



FINANCE SHOP
Independent Financial Advisers

ADVISORY PORTFOLIO MANAGEMENT QUARTERLY REVIEW WINTER 2025

MARKET OVERVIEW – QUARTER FOUR 2025

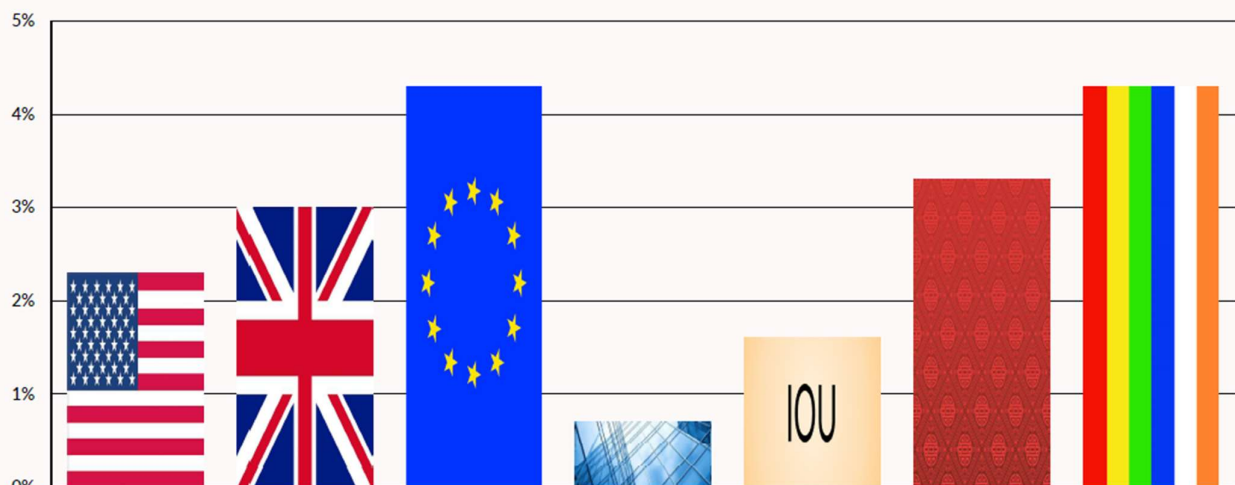
Markets finished the year with a solid final quarter, continuing the recovery which has remained in place since the April tariff induced sell-off. The US saw the longest government shutdown in history, causing a vacuum of economic data and leading to some market jitters mid-quarter as rate expectations took a downward push. Despite this, however, the Federal Reserve cut rates again in December, citing softer employment numbers even with inflation remaining above target.

In the UK we finally got beyond the much discussed Budget, which thankfully delivered less taxation pain than feared with many measures pushed out towards the back end of Labour's term. Rachel Reeves largely managed to walk the tight rope of balancing fiscal pressure without raising taxes wholesale, and the bond market responded positively. Despite this, however, the protracted period of uncertainty (as speculation ran wild over an array of scenarios) damaged UK growth over the second half as businesses and consumers reigned back spending plans. Inflation came in below expectations and this, allayed with lower growth projections, pushed the Monetary Policy Committee to cut interest rates in December.

Looking at the year as a whole markets enjoyed strong returns with a distinct broadening out of the drivers, for the first time for a number of years we saw US indices beaten by a number of other markets including the UK, Europe, Asia and Japan and this was much more pronounced as a weakening Dollar reduced returns substantially. Commodities had a very strong year, led by Gold and Silver, as concerns around US policy saw a reallocation from US treasuries into so called safe haven assets, although Cryptocurrencies saw a significant sell-off. Fixed income continued its strong run with reasonable gains driven by falling rates and limited defaults, but spreads have tightened significantly offering less value going forward in corporate bonds.

Looking ahead most economists expect further positive returns from markets, as falling rates, reasonable corporate profitability and increased liquidity drive returns. That said it is unlikely that we will match the quantum of 2025 as discounted valuations outside the US have largely reduced. Volatility may well appear at points, as geo-political risk centred around Trump policy actions and any signs of reduced artificial intelligence spending could trigger a run into safe haven assets. We believe a disciplined and diversified approach is sensible with some areas of the market looking fully priced.

KEY MARKET PERFORMANCE - QUARTER FOUR 2025



Powered by Data from FE - 01/10/2025 to 31/12/2025

■ IA North America (2.3%)

■ IA UK All Companies (3.0%)

■ IA Europe excluding UK (4.3%)

■ ABI UK Direct Property (0.7%)

■ IA Sterling Bond (1.6%)

■ IA Asia excluding Japan (3.3%)

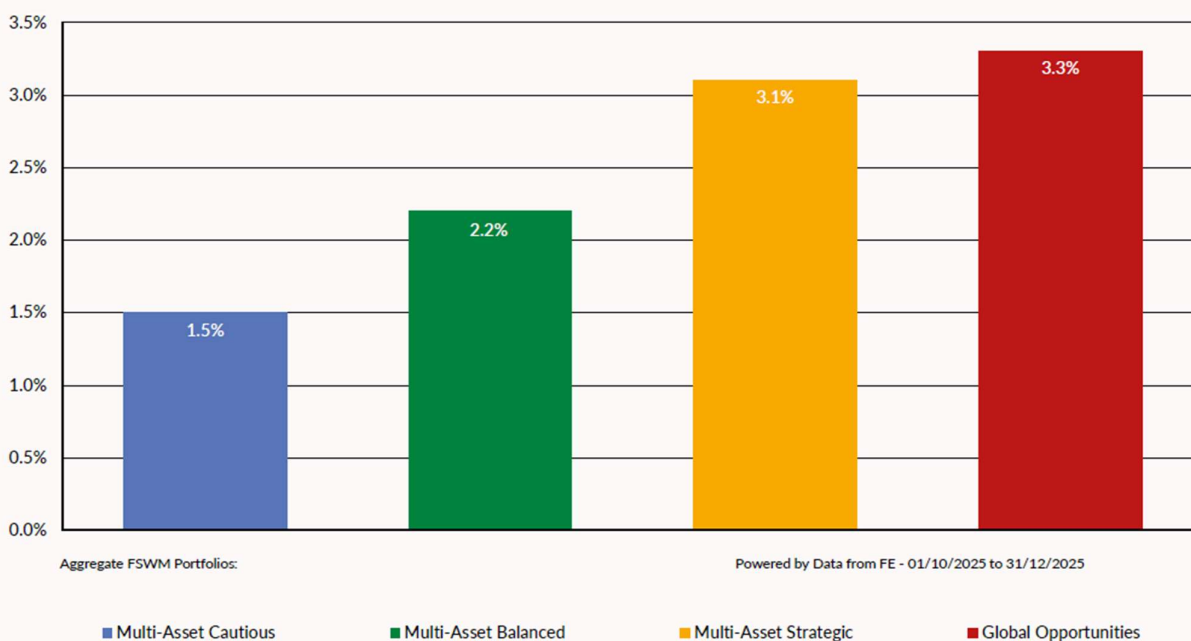
■ IA Global Emerging Markets (4.3%)

APM PORTFOLIOS – QUARTER FOUR 2025 PERFORMANCE

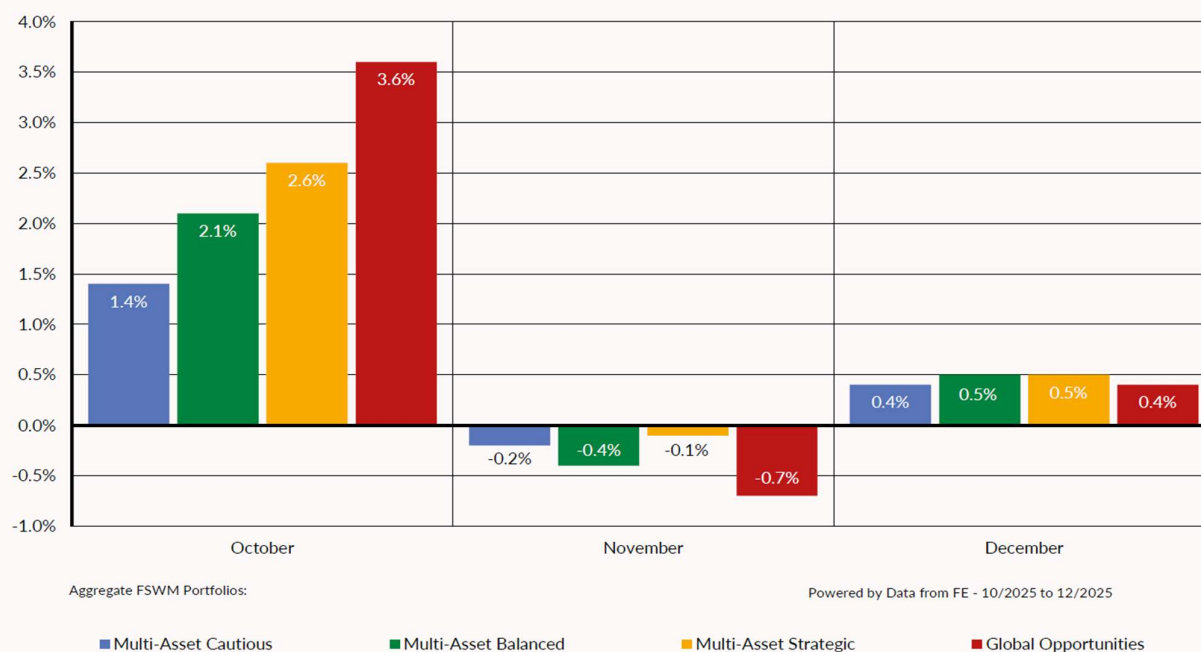
The graphs below show how the APM portfolios within the four Finance Shop risk categories have behaved over the last three months. The first graph shows the total return for the quarter whereas the second graph illustrates the “month by month” performance. The performance figures are aggregated so, for example, the green bar is made up of all the APM Multi-Asset Balanced portfolios across all product types.

If you require specific performance figures for your plan, please contact your adviser.

CUMULATIVE PERFORMANCE - QUARTER FOUR 2025



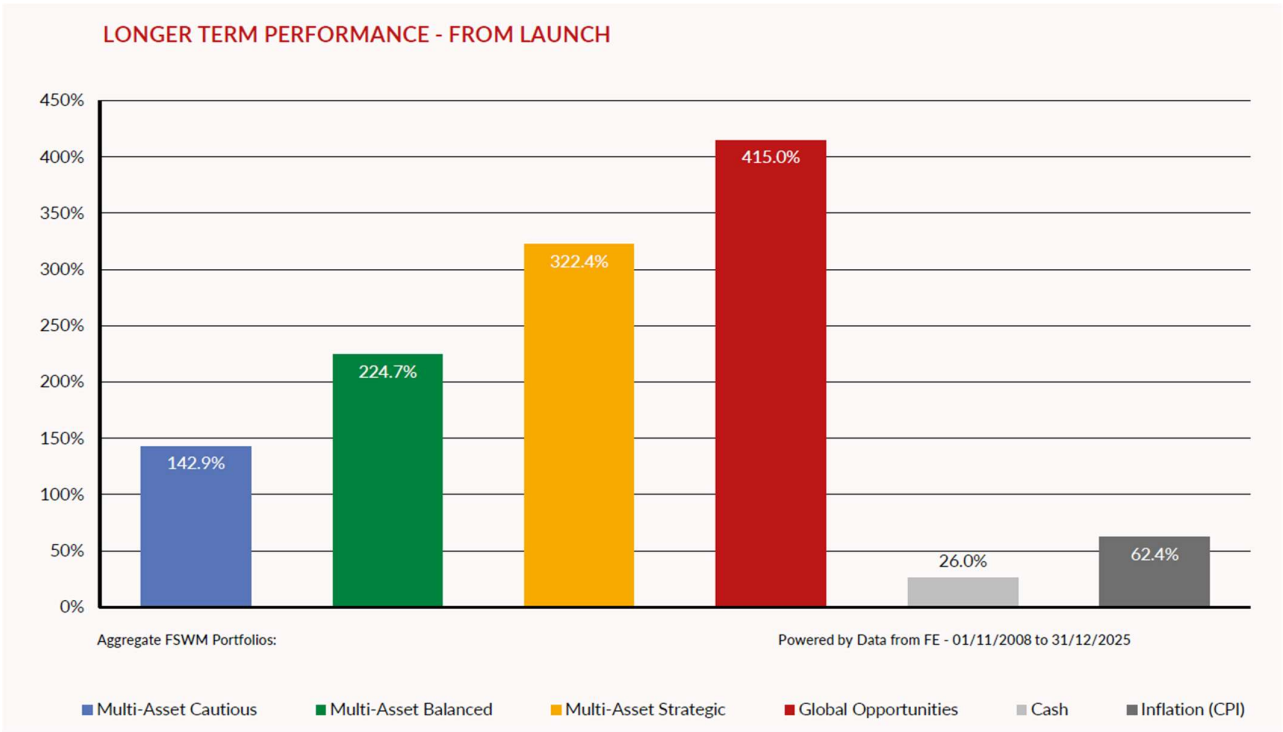
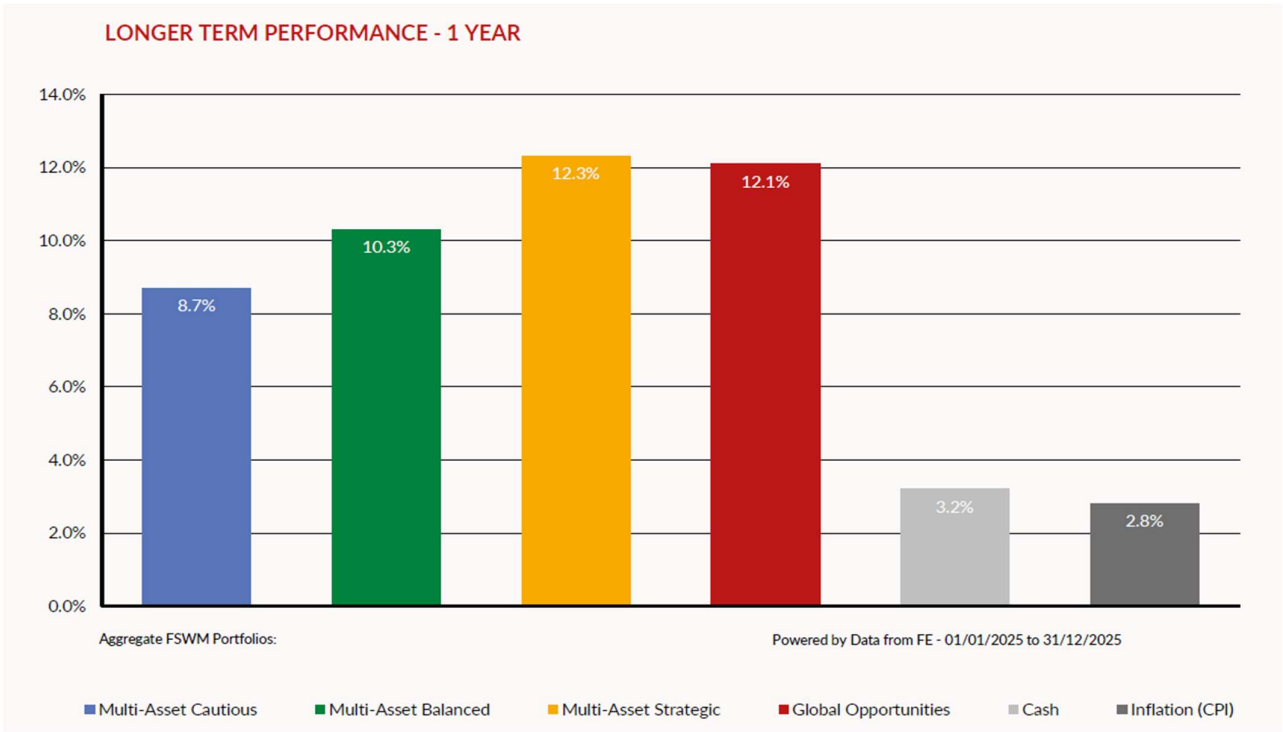
DISCRETE PERFORMANCE - QUARTER FOUR 2025



APM PORTFOLIOS – LONGER TERM PERFORMANCE

The first graph below shows how the APM portfolios have performed over 12 months. For comparison, the returns of cash (MoneyFacts 90 days' notice 10K) and inflation (UK Consumer Price Index) are also shown. The second graph illustrates how the portfolios have performed since launch (1st November 2008).

As with the graphs on the previous page, the figures for each category are aggregated.



PERFORMANCE REVIEW

Again, this quarter you were rewarded for taking risk with the more adventurous strategies posting the best results. This was also the case over the year, however the more cautious mandates also delivered high single digit returns which was a really pleasing result. We remain of the opinion that our diversified approach to asset allocation within the portfolios will continue to benefit returns, which are increasingly being driven by a more multifaceted selection of factors.

APM FUND REVIEW POLICY

A key part of the APM service is to monitor the underlying performance of each fund within the portfolios for both risk and return. We have selected quality funds with strong track records and therefore do not envisage a high turnover of holdings.

However, there will be occasions when the performance of an individual fund will lead to its expulsion from the portfolio(s). There are several factors that determine this decision, for example consistent under-performance, change of management team etc. It is also important, however, to have patience with a fund that is just suffering short-term under-performance.

We operate a “traffic light” system and will move a fund from a “green” to “amber” rating if the fund requires closer scrutiny at the next review. If a fund shows sufficient improvement, it will move back to “green”.

If the fund consistently under-performs without good reason its status will change to “red” and the fund will be removed from the portfolio(s). A replacement fund will be selected and all clients holding the fund within their portfolio will be notified. Upon receipt of their authority, the client’s funds will be switched accordingly.

RESULTS OF FUND & ASSET ALLOCATION REVIEW

The Investment Committee meets on a quarterly basis and one of its primary functions is to review our existing fund range.

Within this meeting we scrutinise any funds which we feel are performing significantly differently to their peer group or benchmark, with a number then run against our internal performance and risk measurements.

The changing backdrop for the forthcoming year has led us to make a number of changes to the make-up of the portfolios. We will write to you over the coming months outlining the changes we are making.

IMPORTANT INFORMATION

This report has been issued by the Investment Committee of the Finance Shop Wealth Management team using data provided by Financial Express. Care has been taken to ensure that the information is correct but Financial Express and Finance Shop neither warrants, represents nor guarantees the contents of the information, nor does Financial Express or Finance Shop accept any responsibility for errors, inaccuracies, omissions, or any inconsistencies herein.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Currency fluctuations can also affect fund values. The above report does not constitute advice and you should speak to your Independent Financial Adviser before you make any alterations to investments or pension plans.

The instruments recorded above are weighted model portfolios created using Financial Express Analytics. Performance figures shown are based on the weighted models and may differ from the actual returns achieved by investors. Performance figures shown are based on bid-to-bid gross returns and do not include plan, contract, or ongoing adviser charges / commission. Please refer to your policy documentation for further details.

