

Royal London

Investment update

Quarter 4 2025



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Market update

YEAR	2022	2023	2024	2025
1	Commodities 30.7%	Global Stocks 16.0%	Global Stocks 20.2%	EM Stocks 25.1%
2	Cash 1.4%	Global HY 11.9 %	Mixed Asset 10.0%	UK Stocks 24.0%
3	UK Stocks 0.3%	Corp Bonds 8.6%	EM Stocks 10.0%	Global HY 14.3%
4	Mixed Asset -6.9%	UK Stocks 7.9%	UK Stocks 9.5%	Mixed Asset 10.2%
5	Global Stocks -7.8%	Mixed Asset 7.6%	Global HY 8.9%	Global HY 8.4%
6	Property -8.8%	Cash 4.7%	Commodities 7.3%	Commodities 7.8%
7	EM Stocks -9.6%	EM Stocks 4.1%	Cash 5.2%	Corp Bonds 6.9%
8	Global HY -12.6%	Gilts 3.7%	Corp Bonds 1.7%	Gilts 5.0%
9	Corp Bonds -17.7%	IL Gilts 0.9%	Property 1.6%	Cash 4.3%
10	Gilts -23.8%	Property -0.7%	Gilts -3.3%	Property 1.6%
11	IL Gilts -33.6%	Commodities -13.1%	IL Gilts -8.3%	IL Gilts 1.3%

Source: Lipper, Royal London, as at 31 December 2025.

Past performance isn't a guide to the future. Prices can go down as well as up. Investment returns may fluctuate and aren't guaranteed, you/clients could get back less than the amount paid in.

Mixed Asset return = Governed Portfolio Growth. Governed Portfolio returns are net of 1% Annual Management Charge.

All indices are total return in £ Sterling except Commodities which is in US dollars. Global Stocks are ex UK.

Global markets ended 2025 on a strong note. The Federal Reserve delivered a third rate cut in four months before signalling a pause, shaping expectations into early 2026.

Elsewhere, the ECB kept rates unchanged due to inflation concerns, while the Bank of England cut to 3.75% as the labour market softened.

Equities closed the year firmly ahead, marking a third consecutive year of double-digit returns. After the sharp April tariff-related sell-off, markets recovered and continued to grind higher through Q4, helped by resilient macro data, AI-driven earnings optimism and a supportive corporate backdrop. All major regions performed well over the year, though US returns lagged in common currency terms due to a weaker dollar.

Government bond performance diverged. UK gilts rallied as 10-year

yields fell from 4.70% to 4.55%, supported by expectations of a gilt-friendly Budget and reduced long-end issuance. US Treasury and German Bund yields edged higher. Credit markets were steady: investment-grade spreads remained tight and high yield delivered modest gains despite renewed US-China tensions.

In equities, currency effects mattered. European markets looked softer in local terms but were among the top performers for sterling investors due to dollar weakness. Asian and emerging markets also stood out, supported by Chinese technology strength and evidence of China broadening trade relationships. Japanese equities remained strong, helped by political support for reform and growth.

Money market returns continued to look attractive, supported by short-end rate cuts and stable conditions further out the curve.

Market outlook

The Investment Clock remains in Recovery, and ongoing monetary easing continues to provide a supportive backdrop for risk assets. Rate cuts in the US and UK, alongside stabilising global activity, help underpin earnings.

However, valuations in certain growth-focused areas are elevated, echoing patterns last seen in the late 1990s. Strong AI-linked earnings have propelled markets, but innovation cycles can overshoot before fundamentals reassert themselves. Currency shifts also remain important, with the sharp fall in the US dollar shaping relative regional performance and likely to continue influencing returns in 2026.

We remain tactically constructive while central banks are easing, but strategically cautious, keeping diversified exposure across equities, bonds and alternatives to balance near-term opportunity with rising late-cycle risks.



Governed Range strategy

We consider the following aspects to help the Governed Range position us for the future:

Strategic Asset Allocation (SAA) & Tactical Asset Allocation (TAA): The SAA of the Governed Range is monitored on a quarterly basis and reviewed annually. This aims to ensure the portfolios remain appropriate for the long-term objectives of maximising returns after inflation, for a given risk level. We recently increased portfolio diversification via the SAA process.

We aim to add value through TAA irrespective of the market direction by utilising the Investment Clock, and other investment models, to make tweaks to our multi asset and regional equity allocations.

Diversification: The portfolios have exposure to Emerging Market and Global Equities as well as holdings in asset classes such as Commodities which are a useful hedge against inflation.

Active Management: It's crucial to design portfolios that match individual risk attitudes. Younger investors can take greater risks for higher returns, as their future pension contributions are yet to be invested, while older investors tend to be more risk-averse. Therefore, different portfolios are built to suit varying risk levels.

We think it's very important to be an active investor and we would actually argue there's no such thing as a passive multi-asset fund. The choice of asset classes to include in the first place is an active choice. You should be adjusting the asset mix, as the investing environment changes, both in terms of the valuation, which gives you a view of longer term returns, but also shorter term developments, and, for example, the business cycle.

Investing for the long-term in the UK: Investors in the Governed Range will typically be pension customers retiring into a UK economy so it makes sense to have long term outcomes relative to UK pension savers and UK inflation.

Our approach

We believe that a well-diversified portfolio is the most effective way of maximising risk-adjusted return and mitigate uncertainty over both the short and longer term. Our multi-asset portfolios are designed to optimise performance and better withstand shocks, manage volatility and downside risk. A typical pensions customer will be invested for years, if not decades and, as such, we position the portfolios to maximise performance over the long-term.

Governed Range update as at Q4 2025

The final tactical change of the year took effect on 4 December. With global equities back near recent highs and sentiment supported by dovish Fed signals and softer US data, we maintained a positive stance on equities and stayed overweight commodities.

Bonds remained neutral. Absolute return strategies (including cash) were increased, while property was reduced. All other asset classes saw no change from the previous tactical position.

Additional Material

[Governed Range Factsheets](#)

[RLAM Fund Commentaries and Quarterly Reports](#)

[Investment Clock Updates](#)

[Latest Investment Performance](#)

[Outlook 2026 | Institutional | RLAM](#)



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