In our Astute Observations section, we explore the effect of currency fluctuations on investment returns, and whether consumers and businesses are really as pessimistic as the headlines suggests.

Our regular Astute Perspective shows our current conviction views, while Astute Positioning covers how those views translate into the portfolios, and what changes we have made in the past three months.

Putting the financial plan at the heart of our process means our investment philosophy is built intentionally to deliver on your long-term objectives, providing a truly integrated approach between advice and investments.

As always, we take a long-term approach to investing our clients’ assets, but success is a journey, not a destination, and the short-term views expressed herein are aimed at managing risk and making your investment journey as smooth as possible. By taking a risk-adjusted approach to your investments, we aim to deliver reliable growth in line with our stated risk profiles and provide you and your financial planner with the consistency and security to plan for your long-term financial future.

Thank you for your continued support. If you have any further questions or require any additional information, please do not hesitate to contact your usual financial planner.

Scott Osborne
Chief Investment Officer

Hannah Kennedy
Head of Group Communications

Nathan Chan
Senior Investment Analyst

Cordelia French
Junior Investment Analyst

Uncomfortable Equilibrium

Happy New Year to all our investors. Global markets in 2025 proved to be even more hectic than predicted. While conventional risks—like slowing growth, sticky inflation, and the path of interest rates—remained key to decision-making, the greatest uncertainties were once again 'Made in America.' Innovation and investment in Artificial Intelligence, including China's leap forward, have dominated stock markets, while tectonic shifts in global geopolitics caused varying degrees of upheaval, from tremors to earthquakes.

Despite all the commotion, the VT Astute funds, and markets more broadly, had another exceptional year. Our Conservative, Balanced, and Growth funds delivered 8.1%, 9.7%, and 11.5% respectively, comfortably outperforming their benchmarks. In a year where most other equity markets outperformed the US, bond markets rallied, and the US Dollar fell (see Astute Observations), there shouldn't be much to get upset about. So, why does it feel wrong that markets did so well?

I'm clearly not unique in feeling this conflict between my broad perception of the outlook (deteriorating) and the narrow perception of possible returns (reasonably good). Company CEOs are pessimistic about the global economy but positive on the outlook for their own companies. The much-discussed bubble in AI stocks has almost been accepted in tech circles; it's just that everybody thinks it's the 'other guy's' company that will come off worse. Even in consumer surveys, we see a general malaise about the economy despite household incomes actually improving in relative terms.

This cognitive dissonance is central to our views for the year ahead. The fear of missing out is currently greater than the fear of losing out. The music is still playing, but the dancers are getting tired and glancing at their watches. This balance is fragile, but while the fundamentals remain good, we think this uncomfortable equilibrium remains. Global growth continues to be robust; even the UK grew at close to its capacity last year. Shifting spending priorities in Europe, a larger contribution from Germany specifically, and defense spending generally should help. Emerging market growth is slowing, but only to a pace that is double that of the developed world. In the US, the AI spending boom and a robust consumer—at least at the top end of the income spectrum—have supported growth through an otherwise challenging environment. There really are many reasons to be positive, and no concrete reason why I shouldn't be able to write that sentence again in January 2027.

But, if something does emerge—if a theoretical risk becomes concrete—we see a fragility in sentiment which will create volatility throughout the year. In 2024, we outperformed based on our cautiously optimistic views. This year, we found ourselves becoming relatively more pessimistic than the market in general without shifting our own views too much. To reflect that shift, we have incrementally decreased overall risk-taking into market strength and looked to add diversification where possible throughout the year.

These moves are prudent given the opportunity set before us. One of the few consistent truths in investing is that buying at elevated valuations results in lower long-term returns. The problem with applying this lesson in practice is that you need a long-term time horizon to see the impact clearly.

I genuinely believe this is the biggest edge we have as investors at Astute. We invest with our clients' plans and objectives in mind, which enables and encourages long-term thinking. We know what returns we need to generate to deliver for our clients, and we are not beholden to short-term market fluctuations. This requires the discipline to grasp the nettle and stay invested when fears abound, but also to ignore FOMO when greed is the dominant force. I'm sure 2026 will test us from both directions, but we will remain as focused and disciplined as ever on delivering the peace of mind that sound financial plans provide.

S.Osborne

S Osborne, PhD CFA
Chief Investment Officer

Astute Observations.

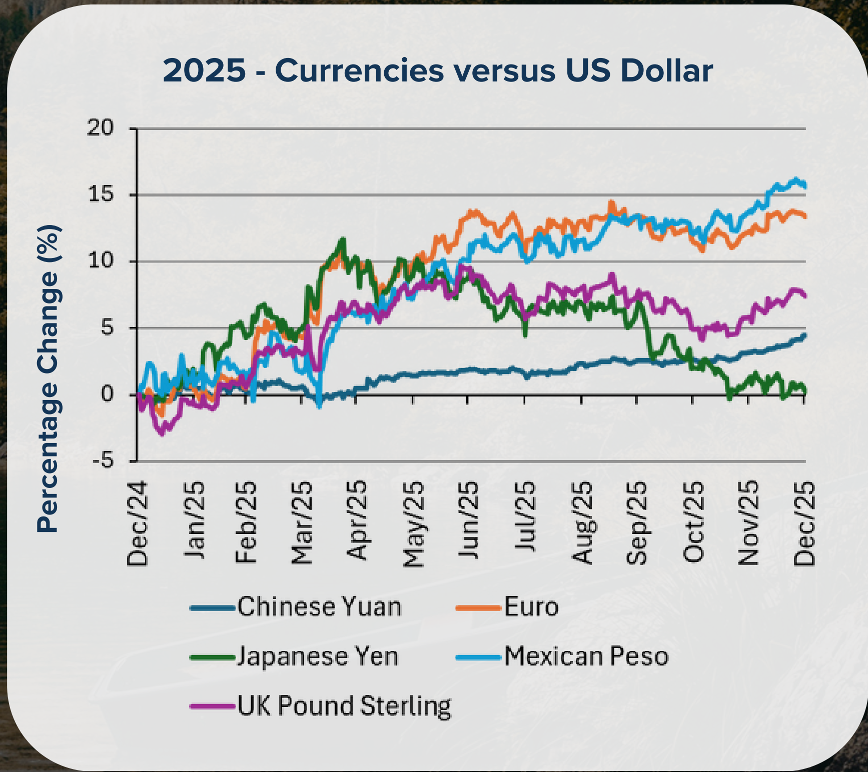
Currency - Your Peso or Mine?

A striking feature of the markets in 2025 was the divergence in investor returns caused by significant currency fluctuations. When investing overseas, local currency must be exchanged for the host nation's currency, for example a UK investor must convert their Sterling into Euros to buy a European stock. Consequently, the value of that investment is dictated not just by the stock price, but by the shifting exchange rate, unless the currency risk is specifically hedged.

While the US Dollar remains the dominant currency for global investors, 2025 saw a general trend of relative depreciation. The chart on the right shows the differing fortunes of selected currencies, all with varying degrees of weakness. For example, a 13% rise in the Euro against the Dollar means the same US stock market performance would have been severely diminished for a European investor versus a domestic US investor. Who would have thought, where you lived, would have such a large impact on your investment portfolio?

Interestingly, going into 2025, many anticipated that new trade tariffs would bolster the Dollar by reducing the supply of currency leaving the US. The idea was sound in principle, the logic being fewer imports meant fewer Dollars being swapped for foreign goods, however, this theory failed to account for a shift in global demand. The unpredictable nature of the US administration prompted investors, global conglomerates, sovereign wealth funds and organised crime groups, to diversify away from Dollar-denominated assets, putting downward pressure on the greenback particularly in the first half of the year.

There may well be further reasons for this trend to continue, but short of extreme events, we expect that interest rates would return as the primary driver of currencies. A Dollar recovery, however, is far from guaranteed with balance of risk actually tilted to the downside as political meddling at the US Federal Reserve could lead to even lower rates. While both might be welcomed by the President, it would likely remain complicated for foreign investors.



Sources: Lipper for Investment Management as at 31/12/2025.

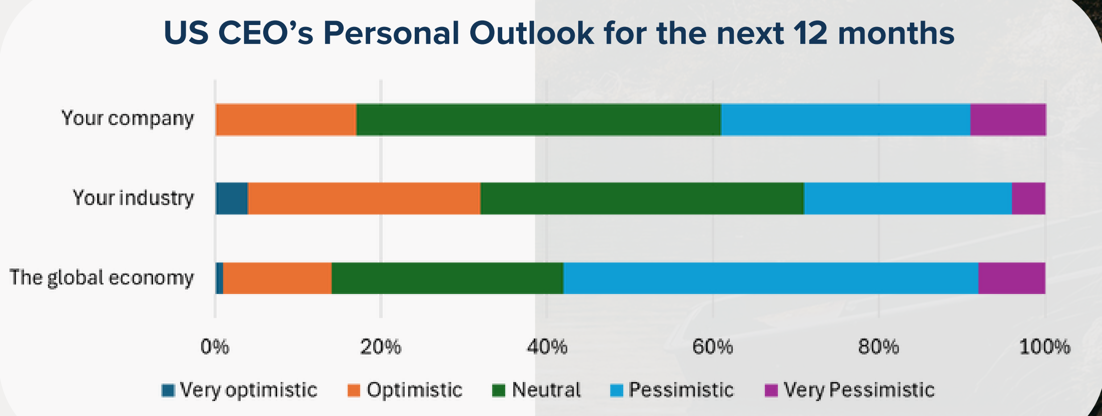
Astute Observations.

Sentiment - It's not me, it's you!

2025 proved to be a strong year for markets, defying the turbulence and "doom mongering" that defined the first quarter. This strange relationship where sentiment and action diverge has appeared in various guises over recent years.

Below is a prime example taken from a survey of US CEOs. When asked about the broader global economy, respondents were overwhelmingly pessimistic, with only 14% expressing optimism for the next 12 months. However, when asked about a more narrow and relatable topic i.e. their own company performance, the figure jumped to over 60%.

Naturally, these responses are coloured by a healthy dose of bias, whether rooted in a belief in self-determination or a rose-tinted view of their own world. Crucially, however, the prevailing broad pessimism doesn't seem to have filtered down yet into everyday beliefs and actions, with many businesses still willing to invest. Of course, this resilience must be viewed through the context of AI and its potential to deliver industry wide productivity gains, creating both disruption and opportunity. Perhaps every CEO thinks they will be on the winning side of that change, and it remains unclear what catalyst might shift that perception.

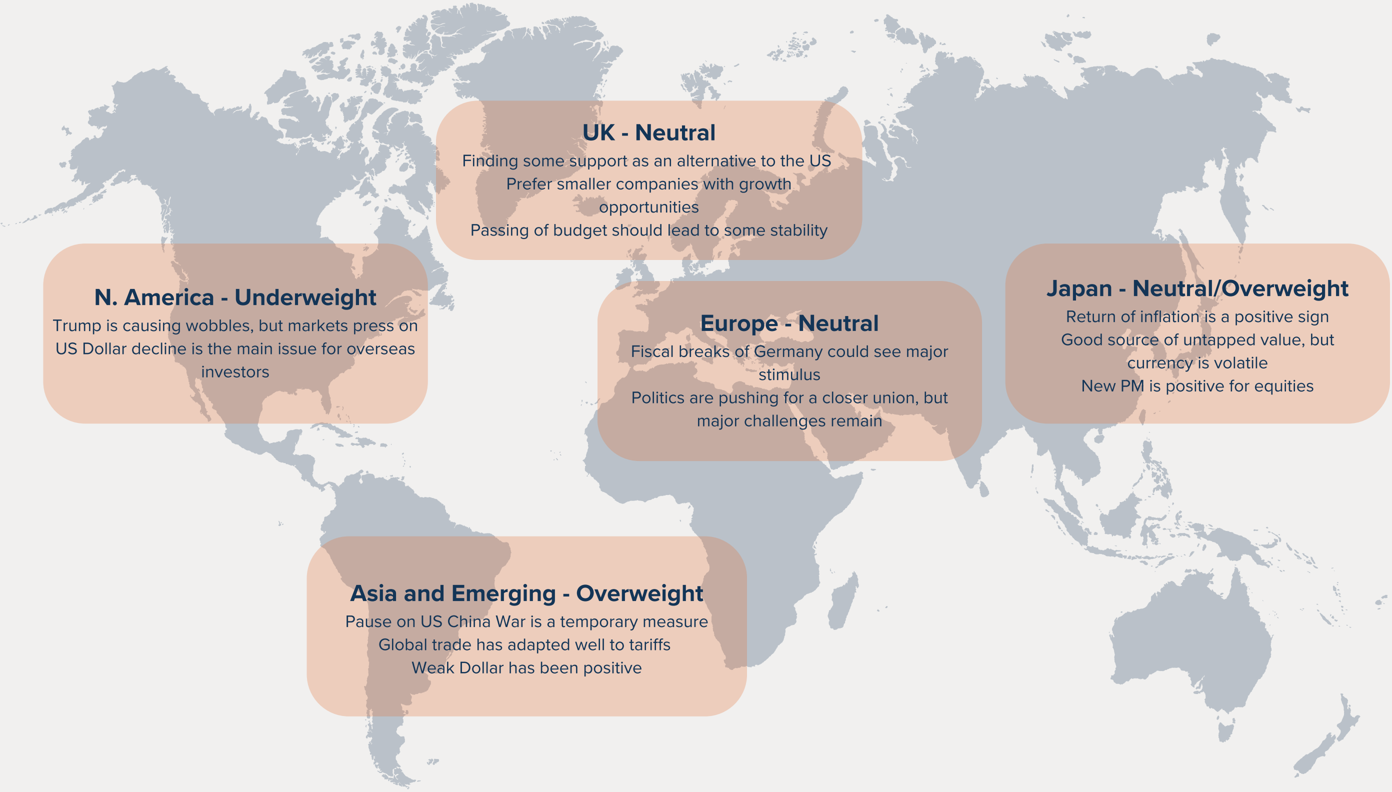


We can observe a similar pattern in consumer behaviour. In the US, broad sentiment has deteriorated materially according to survey data, yet actual consumption has held up remarkably well. While making decisions based on stated intent is always fraught with danger, "soft" survey data typically eventually feeds into "hard" data. There are a multitude of possible technical explanations for why this relationship has weakened, including a declining survey response rate, but interestingly it chimes with the responses in the chart below. Consumers are worried, yet they continue to spend.

Sentiment matters, but for now, broad pessimism seems less influential than the tangible actions of individuals and firms. These twin pillars of business investment (particularly in AI) and consumer spending (especially high earners), have been the bedrock of US growth in 2025. If survey data eventually proves prophetic, there may be trouble ahead; however, it's no longer obvious that this relationship is as predictive as it once was.

Sources: Deutsche Bank as at 17/12/2025.

Astute Perspective.



ASTUTE INVESTMENT MANAGEMENT

Asset Class Views

A key pillar of our investment process is driven by our asset class views, something which we keep under review. The scale below shows how we currently feel about each asset class, which is reflected in our underlying investments.

- +

Alternatives

Fixed Income

Sovereign Bonds

Corporate Bonds

High-yield bonds

EM Debt

Equities

UK

Europe

Asia & Emerging

Japan

USA

Astute Positioning.

In the absence of a clear new catalyst, equity markets continued their ascent towards new highs in October. However, as noted last quarter, underlying risks are rising with the US government shutdown, the threat of new China tariffs, stagnant growth across Europe, and the UK budget, all driving volatility higher. After a lengthy discussion, we thought this was the perfect strategic opportunity to monetise this heightened volatility while de-risking the portfolio. By trimming existing positions across the board, we introduced new structured products offering competitive and defensive returns. While these trades may potentially cap our upside participation, we believe the risk-reward profile is superior to our previous holdings given the current economic backdrop.

The new allocations consist of three products. The first two offered a yield of around 10% per annum, provided the US 10-year yield remained below 4.60%. We felt the US 10-year yield was already overpriced when it was hovering just above 4.00% and thus, given softening inflation pressures and a cooling labour market, the breach of the 4.60% threshold seemed highly unlikely, making this a robust source of daily accrued income. The third product targets the European banking sector, offering a nearly 10% annual return as long as the Eurostoxx Banks Index doesn't decline by more than 30% from its initial level. This structure allows us to maintain our long-standing conviction in the banking sector but with enhanced capital protection versus our holding in BlueBay.

Within our EM bucket, we swapped a portion of Polar Capital for M&G to help balance our growth and value exposure. Additionally, we exited our small holding in Nomura Emerging Market debt during November. While the fund performed strongly, it did not achieve the necessary scale to continue, and thus Nomura took the decision to liquidate the strategy after its acquisition of Macquarie, who have more assets in EMD.

At the beginning of December, an opportunity arose for us to replicate the rates-based trade we implemented in October, but this time linked to the UK 10-year yield. We again trimmed positions across the board to fund the new structured product, which offers an attractive 13.40% return contingent on the yield staying below 4.85%. This was an easy trade for us, given our strong conviction that rates will not move higher in the near term and thus given that there is no risk of capital loss - only the potential loss of the income component- the risk-reward profile here is exceptional, even when compared to historic equity returns. Finally, we rotated from L&G US Equity into an S&P 500 tracker to better manage our USD exposure following these structured product purchases.

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Moving into 2026, the cheery narrative surrounding the trajectory of AI, coupled with accelerating investments, is likely to further buoy markets, particularly if earnings continue to deliver. However, persistently high valuations may intensify talks regarding an AI bubble, especially if the focus shifts from infrastructure spending to efficiency gains. Given the speculative nature of current market dynamics, we anticipate that the higher volatility should persist throughout the year and our active strategies will be essential to driving portfolio returns without the need for a significant directional bias.

Fund Activity

New Purchase

Structured Products	Con / Bal / Gro

Top Up

M&G Global Emerging Markets	Bal / Gro
Invesco S&P 500 GBP Hedged	Con / Bal / Gro

Trim

M&G UK Inflation Lnkd Corp Bond	Con
BlueBay Financial Capital Bond	Con / Bal
L&G US Equity	Con / Bal / Gro
L&G UK Index	Con / Gro
iShares Edge MSCI Europe Min Vol	Con / Bal / Gro
iShares Core MSCI EM IMI	Gro
iShares Edge S&P 500 Min Vol	Bal / Gro
Polar Capital Emerging Market Stars	Bal / Gro
L&G ESG GBP Corporate Bond	Con / Bal
L&G S&P 500 Equal Weight	Con
Nomura Corporate Hybrid Bond	Gro
UK GILT 4.75% 22/10/2043	Gro
UK GILT 4.375% 31/07/2054	Gro

Sold

M&G UK Inflation Lnkd Corp Bond	Bal
BlueBay Financial Capital Bond	Gro
Man Sterling Corporate Bond	Gro
Nomura Emerging Market Debt	Bal

Con = Conservative, Bal = Balanced, Gro = Growth

Sources: Astute Investment Management as at 31/12/2025. Past performance is not a reliable indicator of future results.

VT Astute Conservative.

The Conservative fund delivered solid performance this quarter, outperforming both its inflation and market benchmarks. This success was primarily driven by our overweight position in long-duration UK government bonds, which benefitted from their higher sensitivity to interest rates as monetary policy continued to ease.

In equity markets, AI momentum continued to drive indices higher, even as underlying risks linger in the background. Overall, the fund performed well, with gains being further bolstered by effective US dollar hedging and positive contributions from our other credit positions. Smaller-cap names across the board were a relative detractor but despite being overshadowed by the tech rally, we remain confident in the value within this segment of the market.

Our top performers during this period where all dominated by our holdings in UK Government Bonds. The rally in UK government bonds was catalysed by further rate cuts even as inflation cooled and a strategic reduction in the pace of Quantitative Tightening (QT). This shift lowered the overall supply of bonds in the market, easing the upward pressure on yields and allowing long-dated gilts to see substantial capital appreciation as the market priced in a return to a neutral rate environment.

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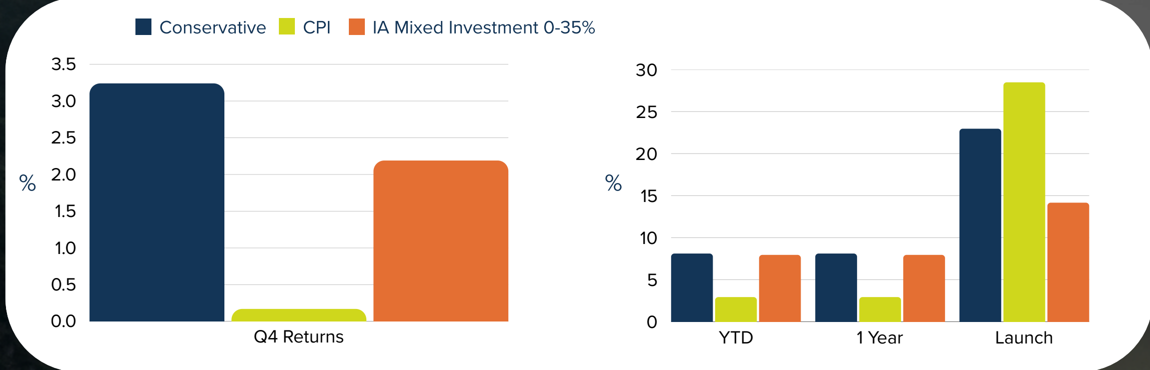
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	4.11%	1.04%	+0.06%
Government	28.62%	4.49%	+1.33%
Credit	27.32%	1.87%	+0.57%
UK	3.97%	5.52%	+0.22%
N. America	11.81%	3.37%	+0.46%
Europe	2.92%	5.59%	+0.16%
Japan	2.05%	1.89%	+0.03%
Asia & Emerging	4.15%	3.90%	+0.18%
Thematic	0.97%	0.15%	+0.00%
Alternatives	14.09%	2.14%	+0.23%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
UK GILT 4.25% 07/12/2040	8.04%	+5.54%	+0.43%
iShares Core UK Gilts ETF	10.02%	+3.12%	+0.29%
UK GILT 4.75% 22/10/2043	4.53%	+6.02%	+0.27%
UK GILT 4.375% 31/07/2054	3.02%	+5.08%	+0.15%
UK GILT 5.375% 31/01/2056	3.02%	+5.04%	+0.15%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/12/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 31/12/2025. 1 year data is for the period 31/12/2024 to the 31/12/2025. Contribution to return may not sum to the total return due to rounding and averaging.

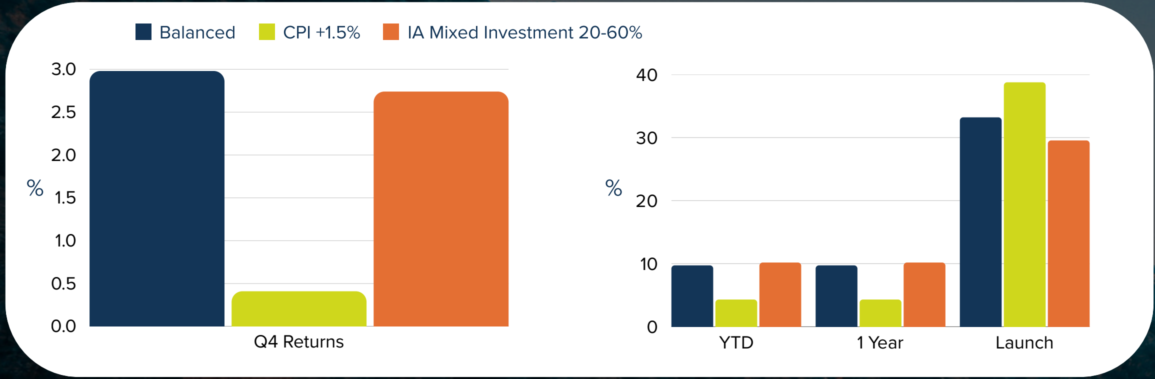
VT Astute Balanced.

The Balanced fund marginally outperformed its market benchmark this quarter but comfortably exceeded inflation. These solid returns were primarily driven by a strategic overweight position in long-duration UK Government bonds, which are highly sensitive to interest rates, alongside effective hedging against US dollar weakness.

While AI momentum continued to push broader equity markets higher in the absence of major news, underlying risks remain in the background. Smaller-cap names were again a detractor given the intense market spotlight on AI, however our positions did deliver positive returns, and we continue to believe this space offers significant untapped opportunities. Our credit positions also added to headline returns but to a lesser degree than our core sovereign bonds.

The fund’s top performers represented a mix of fixed income and equities. Strong gains were generated from our UK Government bond positions as the market priced in a return to a neutral rate environment, leading to a significant capital appreciation for our holdings. On the equity side, our US holdings—including the Invesco S&P 500 and L&G US Equity funds—delivered robust performance. These gains were fuelled by the prevailing trend of AI-driven growth and further supported by dollar weakness on our hedged positions.

Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	3.16%	1.04%	+0.03%
Government	17.09%	4.80%	+0.79%
Credit	16.41%	1.80%	+0.28%
UK	7.57%	5.81%	+0.41%
N. America	22.74%	2.92%	+0.70%
Europe	5.39%	4.53%	+0.22%
Japan	5.24%	1.85%	+0.06%
Asia & Emerging	8.93%	3.89%	+0.36%
Thematic	1.44%	0.15%	+0.00%
Alternatives	12.02%	1.77%	+0.11%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
UK GILT 4.75% 22/10/2043	4.05%	+6.02%	+0.24%
L&G US Equity ETF	7.62%	+2.48%	+0.23%
Invesco S&P 500 ETF GBP Hedged	8.28%	+2.53%	+0.21%
UK GILT 4.25% 07/12/2040	3.03%	+5.54%	+0.16%
UK GILT 4.375% 31/07/20254	3.01%	+5.08%	+0.15%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/12/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 31/12/2025. 1 year data is for the period 31/12/2024 to the 31/12/2025. Contribution to return may not sum to the total return due to rounding and averaging.

VT Astute Growth.

The Growth Fund delivered positive returns this quarter, comfortably outperforming inflation. While the fund slightly trailed its market benchmark, this was primarily due to a strategic overweight position in small- and medium-sized companies which struggled to keep up with their larger-cap counterparts under the AI spotlight.

Throughout the quarter, AI momentum remained the dominant force pushing equity markets higher, even as underlying risks lingered in the background. This intense focus on AI has continued to draw attention away from the small- and mid-cap sectors. However, despite being overshadowed by the tech narrative, our holdings in this area still delivered positive returns. We remain convinced that there are still quality opportunities that are being overlooked in this arena.

The period's top performers were concentrated within our equity holdings, driven by a strong appetite for risk. Our US allocations, specifically the Invesco S&P 500 and L&G US Equity funds, continued to show strength fuelled by AI-driven growth and persistent dollar weakness. Performance was also bolstered by our core European holdings, such as JPM UK Equity Core and S&P Europe ex-UK, which benefited as the regions saw increased inflows from investors rotating out of US markets. Additionally, the Polar Capital Emerging Markets fund saw a welcome rebound after several holdings recovered from a period of excessive selling.

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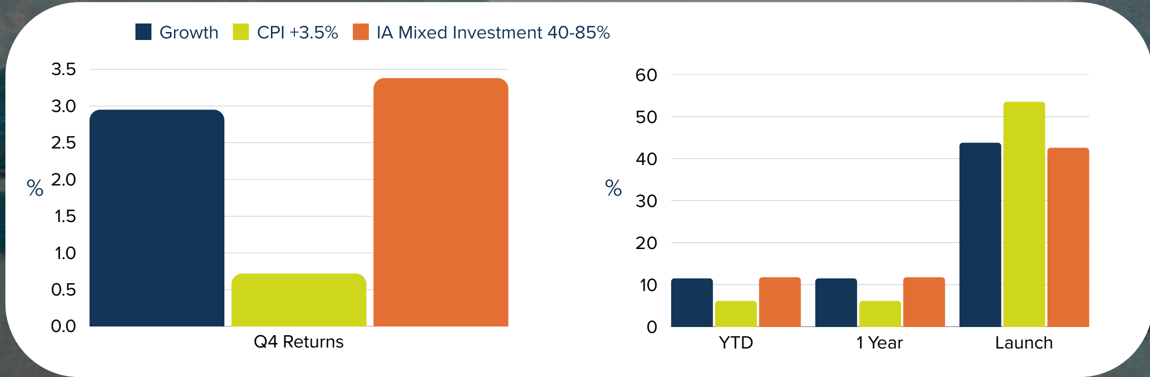
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	2.43%	1.04%	+0.02%
Government	5.81%	5.46%	+0.33%
Credit	3.09%	2.01%	+0.07%
UK	11.86%	5.50%	+0.62%
N. America	35.75%	2.89%	+1.12%
Europe	9.80%	4.31%	+0.40%
Japan	7.08%	1.85%	+0.09%
Asia & Emerging	13.09%	3.84%	+0.55%
Thematic	3.49%	0.15%	+0.01%
Alternatives	7.62%	-2.62%	-0.25%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
Invesco S&P 500 ETF GBP Hedged	15.68%	+2.53%	+0.41%
L&G US Equity ETF	8.44%	+2.48%	+0.25%
Xtrackers S&P Europe ex UK ETF	4.03%	+6.37%	+0.22%
Polar Capital EM Market Stars	5.70%	+3.28%	+0.18%
JPM UK Equity Core ETF	3.04%	+7.23%	+0.18%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 31/12/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 31/12/2025. 1 year data is for the period 31/12/2024 to the 31/12/2025. Contribution to return may not sum to the total return due to rounding and averaging.

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