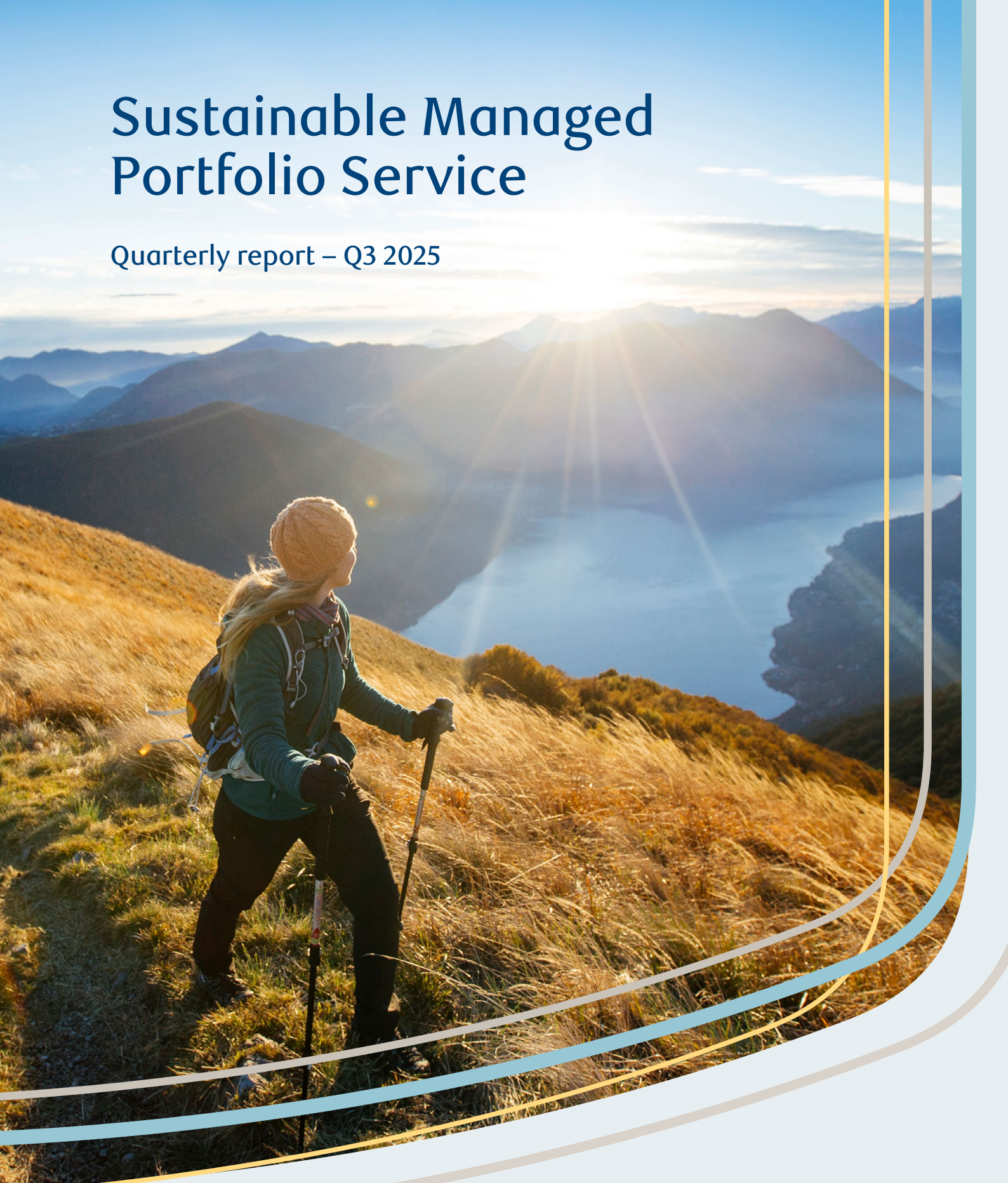


# Sustainable Managed Portfolio Service

Quarterly report – Q3 2025



This portfolio is not in scope of the UK Sustainable Investment Labelling and Disclosure requirements and does not carry an FCA sustainability label.



Brewin  
Dolphin

# Introduction

**Welcome to the RBC Brewin Dolphin Sustainable Managed Portfolio Service (SMPS) investment review. In this report, we cover information and events that influenced performance during the third quarter of 2025.**

The third quarter saw major central banks begin to chart different courses. In the U.S., the Federal Reserve (the Fed) cut interest rates by 0.25% in September, paving the way for further reductions in 2025 and beyond. The Fed has prioritised supporting the jobs market, even as inflation remains above target. In contrast, the Bank of England (BoE) and the European Central Bank (ECB) have kept rates steady. The BoE is concerned by persistent inflation, while the ECB thinks inflation and interest rates are currently at a stable level.

The quarter saw political drama that tested markets' confidence in the Fed's independence. Events included President Donald Trump's vocal pressure of Fed Chair Jay Powell to lower interest rates, the president's attempt to fire Fed Governor Lisa Cook, and his appointment of Stephen Miran, a Trump loyalist, as Fed governor.

The U.S. jobs market softened over the quarter, with slowing job gains, falling vacancies and easing wage pressures. The slowdown could be part of a natural rebalancing after the post-COVID-19 hiring surge, when job openings far exceeded the number of unemployed. It may also reflect temporary caution from companies amid lingering tariff uncertainty.

Although a weaker job market increases economic risks, our view is that it's not sinister enough to trigger a recession. Other economic data was encouraging; household spending and retail sales remained resilient, wages continued to outpace inflation, and business optimism is improving.

This 'temperate' economy – where the economy remains on solid footing despite some weak patches of data – is referred to by economists as a 'Goldilocks economy' – not too hot and not too cold. A too hot economy would force the Fed to keep rates high, while a too cold economy would risk an economic contraction.

The 'Goldilocks economy' is positive for markets as it eases financial conditions (although the Fed considers cut interest rates of 4.25% restrictive, the neutral rate being estimated at 3% implies there's room for future cuts). Real wage growth and tax cuts also continue to support household spending and the case for a broadly resilient economy heading into 2026.

Corporate earnings have been better than expected, with technology continuing to lead the way. AI-related investments and infrastructure spending are translating into real revenue and profit growth. Companies exposed to cloud services, semiconductors and enterprise software are particularly reaping the rewards.

# The big picture in Q3 2025

The third quarter saw a number of developments on environmental and social topics. Highlights to note include:

- Brazil announced its cornerstone \$125 billion investment in the Tropical Forests Forever Facility. The fund will combine sovereign and private sector contributions and will be managed like an endowment that pays countries annual stipends based on how much of their tropical forests remain standing. The idea is to raise \$25 billion in junior, risk-bearing capital from developed countries, supplemented by \$100 billion from institutional investors, with proceeds invested in corporate and sovereign bonds.
- S&P 500 firms defy the environmental, social and governance (ESG) backlash by keeping ESG oversight. About 430 companies had a board committee responsible for sustainability activities as of 2024, doubling since 2018. While almost all Fortune 500 companies made diversity-related commitments, only 27% showed verified follow-through. Black women are still 2.6 times more likely to be in an entry-level position than an executive role, and women of colour comprise only 4% of leadership at companies like Apple and Google.
- China's carbon market, the world's largest emissions trading scheme (ETS), relies on benchmarks tied to carbon intensity. Beginning in 2027, it will impose absolute emissions caps in selected industries. By 2030, a nationwide ETS will be fully established. The regulation also opens participation to banks and financial institutions, a move that's expected to boost liquidity and strengthen price discovery. This change is also consistent with international carbon markets, such as the European Union (EU) Emissions Trading System, where absolute caps are the standard.
- In Europe, nearly 30% of the STOXX Global 1800 revenues are materially dependent on water, with pharmaceuticals, packaged foods and meats, and real estate investment trusts (REITs) among the most vulnerable to water risks. The EU's deforestation footprint is largely tied to imported palm oil, soy, wood, cocoa, coffee, cattle, and rubber. The EU Deforestation Regulation (EUDR) will require all producers to disclose their no-deforestation due diligence statements from April 2026.

# Market overview Q3 2025

- Equity markets rose strongly over the last quarter, driven by optimism about artificial intelligence (AI)'s long-term potential to boost productivity. Whether that optimism is fully justified will take time to reveal, but for now, markets are responding positively to significant capital investment being made by major tech companies.
- The strongest contributors to equities' positive performance were Asia and Emerging Markets, Japan, and North America, which all rose by 10% or more. Developed Europe ex-UK added 5%, while the UK market delivered a solid 6.9% uplift. This broad-based equity rally helped lift portfolios. In Alternatives, the standout performer was gold, which advanced 18.4% during the quarter. Property also contributed 5.1%, while Absolute Return added a more modest 1.6%.
- Microsoft, Meta and Alphabet have announced hundreds of billions of dollars in capital expenditure over the coming years and have seen their share prices rise. More recently, we've seen Nvidia invest \$100 billion in OpenAI, the maker of ChatGPT, underlining the optimism in technology.
- Bonds made more modest gains. Bond prices rose, supporting lower-risk portfolios in particular. This was partly due to the U.S. Federal Reserve cutting interest rates under pressure from U.S. President Donald Trump, who appointed a trusted adviser, Stephen Miran, to its board.
- Global Corporate Bonds rose 2.2%, while Global Inflation-Linked (+0.8%) and Global Sovereign (+0.7%) were flat-to-positive. The only negative was UK Sovereign Bonds (-0.6%), reflecting higher gilt yields. UK Corporate Bonds managed +0.8%.
- Meanwhile, gold has had another bumper quarter, rising over 18% in sterling terms.

The value of investments, and any income from them, can fall and you may get back less than you invested.

# Sustainable MPS performance highlights Q3 2025



## Asset allocation

### What worked and why?

The third quarter saw robust performance from equity markets. This meant our decision to be overweight equities contributed positively to performance.



### What didn't work and why?

Being underweight corporate bonds was unhelpful as credit spreads (the amount investors are paid for taking additional risk over government bonds) remained at near historically low levels.

## Fund selection

### What worked and why?

The third quarter saw a significant rebound in some of the renewable names that have had a tough 12 months. Schroders Energy transition fund continued its strong performance and was the most significant contributor. We also saw relative outperformance from Schroders Global Cities and BNY Mellon Dynamic Bond fund.

### What didn't work and why?

Unfortunately, the third quarter was generally a challenging one for active equity managers, and so it was a tough quarter for selection. Brown Advisory in particular suffered, as it had a couple of names disappoint – specifically Marvell and The Trade Desk. Evenlode Global Income and Liontrust US Sustainable Growth also underperformed their benchmarks.

The value of investments can fall and you may get back less than you invested.

# Sustainable MPS portfolio changes Q3 2025

## Asset allocation

The Asset Allocation Committee made no changes in July and September. In August, it voted to raise the overweight to global inflation-linked bonds slightly, from 1% to 1.5%. This was paid for by cutting our position in global conventional government bonds from 0.5% overweight to neutral.

The decision was made in light of the announcement of U.S. tariffs on more than 90 countries around the world. Tariffs are likely to put upward pressure on prices, leading to inflation at least over the next year or so. Currently, markets are only pricing in an expectation of inflation being around 2.4%, but this figure could turn out to be higher.

## Fund selection

In August, following the asset allocation committee's guidance we decreased the exposure to Global Sovereign Debt by 0.5% whilst adding it to Global Index Linked by the same amount. Index-Linked bond should prove a better diversifier for portfolios should inflation turn out to be higher than expected.

# SMPS performance

| SMPS performance (%)                  |     |          |     |      |      |      |      |      |       |
|---------------------------------------|-----|----------|-----|------|------|------|------|------|-------|
|                                       | Q3  | 2025 YTD | 1yr | 2yr  | 3yr  | 4yr  | 2024 | 2023 | 2022  |
| <b>Income Portfolio</b>               | 2.5 | 3.8      | 3.2 | 14.8 | 18.8 | 5.5  | 4.4  | 7.5  | -11.7 |
| <b>Income Higher Equity Portfolio</b> | 2.8 | 3.7      | 3.4 | 15.7 | 20.4 | 7.4  | 5.1  | 8.3  | -11.7 |
| <b>Balanced Portfolio</b>             | 3.1 | 3.7      | 3.5 | 16.1 | 21.1 | 8.9  | 5.4  | 8.5  | -11.5 |
| <b>Growth Portfolio</b>               | 3.5 | 3.7      | 3.9 | 17.5 | 23.3 | 11.3 | 6.4  | 9.4  | -11.6 |
| <b>Global Equity Portfolio</b>        | 4.1 | 4.0      | 4.7 | 19.6 | 26.9 | 15.0 | 7.8  | 10.7 | -11.7 |

Inception date: 26 April 2021.

All figures shown above are calculated to 30 September 2025.

Performance Calculation: All income is reinvested. Performance is shown inclusive of underlying fund charges but gross of RBC Brewin Dolphin's investment management charge. Deduction of this charge will have the result of reducing the illustrated performance. Neither simulated nor actual past performance are reliable indicators of future performance.

# Funds in focus Q3 2025

## Stewart Investors Asia Pacific Leaders Sustainability Fund

The Stewarts Asia Pacific Leaders fund has been successfully managed over 22 years, continuously enhancing its process as challenges shift and management responsibilities pass between generations of analysts.

Sustainability remains the starting point of the strategy's stock selection process, as it looks to find the most attractive companies that can be held over the long term within the Asia-Pacific region.

Stewarts has long set the standard within the fund management industry with regards to its approach to sustainability. It looks beyond environmental impact and encompasses all company stakeholders within its approach. It believes that owning companies that deliver benefits to both society and the environment will mean facing fewer risks and having access to more enduring opportunities over its truly long-term investment horizon.

Stewarts' analysis is constructed around three main pillars, focusing on:

- Company management – including the quality and longevity of all senior levels of management and their actions taken
- The franchise – ensuring the business model and practices at an operational level are sustainable and exposed to profitable growth opportunities
- Financials – looking for strong balance sheets, conservative accounting and resilient cash flows

This approach creates a portfolio of resilient high-quality companies that could provide good capital protection during market drawdowns while aiming to steadily compound over the years.

With a preference for high-quality businesses and a focus on management, the strategy has historically had a sizeable overweight to India, particularly in relation to less cyclical industries and businesses that don't rely on government intervention to drive profits and growth.

**Marcus Stuart-Smith**  
Analyst

## BNY Mellon Sustainable Global Dynamic Bond

The fund is a bond strategy with an objective of achieving cash +2% over the long term through a diversified range of alpha sources, including developed and emerging market sovereign bonds, investment grade and high-yield corporates, and currencies.

Alongside generating a financial return, the team also seeks to invest with a clear intent to deliver environmental and/or social outcomes, governed by Newton Investment Management's sustainable investment framework.

The fund's flexible approach has meant that it has been successful in achieving positive absolute returns in a range of market environments. Minimising drawdown has been key to driving its long-term track record. The fund can be viewed in portfolios as a low-risk strategy focused on capital preservation, and a diversifier from traditional market exposures.

The sustainable framework means that the investments in the portfolio are focused on companies that have a portion of revenues addressing a sustainable theme, such as combatting climate change and responsible use of natural resources, while avoiding investments in harmful sectors such as tobacco and controversial weapons. The team also has a sustainable process for analysing sovereigns.

A recent portfolio example is Trane Technologies, a company whose core products are heating and cooling systems, which represent 25% of global carbon emissions. By producing systems that are 20-40% more efficient than the legacy systems they replace, Trane is pledging to reduce one gigaton of carbon emissions from customers' footprints by 2030.

The team views the investment in Trane's bonds as an opportunity to tap into significant growth that's aligned with the global drive to reduce carbon emissions. As a result, it expects further credit quality improvement and associated spread resilience.

**Michaela Melia**  
Analyst

# Sustainable MPS Income

## 30 September 2025

### Carbon intensity

Carbon Intensity measures a portfolio's exposure to carbon intensive businesses and is a recommended metric for assessing Carbon Risk by the Task Force on Climate Related Financial Disclosures (TCFD). It is calculated as a weighted average of each portfolio companies total Scope 1<sup>1</sup> and Scope 2<sup>2</sup> Carbon Emissions divided by their annual Sales, with a lower score representing less (better) Carbon Intensity.

Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest Carbon Emissions (such as Utilities) also have the highest potential for reducing their Carbon Emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

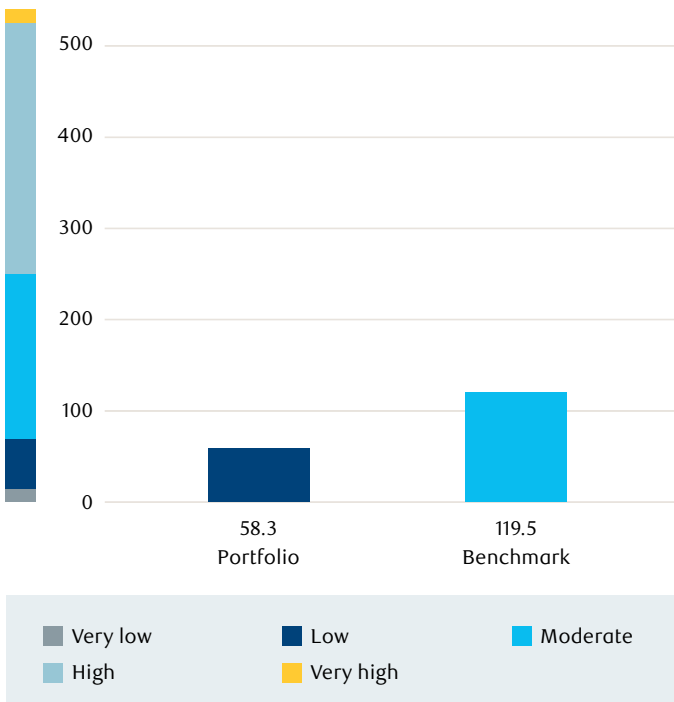
### References:

<sup>1</sup> Scope 1: All direct GHG emissions from sources owned or controlled by the company (e.g. emissions from combustion in owned boilers, furnaces).

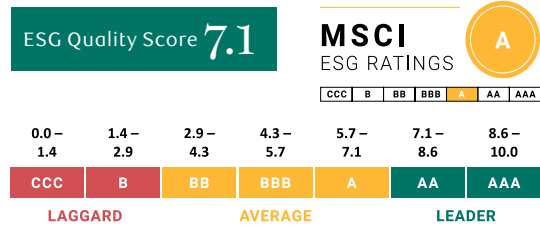
<sup>2</sup> Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 45% Global equity, 55% Global aggregate bonds.

### Carbon intensity vs benchmark (TCO<sub>2</sub>e / \$m sales)

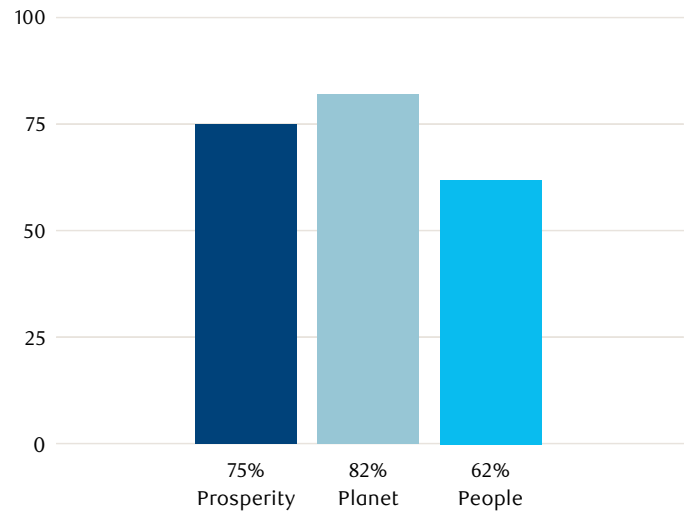


### MSCI ESG ratings



MSCI's ESG ratings are designed to measure a company's resilience to financially material, environmental, societal and governance risks. They are not meant to serve as a measure of corporate goodness, a barometer on any single issue or a synonym for sustainable investing. Certain information ©2022 MSCI ESG Research LLC. Reproduced by permission.

### SDG alignment



The UN SDG Alignment provides a framework for considering a broad set of seventeen sustainability issues. Although not intended for investment purposes, it provides a useful context for measuring a portfolio's alignment with these goals.

We select 12 of these SDGs and place them into three sustainability themes: People, Planet, and Prosperity, with each sustainability theme consisting of four SDG goals. We use fund alignment data from MSCI to measure the alignment of the portfolio to each of our three sustainability themes. To calculate this, we take a weighted average of each fund's alignment to each of the three sustainability themes.

For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

### Prosperity



### Planet



### People



# Sustainable MPS Income Higher Equity 30 September 2025

## Carbon intensity

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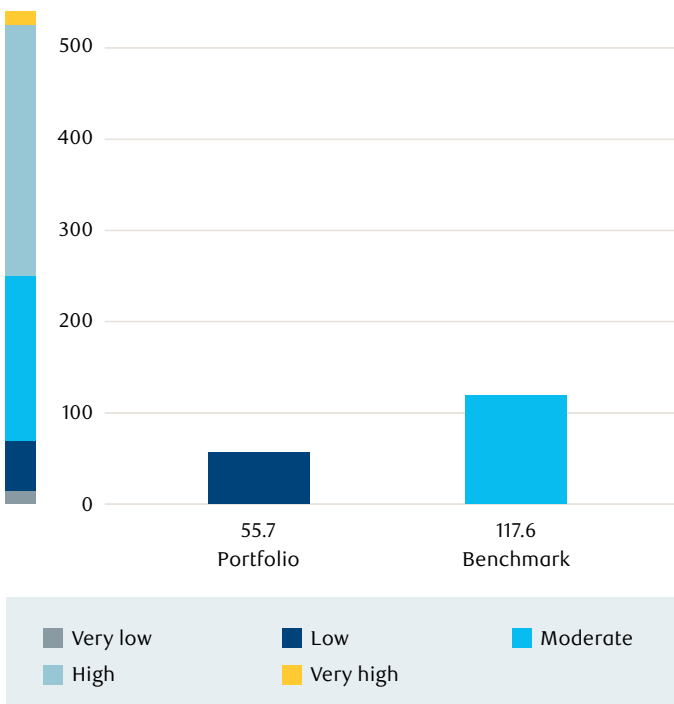
## References:

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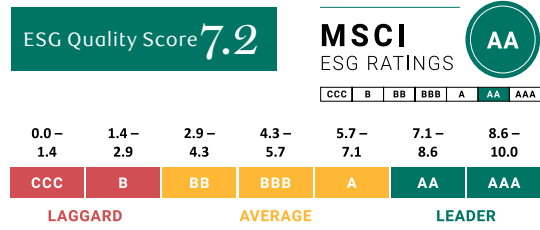
<sup>2</sup> Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 55% Global equity, 45% Global aggregate bonds.

## Carbon intensity vs benchmark (TCO<sub>2</sub>e / \$m sales)

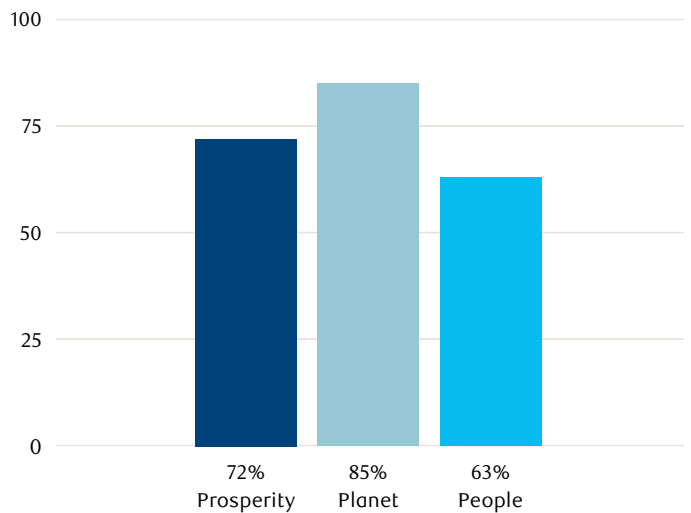


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For instance, if Fund A is a 10% holding in the portfolio, and within the People theme is aligned with both "Zero Hunger" and "Gender Equality" but not the other two SDGs, then the fund will contribute 5% to the overall score of the People theme: 2.5% through Gender Equality and 2.5% through "Zero Hunger".

### Prosperity



### Planet



### People



# Sustainable MPS Balanced

## 30 September 2025

### Carbon intensity

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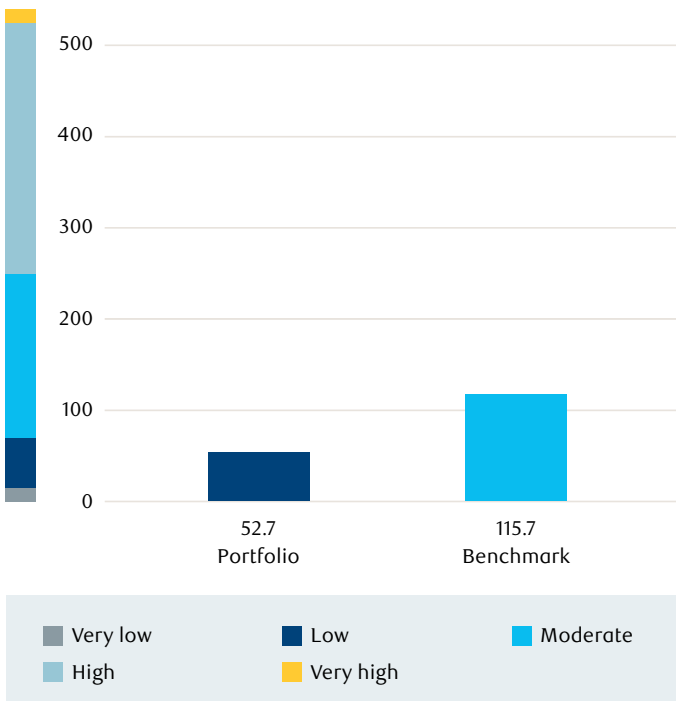
### References:

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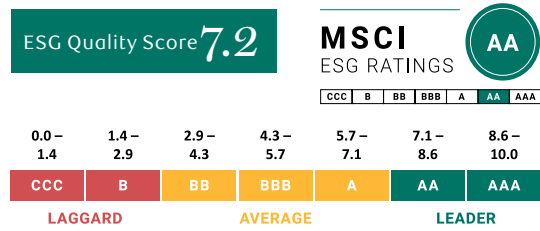
<sup>2</sup> Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 70% Global equity, 30% Global aggregate bonds.

### Carbon intensity vs benchmark (TCO<sub>2</sub>e / \$m sales)

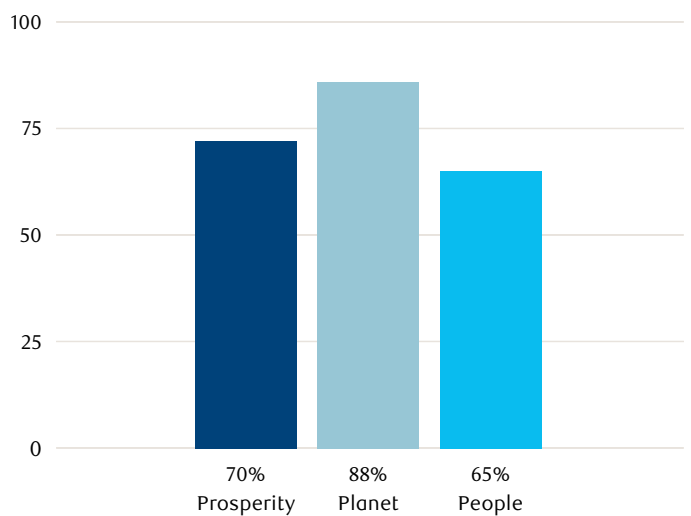


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### Prosperity



### Planet



### People



# Sustainable MPS Growth

## 30 September 2025

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Comparisons of Carbon Intensity figures should be made with caution, as generally companies in the sectors with the highest Carbon Emissions (such as Utilities) also have the highest potential for reducing their Carbon Emissions. We believe it is important to encourage these reductions in carbon emissions where they have the potential for highest impact.

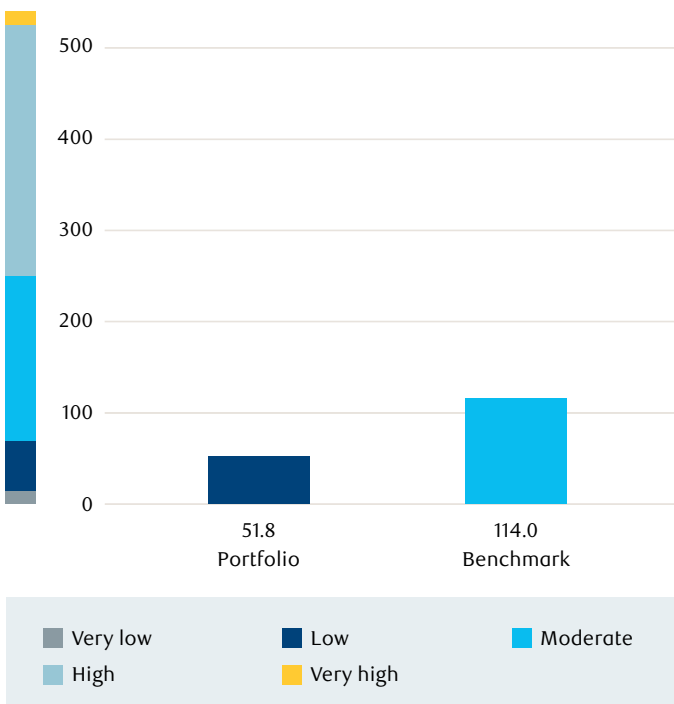
### References:

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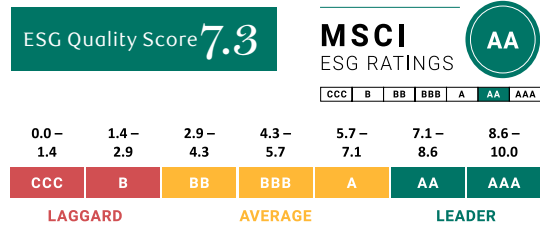
<sup>2</sup> Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 85% Global equity, 15% Global aggregate bonds.

### Carbon intensity vs benchmark (TCO<sub>2</sub>e / \$m sales)

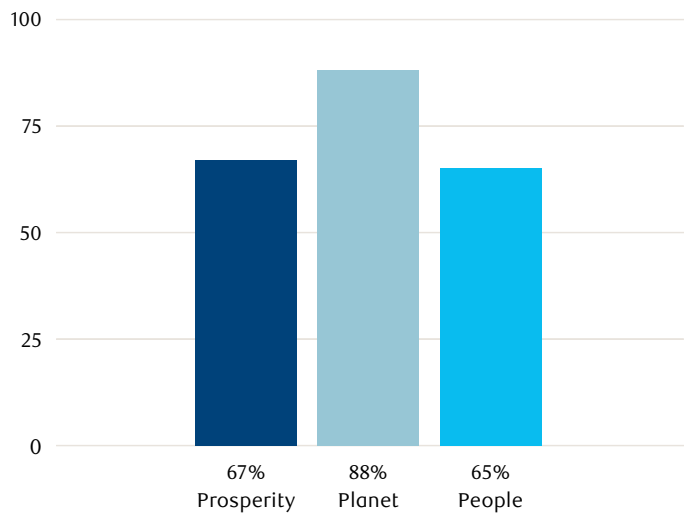


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### Prosperity



### Planet



### People



# Sustainable MPS Global Equity

## 30 September 2025

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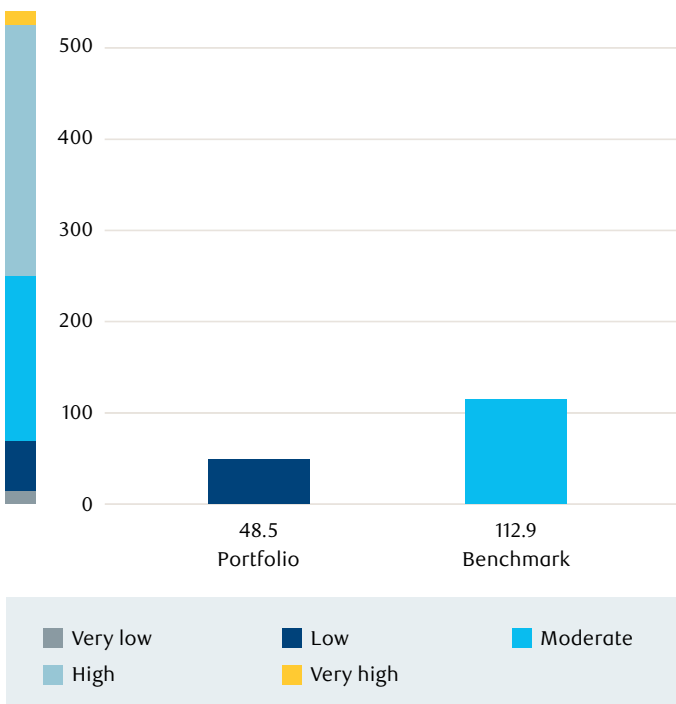
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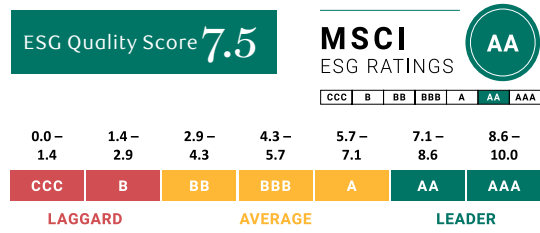
<sup>2</sup> Scope 2: Indirect GHG emissions that occur from the generation of purchased electricity, steam or heat consumed by the company.

Benchmark for comparison: 100% Global equity.

### Carbon intensity vs benchmark (TCO<sub>2</sub>e / \$m sales)

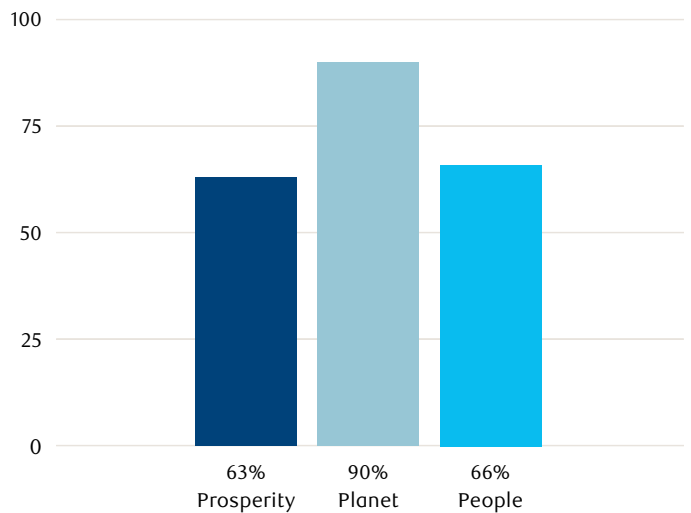


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### Prosperity



### Planet



### People



# Asset Allocation Committee investment outlook

These views are implemented across our portfolios but there may be deviations where asset classes or suitable investments are unavailable or excluded.



## Cash

We hold an overweight in cash, which provides some ammunition we can deploy when the outlook for other typically higher-yielding asset classes improves.



## Bonds

Our sense is that the greater risk is that global bond yields rise rather than fall from current levels.

With Japan set to get a new prime minister who's in favour of a more proactive fiscal policy, this should help further solidify the re-emergence of inflation, eventually leading to additional Bank of Japan rate normalisation, and further upside in Japan government bond yields.

In Europe, French bonds deserve to be trading on a bigger risk premium given the political backdrop and ugly debt arithmetic, in our view.

In the U.S., in our base case scenario (which sees economic growth slow, but not excessively), there's limited room for Federal Reserve interest rate expectations to move lower. Meanwhile, we expect the U.S. term premium and inflation expectations to rise.

UK gilts should outperform, but we acknowledge the risk that the Labour party does something to disappoint the bond market. We continue to favour government bonds over corporate bonds.

With spreads tight, and given our desire to stick with a small equity overweight, our bond positioning acts as a partial portfolio hedge against recession risk.



## Global Equities

We expect the global economy to continue to expand, which is consistent with corporate profits going up. We also believe there's potential for artificial intelligence (AI) themes to drive both strong economy-wide productivity and continued solid profit gains among the AI pick-and-shovel plays.

However, we believe only a small equity overweight is appropriate. For one, there's limited room for cyclical economic growth. Most economies are close to full employment and there isn't much scope for labour force participation to rise. Meanwhile, U.S. President Donald Trump's immigration clampdown is weighing on U.S. labour force growth. The upshot is that there's limited room for jobs growth.

Further, U.S. equity valuation multiples, concentration risk, and growth expectations among the AI plays are all elevated, and signs of froth have emerged. Finally, the large increase in U.S. tariffs should weigh on global growth and result in higher U.S. inflation than would otherwise be the case.

## ↓ Alternatives

We retain a small overweight in gold. We expect central banks to continue to diversify their reserve holdings out of the dollar and other developed world currencies. Meanwhile, there's scope for retail investors to raise their allocations to gold. The yellow metal also acts as a partial portfolio hedge against several risks.

First, the impact of tariffs. While most economists believe that the large increase in U.S. tariffs will weigh on growth and result in higher inflation than would otherwise be the case, the magnitude is highly uncertain. If the impact ends up being stronger than the consensus expects, gold should do well.

Another risk is longer-term in nature. Deglobalisation, a changing age structure of society that results in fewer workers relative to consumers (pushing up wage growth), and persistently high government deficits could result in somewhat higher inflation than central banks are targeting. Gold, being a real asset with a limited supply, would do well in this environment.

Finally, while we attached a low probability to this risk, gold would likely soar in the event that China invades Taiwan.

## → UK Equities

UK relative performance should continue to be closely linked to global value vs growth style performance. Some exposure to the value plays that the UK is so heavily weighted in is appropriate, in our view.

Although the domestic economic outlook is less important for UK equity relative performance given the high international exposure of the names that make up the UK large cap index, it still matters. Indeed, there's a positive relationship between the performance of UK vs global gross domestic product (GDP) and UK vs global equity performance. The UK economic growth outlook appears lacklustre. This is offset somewhat by the fact that the equity market trades on very undemanding valuation multiples.

## ↓ U.S. Equities

The U.S. should maintain the productivity growth advantage it has enjoyed against the rest of the developed world.

Meanwhile, the U.S. equity market has outsized exposure to surging demand for AI goods and services. Nevertheless, we hold a tactical neutral position in the U.S., for several reasons. While the mega-cap digital names are trading on relatively high valuation multiples, this is less of an issue if they can continue to strongly expand profits. But that will be challenging, not least given how big these companies already are. In addition, the S&P 500 (excluding the 'Magnificent Seven') also trades on a large price-to-earnings premium to the World ex U.S. market.

While the dollar has stabilised from a short-term oversold position, our sense is that it has scope to decline further over the medium to longer term. A weak dollar would weigh on U.S. equity relative performance in common currency terms.

Weaker labour force growth due to the Trump administration's immigration clampdown, and the potential for tariff-related pain, are additional concerns.

### Europe ex UK Equities

We remain modestly overweight Europe ex UK. The region's valuation metrics are significantly less demanding than those of the U.S.

The euro exchange rate remains cheaply valued vs the dollar (relative to estimates of the purchasing power parity conversion rate), which suggests it has scope to strengthen further over the longer term. If correct, that would support Europe ex UK equity relative performance in common currency terms.

We expect only modest corporate profit growth given European economic growth prospects are subdued. A big boost to German defence and infrastructure spending should help close the growth gap with the U.S. somewhat.

Europe would also perform relatively well if some of the hot air comes out of the AI trade, as the region has relatively low exposure to it.

### Japan Equities

Japan has implemented shareholder-friendly reforms, which could help drive a further expansion in relatively depressed price-to-book multiples.

Japan is now experiencing a healthy dose of inflation, with wage growth strengthening. Importantly, inflation expectations have also picked up. However, demographics amount to a major structural headwind for Japanese equity relative performance.

Meanwhile, with the unemployment rate low and labour force participation high, Japan doesn't have much scope to put idle economic resources to work to drive cyclical growth.

### Asia ex Japan Equities

China continues to battle multiple structural headwinds. That said, various revelations this year in areas like AI and electric vehicles have served as good reminders that China excels at innovation.

Chinese productivity growth has been much stronger than any other major country over the years, and that's likely to remain the case going forward. In addition, there's been a thawing in the relationship between the Chinese Communist Party and big business.

Finally, with deflation a much bigger risk than inflation, there's lots of scope for the authorities to pursue more stimulative monetary and fiscal policy.

In Asia ex Japan more broadly, we're drawn to the structural growth that India offers, not least because it's still at a very early stage of development, with lots of upside. Another attraction is Taiwan and the exposure to semiconductors that comes with it, which can be bought more cheaply than the U.S.-exposed names.



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