CORE MPS
Review 2025

Introduction

2025 was a pleasing year for the Core MPS with returns ranging from +9.1% for Defensive and +13.0% for Income & Growth. Each portfolio outperformed its ARC private client peer group comparator.

Equities

For this first time in many years global equities were not led by the US, as investors sought out other, more reasonably priced markets. For sterling investors, the weakness of the US dollar also proved a headwind for US equities. The list of holdings within the range generally performed strongly.

UK Equities

The UK market ended the year near multi-year highs, supported in particular by financial stocks. More domestically focused mid and small caps lagged on softer growth and uncertainty over Rachel Reeves' Autumn Statement. Redwheel UK Equity Income (+27.8%) and Fidelity Special Situations (+26.1%) outperformed, although the return from L&G UK 100 Index (+25.6%) was also impressive. FTF Clearbridge UK Equity Income (+21.8%) lagged due to its more defensive nature and Premier Miton UK Multi Cap Income (+17.3%) was held back on a relative basis by its exposure to mid and small caps. The only real disappointment was Lindsell Train UK Equity (-7.1%) which has seen its exposure to high quality companies struggle in an environment where value stocks have done much better. However, this fund has now seen a five-year period of poor performance. We reduced the position significantly during the year and only retain it in the higher risk models where the UK allocation is greater and we wish to retain some diversification. Its position in the range in 2026 is being looked at closely.

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US Equities

The US allocation provided the most headaches for us as the market was once again driven by technology names. Vanguard US Equity Index (+8.7%) demonstrated the more muted returns from the broader market and our only holding to outperform was BNY Mellon US Equity Income (+9.8%). T Rowe Price US Structured Research (+8.0%)* and Schroder US Equity Income Maximiser (+7.1%) marginally lagged but GQG Partners US Equity (-13.9%) and Premier Miton US Opportunities (-11.6%) were very poor. GQG cut virtually all of its allocation to technology in May last year on valuation concerns and Premier Miton is a mid-cap focused fund with zero exposure to the 'Mag 7'. This lack of exposure to the stocks that drove the market forward was painful for these two funds and we are conscious that as a result, the Core MPS range in general is very underweight technology. However, with more and more market commentary focused on the eye-watering levels of capex that we are seeing from these companies as they chase the AI story, this may be the wrong time to make any big moves. It is safe to say that this part of the portfolios will be receiving the most scrutiny in 2026.

European Equities

European equities had a good year and were boosted by a newly agreed US-EU trade deal, which helped ease tensions and improved clarity for businesses. Our sole position here is in HSBC European Index Fund (+ 26.7%) which provides exposure to the largest companies in Europe. Our lone position in Japan, Baillie Gifford Japanese (+16.3%) outperformed its benchmark, although the weakness of the yen was a headwind for sterling investors.

Asian and Emerging Market Equities

We were delighted to see a return to form for Asian and Emerging Market equities after a tough few years. Going into 2024, our allocation here had been relatively defensive and with a significant underweight to China. We spent the rebalances of 2024 adding to the China allocation as well as to funds that would outperform in any recovery of these markets and were rewarded in 2025 with Baillie Gifford Emerging Markets Leading Companies (+26.1%) and Fidelity Asia (+25.7%) delivering for us. The more defensive Schroder Asian Income Maximiser (+19.3%) lagged, but we would expect this to be the case in strong markets. The only disappointment was India which had been the biggest beneficiary of the previous few years 'anything but China' trade. Stewart Investors Asia Pacific Leaders (+2.6%), which has a significant overweight to India, lagged markedly, although we would note that it didn't lose money for our investors.

Bonds

Perhaps unsurprisingly, the list of bond holdings provided steady, although far less spectacular returns. Within the government bond exposure, both US conventional and index-linked bonds outperformed their UK counterparts; Vanguard US Government Bond (+6.0%) edging ahead of iShares Up To 10 Years Gilts Index (+5.7%) and Vanguard UK Government Bond Index (+5.0%)* whilst CG Dollar Fund (+5.5%) compared to iShares Up To 10 year Index Linked (+3.5%). Both US bond positions are in hedged share classes, meaning that they are not affected by currency fluctuations and so did not suffer from the weakness in the dollar over the year. Corporate bonds saw spreads tighten throughout the year meaning that the excess return investors are being paid to take on corporate over government risk is at its narrowest level in many years. As a result, we have entirely short duration exposure here with the bulk of returns expected to come from income. Vontobel TwentyFour Absolute Return Credit (+5.9%) marginally outperformed M&G UK Inflation Linked Corporate Bond (+5.3%).

Alternatives

We hold alternative assets to provide diversification for the portfolios and look at them from a relative attraction point of view versus bonds. Throughout 2025 we have been overweight alternatives and underweight bonds compared to our long-term strategic frameworks. The returns generated throughout the year vindicate our thinking.

Gold

The star of the range over the year was undoubtedly the position in Invesco Physical Gold (+53.5%). The price of gold surged throughout the year due to geopolitical tensions, stubborn levels of inflation, concerns over debt sustainability in developed markets and continued central bank buying. Gold has formed a strategic part of our portfolios for many years and we see the price continuing to be supported for the foreseeable future.

Hedge Funds

Our hedge fund names produced excellent returns. AQR Managed Futures (+15.3%)* led the way but was closely followed by Fulcrum Diversified Absolute Return (+10.6%) and Atlantic House Defined Returns (+9.1%).

Property & Infrastructure

Finally, property and infrastructure names were helped by the backdrop of lowered interest rates in the UK and US and enabled Sanlam NinetyOne Real Assets (+8.5) to also make positive ground.

*holding not held for entire year

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