

ASSET CLASS OVERVIEW

2025 was marked by heightened market volatility, triggered notably by US tariff announcements in early April. As trade tensions eased over the course of the year, investor sentiment improved and most asset classes benefitted from a broad uplift, ultimately ending the year with solid gains.

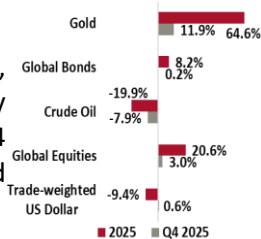
Global equities delivered strong returns in 2025 (+20.6%), supported by resilient global earnings and an easing monetary policy backdrop. Momentum, however, moderated in Q4 (+3.0%) as investors became more cautious over AI-related announcements.

Global bonds, as measured by the Bloomberg Global Aggregate Bond Index, gained 8.2% over the year, supported by dovish central bank policy. Returns were more modest in Q4 (+0.2%) as markets increasingly priced in the approaching end of the rate-cutting cycle.

Crude oil remained under pressure, declining 7.9% in Q4 and ending 2025 down 19.9%, amid rising supply and expectations of a surplus in 2026. Despite energy weakness, the Bloomberg Commodity Index rose 11.1%, supported by precious and industrial metals. Silver was a standout performer (+148.0%), driven by strong industrial demand and constrained supply, while gold extended its rally, ending the year up 64.6%, supported by central bank purchases and strong ETF inflows.

The US dollar declined 9.4% in 2025, with most of the depreciation occurring in the first half of the year before stabilizing in Q4 (+0.6%). Looking ahead, the dollar may remain under pressure should monetary policy easing diverge further across major economies.

Asset Class Performance



Source: MCB PWM, Bloomberg

MARKET OUTLOOK/PORTFOLIO POSITIONING

EQUITIES: Following strong gains in 2025, we enter 2026 with a neutral stance on equities. Markets remain supported by solid earnings growth, continued AI momentum and broadly supportive fiscal policies, but elevated valuations, shifting monetary policy dynamics and geopolitical risks warrant a balanced approach.

Globally, policy is gradually turning moderately stimulative. In the US, the One Big Beautiful Bill Act is expected to support domestic activity and partially offset tariff-related headwinds. In Europe, Germany's investment and infrastructure programme should underpin spending, while in Asia, China and Japan are advancing domestic stimulus and targeted AI investments to support growth.

AI remains a key structural driver for global equities, despite renewed debate around

elevated valuations. Leading AI companies are generally profitable, cash-generative and deeply integrated into the global economy, reducing the risk of a speculative bubble at this stage. While risks remain around the pace and execution of investment, AI adoption is expected to continue supporting earnings growth over the medium term.

Market volatility is likely to remain elevated as major central banks approach neutral policy rates, while geopolitical risks persist, including recent US intervention in Venezuela.

In terms of portfolio positioning, we remain neutral on US equities, with an overweight allocation to Financials and Industrials. While the market remains supported by resilient earnings and the potential for fiscal measures and deregulation, risks persist, including elevated valuations, AI execution risks and uncertainty surrounding the upcoming Federal Reserve nomination in Q1 2026.

On European equities, we also maintain a neutral stance, as the region remains fragmented and exposed to divergent risks, including political instability in parts of the region and uneven economic momentum.

On Japanese equities, we maintain an overweight position, supported by the market's strong exposure to AI and technology themes, ongoing corporate governance reforms and continued interest from both domestic and foreign investors.

We remain neutral with a positive tilt on emerging market equities. Emerging markets are expected to benefit from a constructive outlook into 2026, supported by exposure to AI-related supply chains in Asia, policy support in China and a weaker US dollar acting as a tailwind. Valuations also remain attractive relative to developed markets.

FIXED INCOME: We remain optimistic for fixed income markets going forward despite limited room for further policy easing especially in developed markets. Fixed income delivered strong performance in 2025 supported by softer inflation and rate cuts. This year, a combination of lower growth without sharp contraction in major economies and contained inflation globally may provide good returns. But the recently heightened geopolitical risks may cause some volatility in bonds markets.

We remain positive on investment grade credit and selective on the high yield segment while keeping a neutral stance on duration. We remain overweight on emerging markets despite geopolitical concerns as a weaker dollar, declining inflation, fiscal consolidation and stable energy prices indicate a positive outlook for select emerging market economies.

GLOBAL EQUITIES

Developed markets posted solid gains of 19.5% in 2025. Performance was notably stronger outside the US, as MSCI ACWI ex-US advanced 29.2%, while US equities lagged. Overall, Emerging markets equities outperformed developed markets with gains of 30.6% for the year. Though in Q4, returns moderated, weighed down by a decline in Chinese equities (-7.6%).

US: US equities delivered a solid performance in 2025, with the SP 500 rising 16.4% despite a sharp sell-off in April following US tariff announcements. Market resilience was supported by better-than-expected earnings throughout the year, alongside a shift in Fed focus towards emerging labour market fragilities, reinforcing expectations of monetary easing.

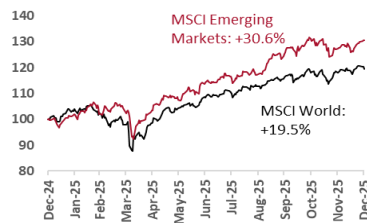
Momentum eased in Q4, with the SP 500 gaining 2.4%, as investor sentiment was weighed down by the longest government shutdown on record and increased scrutiny of AI-related investment plans. This triggered a technology-led correction of around 10% in early November, as markets reassessed execution risks, leverage and funding concerns across the sector.

The Fed reaffirmed its easing stance with a 25bps rate cut at its December meeting and signalled that further policy easing may be considered in 2026 should inflation continue to moderate.

While full-year performance was largely driven by Information Technology (+23.3%) and Communication Services (+32.4%), a sector rotation emerged in Q4. Technology leadership faded, with Healthcare outperforming with gains of 11.2%. The year was also marked by pronounced performance concentration within the “Magnificent Seven”, with only Google (+65.4%) and Nvidia (+38.9%) outperforming the broader market.

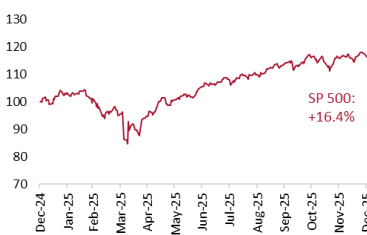
Europe: European equities delivered strong gains in 2025, with the MSCI Europe rising 16.3% in EUR terms, supported by broad-based strength across the region.

Developed vs Emerging markets: 2025 performance



Source: MCB PWM, Bloomberg

US equities: 2025 performance



Source: MCB PWM, Bloomberg

SP 500 - sector performance

	Q4 2025	2025
Comm. Services	7.0%	32.4%
Info.Tech	1.3%	23.3%
Industrials	0.5%	17.7%
Financials	1.6%	13.3%
Utilities	-2.1%	12.7%
Healthcare	11.2%	12.5%
Materials	0.6%	8.4%
Cons. Discr	0.5%	5.3%
Energy	0.7%	5.0%
Cons. Staples	-0.7%	1.3%
Real Estate	-3.7%	-0.3%

Source: MCB PWM, Bloomberg

Banks were the standout sector, surging 66.9% over the year and extending gains into Q4 (+13.9%) on the back of strong earnings, resilient balance sheets, and favourable interest rate dynamics.

After a strong start to the year, German equities lagged peers in Q4, posting a modest 2.6% gain, though still finishing 2025 with a solid 23% return. In Q4, heavyweight SAP (-8.5%) continued to weigh on performance, while easing geopolitical risks linked to expectations of a US-brokered Ukraine-Russia truce also dampened sentiment in the Industrials sector.

Despite ongoing political instability, France proved resilient, with the CAC 40 rising 3.2% in Q4 and ending the year up 10.4%. The luxury segment rebounded, led by LVMH (+23.9%), supported by improving demand and a tentative recovery in Chinese consumption.

UK equities maintained momentum in Q4, gaining 6.2% and finishing 2025 up 21.5% in GBP terms, despite a weak macro backdrop. Healthcare and mining led the rally, with precious metals boosting miners such as Fresnillo (+41.3%).

China: Chinese equities staged a solid rebound in 2025 (+28% in USD terms) fueled by sustained optimism over Chinese AI advances. After three consecutive quarters of gains, the market paused in Q4, with profit-taking pushing it down by 7.6%.

Targeted stimulus supported the self-reliance strategy, benefiting healthcare, semiconductors, and green sectors, despite ongoing challenges in property and household demand. Policy support was further reinforced at the 4th Plenum, highlighting key growth industries and offering potential upside for 2026.

Japan: Japanese equities (TOPIX) rose 22.4% in JPY, +23% in USD, extending their Q4 rally (+8.7%) after Prime Minister Takaichi’s surprise LDP win raised expectations of fiscal stimulus. The cabinet also announced Japan’s largest supplementary budget (JPY 1.77 trn) to support growth.

The JPY had a mixed year: after gaining 8.6% in H1, it weakened in H2 as the BoJ’s rate-hiking path became uncertain. In December, the BoJ raised its policy rate to 0.75%, but lack of clear guidance pushed the JPY to a high of 157.75. It ended Q4 at 156.71 (+6%), effectively flat for the year (-0.3%).

European markets: Performance (in local currency)

	Q4 2025	2025
Europe STOXX 600	6.1%	16.7%
Spain IBEX	11.8%	49.3%
Italy FTSE MIB	5.2%	31.5%
Portugal PSI 20	3.8%	29.6%
Germany DAX	2.6%	23.0%
UK FTSE	6.2%	21.5%
Switzerland Market	9.6%	14.4%
France CAC	3.2%	10.4%

Source: MCB PWM, Bloomberg

Japanese equities: 2025 performance



Source: MCB PWM, Bloomberg

FIXED INCOME

During Q4 2025, global fixed income markets experienced bouts of volatility stemming from Japan's policy normalization, US fiscal uncertainty, and a late-year government shutdown in the US. Global aggregate bonds were mostly flat (+0.2%) for the period but posted strong total return (+8.2%) for 2025 supported by easing inflation and monetary policy easing across most regions.

PERFORMANCE OF GLOBAL BOND INDICES						
	Ccy	YIELD		TOTAL RETURNS		DURATION years
		30 Sep 2025	31 Dec 2025	2025	Q4 2025	
Global Aggregate bonds	USD	3.5%	3.5%	8.2%	0.2%	6.3
U.S Treasury bonds	USD	3.9%	3.9%	6.3%	0.9%	5.9
U.S Investment Grade Corporate	USD	4.8%	4.8%	7.8%	0.8%	6.9
U.S High Yield Corporate	USD	6.7%	6.5%	8.6%	1.3%	3.0
Europe Investment Grade Corporate	EUR	3.1%	3.2%	3.0%	0.3%	4.5
Europe High Yield Corporate	EUR	5.3%	5.5%	5.2%	0.6%	2.9
Emerging Markets Aggregate	USD	6.0%	5.7%	11.1%	2.4%	6.1

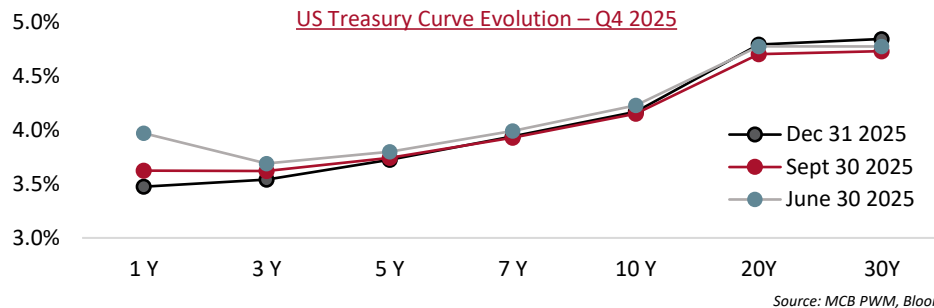
Source: MCB PWM, Bloomberg

In the US, high yield bonds (+1.3%) outperformed investment grade corporate bonds (+0.8%) as yields fell, supported by strong fundamentals and resilient corporate earnings. Credit spreads for both investment grade and high yield bonds widened initially due to the delay in release of economic data in the US before easing towards the later part of the quarter as the direction of monetary policy became clearer. US high yield bonds have now outperformed investment grade bonds for two consecutive years. In Europe, both high yield and investment grade corporate bonds posted modest gains as credit spread tightened to cycle lows despite a rise in yields.

Emerging market aggregate bonds were the standout performer (+2.4%) in Q4 and delivered remarkable performance (+11.1%) for 2025. During the quarter, yields for EM aggregate bonds fell significantly while credit spread also tightened by 30 basis points. Bonds from Argentina, Egypt, Ecuador and Turkey were the top contributors to performance.

US Treasury Yields

In Q4, the treasury yield curve steepened, with the shorter end of the curve moving downwards as the FED delivered the expected rate cuts. The long end moved higher reflecting higher term premia and debt sustainability concerns. Investor demand for 30 yr treasury bonds softened as signalled by softer bid to cover ratios. The 2yr-10yr spread normalised to 68 basis points by the end of year.



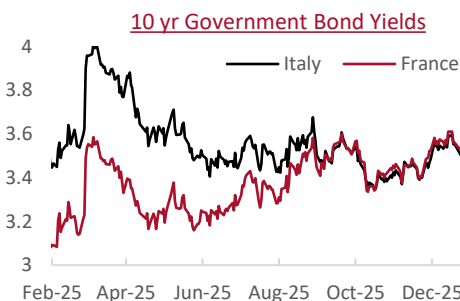
Source: MCB PWM, Bloomberg

Central Bank Actions

- United States:** The Federal Reserve delivered two 25 basis points cuts in its November and December meetings bringing rates to 3.5%-3.75%. With inflation still above target at 2.8% and economy still resilient, the FED's dot plot suggests one more cut while the market expects two cuts in 2026.
- Eurozone:** The ECB held rates steady in its last two meetings in October and December, maintaining its data-dependent approach without committing to a specific path. The ECB's latest projections see inflation falling to 1.9% in 2026 from 2.1% in 2025.
- UK:** The Bank of England cut its policy rate by 25 basis points to 3.75% hinting that the forward path is still downwards. Inflation unexpectedly slowed to 3.2% but remains above the BoE target while unemployment rose.
- Japan:** The Bank of Japan delivered a historic 25 basis points hike in December, raising the policy rate to 0.75%, its highest level in 30 years. Yields on 10-year Japanese bonds rose to 2.1% as inflation remains persistent and the election of Sanae Takaichi as the Prime Minister of Japan added further volatility.

Eurozone Sovereign Debt

During 2025, a historic "risk parity" emerged as French 10-year yields surged to match Italy's, signalling a major downward shift in investor's appetite for French debt. While Italy benefited from a stable government, improving trade balance and gradual deficit reduction toward the EU's 3% limit, France faced political gridlock and ballooning deficits that triggered EU disciplinary measures.



Source: MCB PWM, Bloomberg