Issued in October 2025

Schroder Multi-Asset Investments

Trusted Novus Bank – Q3 2025

The quarter in summary:

Global financial markets posted strong gains in Q3 2025, driven by robust artificial intelligence (AI) and technology demand, solid corporate earnings, and a well-anticipated Federal Reserve (Fed) rate cut. A weaker US dollar supported emerging markets. Credit and commodities — with notable, record-setting rallies in gold and silver — also performed well.

US

US shares scored strong gains in the third quarter, as the S&P 500 Index and the Nasdaq Composite both climbed to record-setting highs. The markets benefited from optimism over a rate cut by the Fed in September (with expectations of more coming before year-end), strong corporate earnings and renewed enthusiasm for AI, which helped boost the technology-heavy Nasdaq.

Technology and communication services were strong performers, while healthcare and energy lagged, with the latter hindered by falling oil prices.

The continued resilience of the US economy was evident from strong gross domestic product (GDP) growth, steady consumer spending and benign core inflation. A late-September revision to US GDP numbers showed the economy expanded at an annual rate of 3.8% in the second quarter of 2025. Those positive economic indicators also helped boost investor optimism about the fourth quarter. An anticipated government shutdown, which did materialise on the first day of the fourth quarter, also created some uncertainty for markets.

Eurozone

Eurozone equity markets experienced gains in Q3 2025. The financials and healthcare sectors led the advance, while telecoms and communication services lagged. Bank shares in particular were buoyed by some strong corporate earnings.

The services sector expanded in Germany, Italy, and Spain, while France lagged because of political uncertainty. Foreign demand remained weak, with a decline in new export orders for the twenty-eight consecutive month, providing an indication of the ongoing challenges in global trade (source: HCOB flash eurozone purchasing managers' index for September).

European Central Bank (ECB) President Christine Lagarde acknowledged that the significant inflation spike experienced between 2022 and 2024 has subsided, and inflation risks are currently balanced. Inflation aligned with the ECB's 2% target in August, but September figures are expected to slightly exceed it. Despite the US-initiated trade tariffs, Lagarde noted the eurozone has managed better than expected, with limited and moderate growth impacts rather than significant inflationary pressure.

On the political front, French prime minister François Bayrou was forced to step down after his package of budget cuts and tax rises failed to win support in parliament.

UK

UK equities saw strong performance. The FTSE 100 experienced its best quarter since late 2022. A resilient global economy helped drive returns. A weaker British pound also aided companies with internationally focused businesses. The communication services and technology sectors were strong performers, propelled by the continuing enthusiasm for AI. Basic materials also experienced a rally, driven by higher gold prices. Additionally, the London Stock Exchange saw a resurgence in initial public offerings.

UK inflation persisted at 3.8% in August, with pressures from food, energy, and regulated utility costs keeping it close to 4%. In response, the Bank of England's (BoE's) Monetary Policy Committee voted by a narrow majority in August to reduce the Bank Rate by 0.25 percentage points to 4.0%. In September, the BoE also announced it would be slowing its programme of quantitative tightening, a move that could help lower bond yields and borrowing costs.

Japan

The Japanese equity market advanced strongly, with TOPIX Total Return rising 11.4% and the Nikkei 225 up 11.0%, both reaching record highs. Sentiment strengthened as US rate cut expectations firmed, while domestic political developments—including anticipated party leadership changes—lifted risk appetite.

Cyclical sectors outperformed: non-ferrous metals, energy, and semiconductor-related stocks benefited from global AI demand and higher commodity prices. At the same time, robust corporate results, share buybacks, and dividend increases highlighted ongoing governance reforms and improving shareholder returns.

Although currency volatility and policy uncertainty intermittently weighed on trading, confidence in an earnings recovery and Japan's structural reform momentum remained primary drivers of performance.

Emerging markets

Q3 saw the MSCI Emerging Markets (EM) index deliver double-digit returns, outperforming the MSCI World in US dollar terms, driven by index heavyweights China, Taiwan, and Korea. US-China trade talk progress was beneficial for the EM index, as was the Fed's September rate cut and ongoing investor enthusiasm for AI-related stocks.

Egypt, Peru, China, and South Africa were the top-performing index markets over the quarter, with each delivering more than a 20% return in US dollar terms. In China, ongoing progress on US-China trade talks, as well as the continued focus on their anti-involution policy, was beneficial for market sentiment, while in South Africa, the index market's performance was helped by stronger precious metals prices. The Taiwan index market outperformed against a backdrop of ongoing strength in technology stocks, driven by continued demand for artificial intelligence. Korea's outperformance was similarly helped by strong performance in the technology sector, particularly memory-related stocks in September. Progress on trade negotiations with the US was also supportive.

Brazil lagged the EM index as political uncertainty weighed on the market. Saudi Arabia ended the quarter in positive territory behind the EM index, having declined in US dollar terms in both July and August. September's performance recovery was driven by news that authorities intend to lift the 49% foreign ownership limit currently in place on listed equities.

Malaysia, UAE, and Poland posted positive returns but lagged the broader index, while Indonesia, India, and Philippines all declined in US dollar terms. US trade tariffs, including the recent imposition of a 100% tariff rate on pharmaceuticals being exported to the US, weighed on India's index market.

Asia (ex Japan)

Asia Pacific ex-Japan equities gained broadly, led by North Asia and tech-heavy sectors. South Korea and Taiwan were standout performers, fuelled by strong AI and tech demand. Chinese equities also posted strong gains, driven by capital inflows and investment in AI and chip self-reliance despite weaker domestic demand. In contrast, India and ASEAN (Association of Southeast Asian Nations) markets, lagged because of more modest non-tech gains and tariff pressures. The Philippines was the weakest market, trading well below its long-term average.

The Fed's 25 basis points rate cut in September and robust global liquidity boosted investor sentiment, while foreign inflows concentrated in tech-focused markets like Korea and Taiwan. Rising commodity prices—including gold, silver, and copper—reflected strong global demand and supply disruptions, reinforcing the tech- and AI-led equity rally across North Asia.

Global bonds

The performance of government bond markets was mixed during Q3, with US Treasury yields ending the quarter lower (yields are inverse to price), while UK, German, and Japanese yields all rose over the period.

In the US, an initial steepening of the yield curve (marking an outperformance of shorter dated bonds) was driven by rate cut expectations and concerns about the Fed's independence being compromised (reducing the market's confidence in the central bank's longer-term inflation-fighting credentials).

Signs of a weakening labour market, combined with relatively well-behaved inflation (despite expectations for tariff-driven price pressures), increased the likelihood of an interest rate cut. By the time the Fed's Federal Open Market Committee (FOMC) delivered its 25 basis point cut (to 4.0%-4.25%) at its September meeting, the impact was fully priced by the market. The voting pattern of two previous hawkish dissenters also helped placate market concerns around Fed independence and the yield curve reversed its previous steepening trend.

Contrary to the US market, eurozone yields ended the quarter higher. The resolution of tariff uncertainties (a 15% baseline tariff rate was agreed upon for nearly all EU goods entering the US) together with clearer signs that Germany's increased fiscal spending on infrastructure and defence would primarily benefit the domestic eurozone economy contributed to the positive macro outlook.

French government bonds lagged other eurozone markets. Sebastien Lecornu replaced Prime Minister Bayrou after the latter lost a confidence vote aimed at garnering support for the government's deficit reduction agenda. The rating agency Fitch downgraded France's sovereign rating from AA- to A+ in acknowledgement of 'political fragmentation' and 'weak fiscal record'.

Markets now believe that the European Central Bank (ECB) has ended its rate-cutting cycle. Policy rates were unchanged during Q3. Although inflation forecasts were revised down further below the central bank's target of 2% the economy is showing little cause for concern.

Gilt yields rose, too. The Bank of England cut rates to 4.0% in August while indicating that it will continue its gradual approach to easing monetary policy conditions. UK's fiscal position continued to be in the spotlight. Data released showed that public sector net borrowing year to date was £11.4 billion higher than the Office for Budget Responsibility's March forecast.

Political fragilities drove the weakness in Japan's government bond market, with the coalition under political pressure to increase public spending. Despite inflation now being well above the Bank of Japan's (BoJ's) 2% target and an upward revision its own inflation forecasts, the BoJ continued to hold rates at 0.5%.

It was a positive quarter for credit markets. US investment grade spreads tightened further, outperforming government bonds and reaching multi-decade tight levels. From a sector perspective, the market move was broad-based. US consumption has remained robust and corporate earnings continued to be solid, driving a constructive outlook for corporates. A resurgence of US issuance during September was well absorbed, reflecting an ongoing investor demand for yield and positive sentiment. There was similarly positive performance across eurozone and UK investment grade bond markets.

Within the high yield corporate bond market, European high yield outperformed on an excess return basis (over government bonds) but lagged the UK and the US high yield on a total return basis in local terms. Investment grade bonds are the highest quality bonds as determined by a credit rating agency. High yield bonds are more speculative, with a credit rating below investment grade.

Commodities

In commodities, the S&P GSCI Index posted modest gains for the third quarter of 2025. Precious metals experienced a significant rally, with gold and silver, in particular, posting record-breaking gains. The performance of the broader index was weighed down, however, by a relatively flat energy sector.

Model portfolio positioning – September 2025

Last month we noted that markets were priced for perfection on the macro front and decided to reduce our overweight equity position. Since then, payroll data in the US has deteriorated although broader measures of employment are still positive. Importantly, the employment statistics have led to a repricing of rate cuts from the Federal Reserve. We still believe that the risk of recession in the US is low, but we need to recognise that the Fed is leaning more dovish than we had previously expected. This implies lower real yields which, combined with decent corporate earnings and loose fiscal policy, leads us to increase our overweight position in equities with a preference for US and Emerging Market equities.

The recent rally in bond yields has pushed valuations into more expensive territory and we continue to favour gold over treasuries as it benefits from lower real yields but also offers protection against concerns over debt sustainability and central bank independence.

After a strong run of performance, we are taking profits on our long position in local emerging market debt. We have also closed the steepener trade and reduced our exposure to long dated US treasuries given the Fed independence concerns.

In alternatives, we have added to global convertible bonds which provides an attractive risk-adjusted opportunity to maintain growth exposure and increase diversification. In order to strengthen our allocation to alternatives, we have also added to Schroder GAIA Contour Tech which is an equity market neutral manager focused solely on the tech, media and telecom ('TMT') sectors with the aim of investing in more idiosyncratic and under-owed names.

All in all, we remain positioned for positive nominal growth, driven by the stimulative policies being pursued by the Trump administration. Gold remains an important diversifier and the US dollar is expected to continue to bear the brunt of concerns over the medium term implications of the current policy environment.

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Portfolio Positioning – as at 30 September 2025

	Stable		Balanced		Dynamic		Growth	
	Portfolio (%)	Benchmark (%)	Portfolio (%)	Benchmark (%)	Portfolio (%)	Benchmark (%)	Portfolio (%)	Benchmark (%)
Equities	**24.0**	**20.0**	**43.9**	**40.0**	**73.9**	**70.0**	**94.0**	**90.0**
Global Equities	**10.0**	**-**	**20.9**	**-**	**47.6**	**-**	**61.1**	**-**
Schroder ISF Global Equity Alpha	3.0		10.9		19.3		27.5	
Schroder ISF Global Recovery	3.0		4.0		5.1		6.1	
Schroder ISF Global Innovation	3.0		5.0		6.2		7.9	
Amundi MSCI World ETF	-		1.0		16.0		18.7	
iShares Core MSCI World ETF	1.0		-		1.0		1.0	
North American Equities	**9.5**	**-**	**14.9**	**-**	**15.3**	**-**	**18.8**	**-**
Schroder ISF US Large Cap	3.0		6.5		6.8		8.2	
S&P 500 ETF	6.5		8.5		8.4		10.6	
European Equities	**1.0**	**-**	**3.0**	**-**	**3.0**	**-**	**5.1**	**-**
Lyxor Euro Stoxx ETF	-		2.0		2.0		4.1	
Lyxor Stoxx Europe 600 Banks ETF	1.0		1.0		1.0		1.0	
Emerging Market Equities	**3.6**	**-**	**5.1**	**-**	**8.1**	**-**	**9.1**	**-**
Schroder ISF Global Emerging Market Opportunity	1.5		3.0		6.0		7.0	
Schroder ISF China	1.0		1.0		1.0		1.0	
HSBC Hang Seng Tech ETF	1.0		1.0		1.0		1.0	
Fixed Income	**64.9**	**79.0**	**41.9**	**59.0**	**12.0**	**29.0**	**-**	**9.0**
Government Bonds	**35.5**	**49.0**	**17.5**	**34.0**	**4.0**	**16.5**	**-**	**9.0**
iShares Global Government Bond ETF	27.0		15.0		1.0		-	
iShares USD Treasury 1-3Yr ETF	7.0		-		-		-	
iShares USD Treasury 20+Yr ETF	1.5		2.5		3.0		-	
Investment Grade Credit	**26.4**	**30.0**	**16.5**	**20.0**	**-**	**7.5**	**-**	**-**
Schroder ISF Global Corporate Bond	26.4		10.5		-		-	
iShares Global Corporate Bond ETF	-		6.0		-		-	
High Yield Debt	**2.0**	**-**	**4.4**	**2.5**	**4.4**	**2.5**	**-**	**-**
Schroder ISF Global High Yield	-		2.4		2.4		-	
Schroder ISF Euro High Yield	2.0		2.0		2.0		-	
Emerging Market Debt	**-**	**-**	**2.5**	**2.5**	**2.5**	**2.5**	**-**	**-**
Schroder ISF Emerging Market Bond	-		2.5		2.5		-	
Convertible Bonds	**1.0**	**-**	**1.0**	**-**	**1.0**	**-**	**-**	**-**
Schroder ISF Global Convertible Bond	1.0		1.0		1.0		-	
Alternatives	**10.1**	**-**	**13.1**	**-**	**13.1**	**-**	**5.0**	**-**
Schroder GAIA Cat Bond	3.0		3.0		3.0		2.0	
Schroder GAIA Egerton Equity	1.0		2.0		2.0		1.0	
Schroder GAIA Wellington Pagosa	1.0		2.0		2.0		1.0	
Schroder GAIA Two Sigma Diversified	1.0		2.0		2.0		1.0	
Schroder GAIA Contour Tech Equity	1.0		1.0		1.0		-	
Amundi Physical Gold	3.1		3.1		3.1		-	
Cash	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**

Source: Schroders, as at 30 September 2025. Schroder International Selection Fund is referred to as Schroder ISF.

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Model Portfolio Performance

GBP Hedged

	1 Month %	3 Months %	1 Year %	3 Years %	Since Inception %
TNB GBP Stable	**1.9**	**3.9**	**6.4**	**22.3**	**15.0**
Benchmark	1.4	2.9	5.9	22.1	15.8
TNB GBP Balanced	**2.4**	**5.4**	**10.1**	**30.9**	**23.0**
Benchmark	2.0	4.6	8.9	30.8	24.4
TNB GBP Dynamic	**3.1**	**7.7**	**14.4**	**45.0**	**35.5**
Benchmark	3.0	7.1	13.1	43.0	36.6
TNB GBP Growth	**3.0**	**8.4**	**16.5**	**52.3**	**43.7**
Benchmark	3.6	8.7	15.6	50.3	44.3

Euro Hedged

	1 Month %	3 Months %	1 Year %	3 Years %	Since Inception %
TNB EUR Stable	**1.6**	**3.1**	**3.8**	**18.2**	**9.6**
Benchmark	1.1	2.1	3.4	17.8	10.4
TNB EUR Balanced	**1.9**	**4.2**	**6.7**	**28.3**	**18.0**
Benchmark	1.6	3.5	5.8	27.9	18.9
TNB EUR Dynamic	**2.5**	**6.0**	**10.2**	**42.6**	**29.3**
Benchmark	2.4	5.5	8.9	42.1	31.1
TNB EUR Growth	**2.4**	**6.5**	**11.8**	**50.5**	**36.1**
Benchmark	2.9	6.8	10.6	50.4	38.7

USD Hedged

	1 Month %	3 Months %	1 Year %	3 Years %	Since Inception %
TNB USD Stable	**1.9**	**3.6**	**6.6**	**29.2**	**18.6**
Benchmark	1.3	2.6	6.0	28.3	19.0
TNB USD Balanced	**2.3**	**4.6**	**10.1**	**43.2**	**27.6**
Benchmark	1.9	3.9	9.0	42.2	28.4
TNB USD Dynamic	**2.9**	**6.3**	**14.6**	**64.6**	**40.0**
Benchmark	2.8	5.8	13.3	63.7	42.1
TNB USD Growth	**2.8**	**6.6**	**16.8**	**76.7**	**47.0**
Benchmark	3.3	7.0	16.0	78.1	50.9

Source: Schroders, as at 30 September 2025. Performance calculated daily at close of business prices. Benchmark indices are as follows: Equities = MSCI All Countries World Index, Government Bonds = Bloomberg Global Treasury G7, Bloomberg 1-3 Year G7 Total Return Index, Investment Grade = Bloomberg Global Aggregate Corporate Bond, High Yield = Bloomberg Global High Yield, Emerging market Debt = Bloomberg Barclays EM Hard Currency Aggregate. These indices are hedged to the base currency of the model portfolio. The composition of the weighting of the indices in each benchmark vary with the risk profile of each portfolio. Inception date is 22/04/2022.

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Market Performance

Total returns (net) % – to end Q3 2025

	3 months			12 months		
Equities	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
MSCI World	7.3	7.2	9.2	17.2	11.4	16.8
MSCI World Value	5.8	5.7	7.7	12.0	6.4	11.6
MSCI World Growth	8.6	8.5	10.5	22.4	16.2	21.9
MSCI World Smaller Companies	8.5	8.4	10.5	13.6	7.9	13.2
MSCI Emerging Markets	10.6	10.5	12.6	17.3	11.4	16.9
MSCI AC Asia ex-Japan	10.8	10.6	12.7	17.2	11.3	16.8
S&P500	8.1	8.0	10.1	17.6	11.7	17.2
MSCI EMU	4.4	4.3	6.2	21.5	15.4	21.0
FTSE Europe ex UK	3.3	3.2	5.1	15.9	10.1	15.5
FTSE All-Share	5.0	4.9	6.9	16.6	10.8	16.2
TOPIX*	8.6	8.5	10.6	17.7	11.8	17.3

	3 months			12 months		
Government bonds	**USD**	**EUR**	**GBP**	**USD**	**EUR**	**GBP**
JPM GBI US All Mats	1.5	1.4	3.4	2.1	-3.1	1.7
JPM GBI UK All Mats	-2.4	-2.5	-0.7	-1.3	-6.2	-1.6
JPM GBI Japan All Mats**	-3.6	-3.7	-1.9	-8.4	-13.0	-8.7
JPM GBI Germany All Traded	-0.2	-0.3	1.6	3.8	-1.4	3.4
Corporate bonds						
BofA ML Global Broad Market Corporate	1.9	1.8	3.8	5.2	-0.1	4.8
BofA ML US Corporate Master	2.6	2.5	4.5	3.9	-1.3	3.5
BofA ML EMU Corporate ex T1 (5–10Y)	1.3	1.2	3.1	9.2	3.7	8.8
BofA ML £ Non-Gilts	-1.1	-1.2	0.7	4.1	-1.1	3.7
Non-investment grade bonds						
BofA ML Global High Yield	2.5	2.4	4.3	8.3	2.8	7.9
BofA ML Euro High Yield	1.8	1.7	3.7	11.9	6.2	11.5

Source: LSEG DataStream. Local currency returns in Q3 2025: *11.0%, **-1.4%.

Past performance is not a guide to future performance and may not be repeated.