

ARC Research 2025: Year in Review



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2025: Year In Review

The year 2025 ended with a positive quarter for financial markets. Following a hesitant start to Q4, with AI-related stocks coming under pressure due to valuation concerns, equity markets rallied strongly into year-end with the S&P World Index finishing 2025 just shy of all-time highs.

For 2025 as a whole, markets performed significantly well, supported by favorable monetary conditions combined with strong corporate earnings announcements. Returns for most private client investors are expected to have been well ahead of the long-term averages for the third year in a row.

The table below sets out the estimated returns for private client portfolios across the five ARC Private Client Indices (PCIs) and four PCI risk categories.

2025 Performance %	GBP	USD	EUR	CHF	CAD
Cautious	6.6	8.7	4.0	3.1	5.4
Balanced Asset	8.7	11.7	4.4	4.9	10.0
Steady Growth	9.1	13.3	4.4	6.0	12.6
Equity Risk	9.5	14.3	3.7	6.8	15.4

Source: ARC Research, now a part of S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Dec. 31, 2025 (Q4 2025 performance is estimated). Table is provided for illustrative purposes. Past performance is no guarantee of future results.

There were significant currency moves over the course of the year, and these moves explain much of the difference in performance between the various indices. The U.S. dollar was weak, especially in the first half of the year as markets digested the implications of President Trump’s trade policies. The U.S. Dollar Index (DXY) ended the year 9.4% lower. The Canadian dollar also came under pressure, while the Swiss franc and the euro were the main beneficiaries of the U.S. dollar’s weakness, rising 14.4% and 13.4%, respectively.

Within fixed income markets, U.S. and U.K. government bond yields fell and the curves steepened as further rate cuts were priced in. Turning to Europe, German yields edged higher while the best performance was found in the peripheral markets of Spain, Italy and Greece, all of which saw their spreads over German Bunds narrow significantly. Credit risk was rewarded, with investment grade, high yield and emerging market spreads tightening.

Gold had another exceptional year, up 62% in U.S. dollar terms, taking the rally from the 2022 lows to over 150%. Bitcoin once again grabbed much of the headlines but ended the year 6% lower at around USD 88,000—well below the highs of USD 125,000 seen just three months prior.

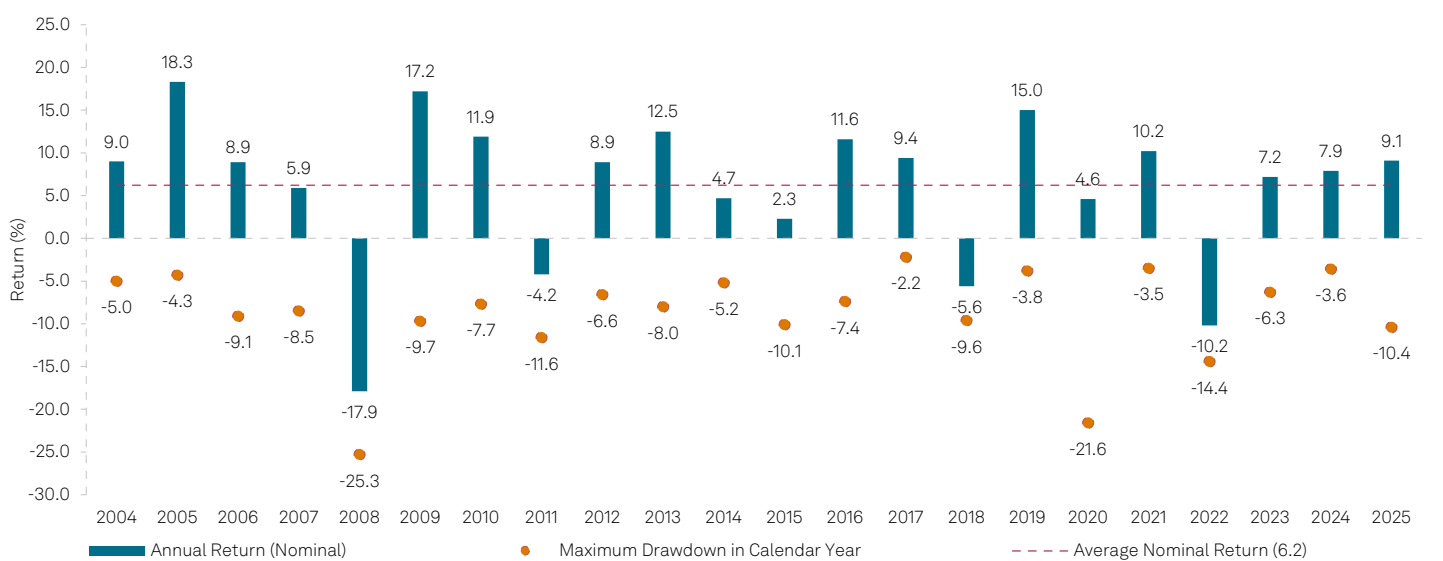
For the third successive year, equity investors enjoyed strong performance, with the S&P World Index increasing 13.6% in GBP terms (total return). This follows a 21.6% rise in 2024 and 17.5% gain in 2023.

In contrast to 2023 and 2024, gains were reasonably widespread. In the previous two years, the bulk of the global stock market performance was driven by a small number of U.S. mega-cap growth stocks. During this period, global growth materially outperformed global value (as measured by the S&P World Growth Index and S&P World Value Index, respectively) and U.S. equities outperformed the rest of the world (as measured by the S&P United States BMI and S&P Global Ex-U.S. BMI, respectively). In 2025, these trends reversed, and while the Magnificent 7 as a group once again delivered strong absolute returns, there were opportunities for discretionary fund managers to add value at the country and sector level without the need to have material exposure to these seven names.

The Longer-Term Picture

How has the performance of a typical private client portfolio in 2025 compared to that experienced in previous years?

By way of illustration, the chart below plots calendar year nominal returns and maximum drawdown in each of the 22 years since 2004 using the daily estimated series for the ARC Sterling Steady Growth Private Client Index (Sterling Steady Growth PCI).



Source: ARC Research, now a part of S&P Dow Jones Indices LLC. Data from Jan. 1, 2004, to Dec. 31, 2025 (Q4 2025 performance is estimated). Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

In 2025, the Sterling Steady Growth PCI recorded a nominal return of 9.1%, which is comfortably above the historical average of 6.2%.

Unlike 2024, which was a relatively “stress-free” year as measured by maximum drawdown, the resolve of this group of investors was tested in 2025. During the sharp sell-off that occurred in the wake of President Trump’s tariff policy announcement in April 2025, the Steady Growth Index experienced a peak-to-trough drawdown of 10.4%. This sell-off proved to be short-lived, and once again investors were rewarded for sitting on their hands and riding out the volatility.

2025

9.1%

Average

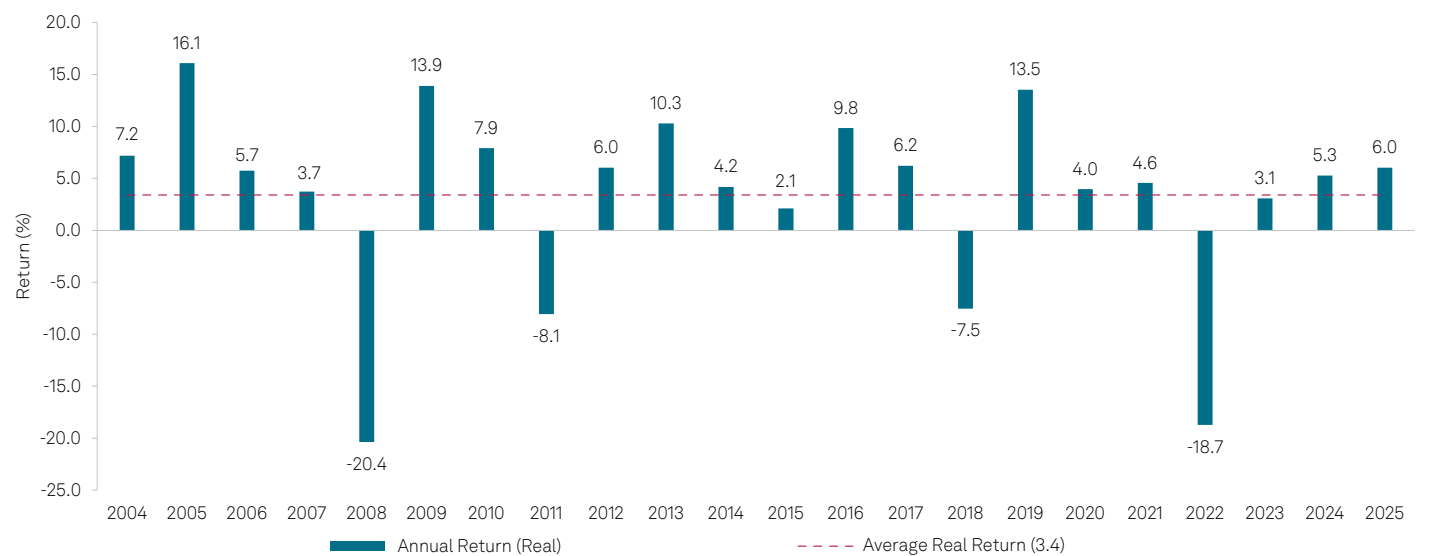
6.2%

These strong nominal returns helped the GBP, EUR, USD and CAD denominated indices reach new all-time highs during the year. The ARC Swiss Franc Equity Risk PCI also hit all-time highs in Q4, while the other CHF risk profiles made up ground but remained below their 2021 peaks.

The Real Longer-Term Picture

Investors have enjoyed above-average nominal returns since the 2022 sell-off, but it is important to consider portfolio returns after inflation has been taken into consideration.

The following chart shows the performance of the ARC Sterling Steady Growth Private Client Index in real (inflation-adjusted) terms.

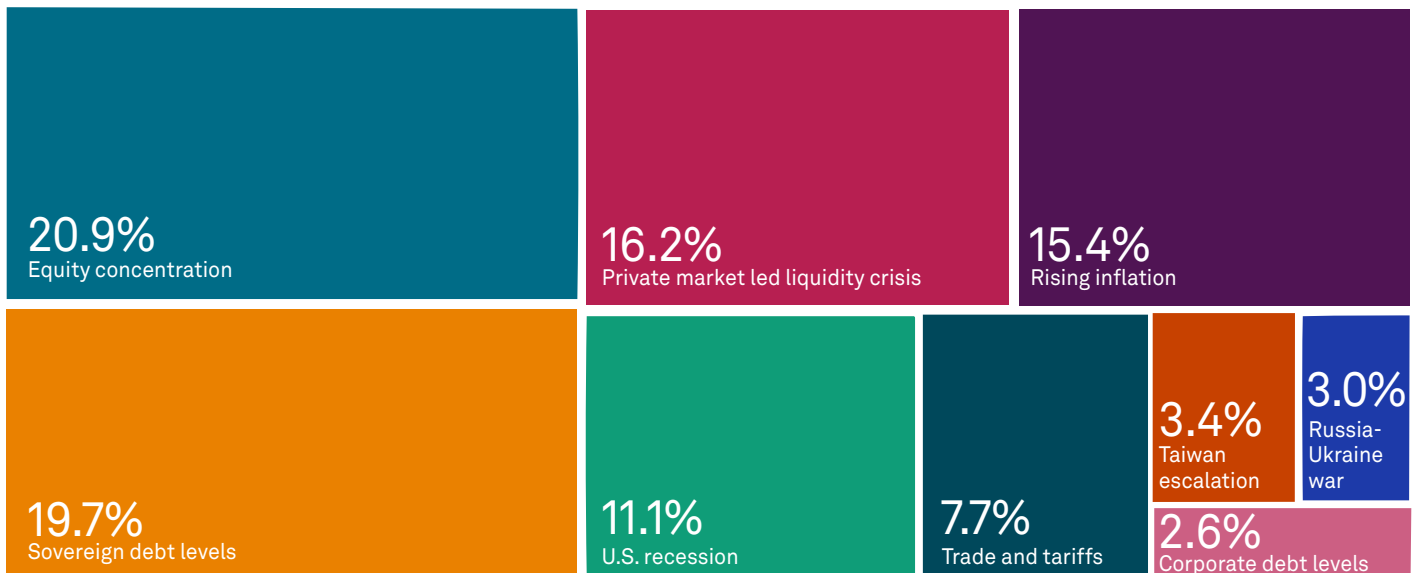


Source: ARC Research, now a part of S&P Dow Jones Indices LLC. Data from Jan. 1, 2004, to Dec. 31, 2025 (Q4 2025 performance is estimated). Chart is provided for illustrative purposes. Past performance is no guarantee of future results.

The Sterling Steady Growth PCI demonstrated an inflation-adjusted gain of 6.0% in 2025, well above the 22-year average of 3.4%. This brings the average real return for the last three years to 4.8% and goes some way to reducing the drawdown in real terms caused by the inflationary shock of 2022. At the end of 2025, this drawdown stands at -7.6%.

Looking Forward to 2026 and Beyond

It is often said that bull markets climb a wall of worry, and that was certainly the case in 2025. In our latest sentiment survey, we asked our investment manager community to share with us their top risks to markets for 2026. The results of this survey are shown below.



- **Concentration within equity markets** emerges as the single largest concern (20.9%), reflecting fears that the fortunes of the small number of stocks that have led the market higher could reverse.
- **Sovereign debt levels** (19.7%) is a concern, reflecting mounting fiscal imbalances and rapidly rising government debt-to-GDP ratios.
- **Fear of a private market-led liquidity crisis** (16.2%) is a relatively new concern, most likely fueled by the rapid growth of semi-liquid vehicles.
- **Rising inflation** (15.4%) remains front of mind, underscoring lingering unease about persistent price pressures and monetary policy responses.

Many of the risks identified for the year ahead have been present and widely debated for some time. The presence of these risks does not necessarily need to be a headwind, as evidenced by stock market performance over the past few years, but it is likely to result in market volatility from time to time. It is during such periods of market volatility that discretionary fund managers are presented with the opportunity to add value for their investors.

The charts and statistics used in this review have focused primarily on the ARC Sterling Steady Growth Private Client Index as this is the PCI series with the greatest number of constituents. Similar analysis is available for other indices on request.

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