



LEVANTINE & Co
INVESTMENT PARTNERS

Institutional Outlook

**MARKET UPDATE &
INVESTMENT REPORT**

DECEMBER 2025



INVESTMENT SOLUTIONS *made for you*



Contents

Market Update.....	1
Asset Allocation Overview.....	2
Geographic Equity Exposure.....	3
Fixed Income Exposure.....	5
Levantine & Co Portfolios.....	6
Monthly Exposure.....	9
Performance Reports.....	10
Our Investment Team.....	13

Market update

December 2025

The fourth quarter of 2025 extended the rally that began earlier in the year, lifting global markets to fresh highs, central bank pivots, and easing trade pressures. Yet beneath the surface of strong performance, several emerging tensions and crosscurrents continued to shape the investment landscape.

The Federal Reserve began easing policy after a prolonged tightening cycle, delivering three quarter-point rate cuts in September, October, and December, lowering the federal funds rate to 3.50% - 3.75% by year-end. Markets largely welcomed the shift: U.S. equities rose after each cut, however, December's move was widely viewed as a "hawkish cut". While the cuts supported risk appetite globally, the Fed's cautious messaging, stressing data dependence rather than a guaranteed cutting path, tempered market optimism. Bond yields declined and the dollar softened, reflecting expectations of slower growth and lower borrowing costs. Thus far, investors priced in easier financial conditions into 2026.

Still, not all signals pointed in the same direction. While overall growth held relatively firm, some indicators suggested that the economy may be starting to lose momentum. Labour market data in the U.S. softened modestly, wage growth cooled, and consumer spending showed signs of fatigue. These developments underscored that the path to a sustained recovery is unlikely to be smooth, even as markets continued to discount the possibility of a deeper slowdown.

Talks of an emerging AI bubble quickly dominated headlines, triggering a rapid shift in investor sentiment from optimism to fear and uncertainty. As speculation intensified, markets grew increasingly sensitive to any signs of overvaluation, amplifying concerns about the sustainability of the sector's explosive growth.

In the months ahead, inflation dynamics, interest rate policy and U.S. labour market will remain critical signposts. A reacceleration in price pressures could force policymakers to recalibrate, while persistent economic softness might prompt additional easing. Meanwhile, evolving trade relations, particularly between major economies, continue to carry the potential to inject bouts of volatility into an otherwise constructive environment.



Asset allocation overview

Asset allocation is the primary driver of both investment performance and portfolio risk. We look at all asset classes globally to build diversified portfolios that span equities, fixed-income and alternative investments, so as to provide exposure to a broad range of asset classes that can be weighted according to their expectations of risk and reward.

Equity

We continue to maintain a disciplined, globally diversified equity allocation, but with a strategic allocation toward quality and defensive sectors, such as healthcare, consumer staples, and dividend-paying companies with strong balance sheets.

While volatility may persist in the near term, we believe that select opportunities, particularly in undervalued international markets offer attractive entry points for long-term investors.

Fixed Income

Fixed income assets provide stability through consistent interest payments and typically lower volatility compared to equities. This allocation helps to dampen overall portfolio risk, especially during periods of equity market uncertainty, while contributing to steady returns. Within our fixed income allocation, we are decreasing our exposure to inflation-linked bonds and shifting toward investment grade bonds.

Alternatives

Gold remains a strategic diversifier, particularly amid geopolitical uncertainty and a weakening dollar environment. The asset offers defensive qualities as markets adjust to slower global growth and shifting rate expectations. We took a small portion of profit from gold while keeping our overall exposure stable. We cut global property exposure as select markets continue to face structural headwinds, including higher financing costs and weak commercial real-estate demand in developed economies.

Cash

We modestly increased cash to maintain flexibility. Elevated equity valuations in regions like the U.S. warrant a reserve that can be redeployed into more attractive opportunities as they emerge.

Geographic equity exposure



U.S.

In the United States, headline enthusiasm around artificial intelligence continues to dominate market sentiment, but beneath the surface the picture is becoming more nuanced. Labour-market data has softened with fewer job openings and a gradual rise in layoffs, suggesting that hiring momentum is losing steam. While AI investment remains strong, it is not yet powerful enough to offset the broader economic slowdown. This backdrop keeps the Federal Reserve leaning toward policy easing should growth weaken further. Our primary concern, however, is valuation. It is no longer just the mega-cap AI names that are expensive - the broader U.S. equity market has become increasingly stretched. With this in mind, we have modestly trimmed U.S. exposure, maintaining only the most compelling long-term AI positions while rotating capital into regions offering better value.



U.K.

UK equities delivered positive returns over the quarter, supported by strength in energy and healthcare, two sectors that continue to offer defensive characteristics in an uncertain global environment. While domestic economic growth remains moderate, UK equities still trade at attractive valuations relative to global peers. For us, the UK remains a useful source of diversification, therefore we have increased our exposure slightly.



Eurozone

Across the Eurozone, economic activity has shown surprising resilience. Confidence indicators have improved, and early signs of earnings momentum are beginning to emerge. Although we are mindful of the region's longer-term structural challenges, valuations remain materially more attractive than those in the United States. This combination of resilience and relative value provides room for further market gains. Our exposure to the Eurozone remains unchanged.



Japan

Japan remains one of the most compelling structural stories in global markets. Ongoing corporate governance reforms continue to drive steady improvements in return on equity across the corporate sector. A gradual normalisation of interest rates is providing a tailwind for Japanese banks, while the weak yen continues to support export competitiveness. Companies tied to technology, automation, and AI are also well positioned as global supply chains shift toward deeper digital integration. Despite recent gains, valuations remain attractive relative to other developed markets. Following our recent rebalancing, we took a small amount of profit while maintaining roughly the same overall exposure to Japanese equities.

Geographic equity exposure



Pacific ex-Japan

Improving regional trade flows and more attractive valuations relative to developed-market peers make the Pacific ex-Japan region a compelling diversifier. We kept exposure stable, still capturing improved earnings momentum across several export-oriented economies but staying cautious on certain regions.



Emerging Markets ex-China

Emerging markets as a whole have rallied strongly, though the dispersion between countries remains wide. Our approach continues to be region-specific rather than broad-based. By contrast, the Middle East, Africa, and Emerging Europe offer more attractive combinations of value, growth potential, and improving economic momentum. Commodity-linked emerging economies also stand to benefit from a softer U.S. dollar and stable energy prices. We have therefore increased exposure across selected emerging markets while reducing our allocation to India on valuation concerns.



China

China remains one of the world's most undervalued large equity markets. Negative sentiment has kept investors cautious, but several developments have begun to turn more constructive. China's AI adoption rate is now approaching that of the United States and select Chinese technology companies are emerging as credible participants in the global AI ecosystem. Policymakers have taken further steps to stabilise the property sector, while recent activity data shows early signs of improvement. We have therefore started to increase exposure selectively, focused on high-quality technology while remaining cautious on property-related sectors.



India

Near-term risks have led us to adopt a more cautious stance on Indian equities. Elevated equity valuations, tight domestic policy conditions, and a challenging external backdrop suggest that profit risks are not yet fully priced in. Soft wage growth and weak consumer lending are dampening domestic demand, while limited fiscal and monetary flexibility constrains potential policy support. For the time being we have cut our exposure to Indian equities.



Fixed income exposure

Global Government Bonds

Global government bonds remain attractive as higher yields have materially improved prospective returns, while their defensive characteristics help offset the rising fiscal pressures, policy uncertainty, and uneven inflation dynamics outlined in the outlook. With long-end yields now offering better income buffers and stronger balance-sheet issuers providing high-quality diversification, we will be keeping our exposure to global government bonds constant.

Investment Grade Bonds

With rate-cut expectations supporting corporate balance sheets, investment-grade bonds offer stable income and attractive risk-adjusted returns. We increased exposure here to bolster portfolio resilience.

High Yield Bonds

Given late-cycle dynamics and tightening credit conditions, high yield offers less favourable compensation for risk. We therefore reduced exposure to protect portfolios from potential spread widening.

Inflation-Linked Bonds

Inflation is no longer our central concern. With the current economic backdrop, we feel that inflation-linked bonds currently offer less value. We trimmed exposure accordingly to increase exposure in other types of fixed income.

Emerging Market Bonds

Select emerging-market bonds continue to benefit from stable commodity prices, improving fiscal conditions, and a softer U.S. dollar. Nonetheless, we are maintaining a neutral allocation at this time, as we believe this positioning appropriately balances the opportunities with the associated risks.

Our portfolios

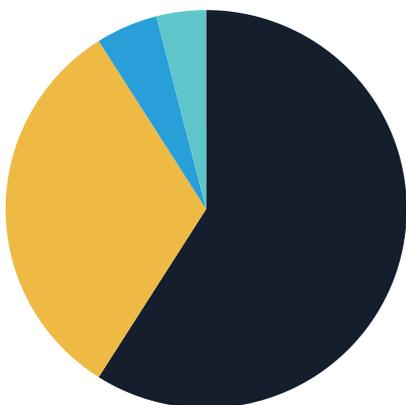
Levantine & Co Balanced Portfolio

MODERATE RISK PROFILE

Our Balanced Portfolio is designed for investors seeking long-term capital appreciation through a blend of capital growth and income. The portfolio typically allocates more than half in equities to target higher returns over time. While this approach may involve short-term volatility and fluctuations in value, the portfolio is actively managed, rather than benchmark-tracking, to capture opportunities and mitigate risks.

Diversification across asset classes and global markets underpins our risk management framework, aiming to deliver consistent growth while maintaining resilience through different market conditions.

ASSET ALLOCATION



Our portfolios

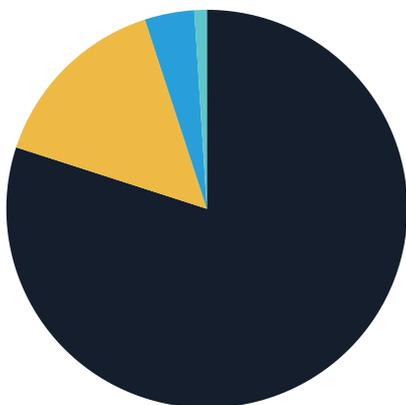
Levantine & Co Growth Portfolio

MODERATE TO HIGH RISK PROFILE

This portfolio is structured to generate higher long-term returns through a significant allocation to equities, with minimal exposure to fixed income, cash, and alternative asset classes. The high equity weighting is expected to enhance growth potential but may also increase overall volatility.

Its primary objective is long-term capital appreciation, achieved through both capital growth and income. Risk management is embedded through diversification across collective investments, asset classes, and geographies, while portfolio construction emphasises prudent fund selection and asset allocation to achieve the investment objective conservatively.

ASSET ALLOCATION



Equity	82%
Fixed Income	15%
Cash	3%
Alternatives	0%

Our portfolios

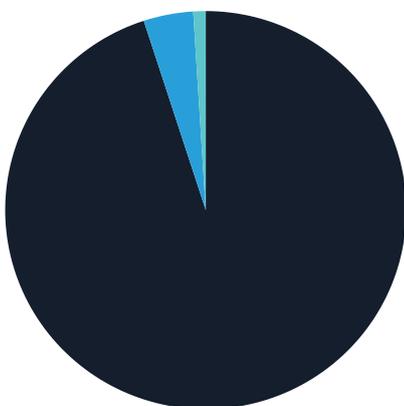
Levantine & Co Equity Portfolio

HIGH RISK PROFILE

The Equity Portfolio is positioned for long-term capital growth through a dominant allocation to equities, with 98% invested in global equity markets and only minimal exposure to other asset classes.

The absence of fixed income reflects the portfolio's growth-oriented strategy, prioritising equity opportunities across developed and liquid markets. While the high equity concentration increases sensitivity to market volatility, risk is managed through diversification across sectors and geographies. The small cash allocation serves as a safety net, providing flexibility to capture new investment opportunities as they arise. The portfolio is actively managed, with fund selection and asset allocation aimed at delivering sustainable capital appreciation over time.

ASSET ALLOCATION



PORTFOLIO CHANGES

NOVEMBER 2025



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	DECREASE	EXPOSURE	INCREASE	
EQUITIES	U.S.	U.S.		
		U.K.	U.K.	
		Eurozone		
		Japan		
		Pacific (ex Japan)		
	India	Emerging Markets	China	
		Emerging Markets (ex China)	Emerging Markets (ex China)	
	FIXED INCOME		Government Bonds	
			Investment Grade	Investment Grade
		High Yield	High Yield	
Inflation Linked		Inflation Linked		
		Emerging Market Bonds		
ALTERNATIVES		Global Property	Global Property	
		Gold		

Levantine & Co Portfolio Performance Report

31 December 2025



	1 Month	3 Month	YTD	1 Year	3 Years	5 Years	Cumulative
GBP							
Levantine & Co Balanced Portfolio	0.20%	3.15%	10.35%	10.35%	26.32%	28.21%	149.94%
Levantine & Co Growth Portfolio	0.27%	3.41%	10.34%	10.34%	27.60%	32.69%	194.41%
Levantine & Co Equity Portfolio	0.38%	3.76%	11.63%	11.63%	30.95%	37.91%	230.19%

USD							
Levantine & Co Balanced Portfolio	1.52%	4.20%	16.46%	16.46%	39.16%	36.61%	103.99%
Levantine & Co Growth Portfolio	1.53%	4.37%	16.42%	16.42%	39.58%	38.79%	135.77%
Levantine & Co Equity Portfolio	1.72%	4.57%	N/A	N/A	N/A	N/A	8.89%

	Calendar Year Returns									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016

GBP Portfolios										
Levantine & Co Balanced	10.35%	7.42%	8.53%	-8.43%	9.16%	6.55%	10.98%	-4.68%	7.72%	24.21%
Levantine & Co Growth	10.34%	9.03%	9.20%	-9.22%	13.43%	8.43%	14.70%	-7.70%	8.94%	23.32%
Levantine & Co Equity	11.63%	10.63%	10.19%	-8.91%	15.28%	4.57%	14.33%	-8.11%	15.06%	19.50%

USD Portfolios										
Levantine & Co Balanced	16.46%	7.46%	14.47%	-14.39%	9.33%	9.75%	15.58%	-7.24%	15.93%	N/A
Levantine & Co Growth	16.42%	8.88%	15.54%	-15.64%	13.61%	8.43%	20.74%	-10.19%	21.50%	N/A

Returns are generated using Morningstar Wealth Platform. Returns are presented net of underlying fund charges and net of Levantine & Co's management fees. Past performance is not necessarily a guide to future performance. Please discuss the content of this slide with your investment manager or professional adviser. Please note that the cumulative returns are calculated from different inception dates.

Our investment team

At Levantine & Co, our strength is our team, a group of dedicated professionals united by integrity, expertise, and a shared commitment to excellence. We bring seasoned experts together with global experience and fresh talent with new perspectives, creating a powerful balance of insight and innovation.

We pride ourselves on being approachable, adaptable, and genuinely invested in every client relationship. Above all, we believe in growth and not just financial growth for our clients, but personal and professional growth within our team and the communities we support.



Laurent Joly, CFA
Managing Director & CIO



Brian Rushmere, CFA
Senior Investment Manager



Demi Murray
Junior Investment Manager