



Unlocking Growth

The path to future returns



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Managing markets in transition: structure, benchmarks and real returns

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Embracing today's concerns

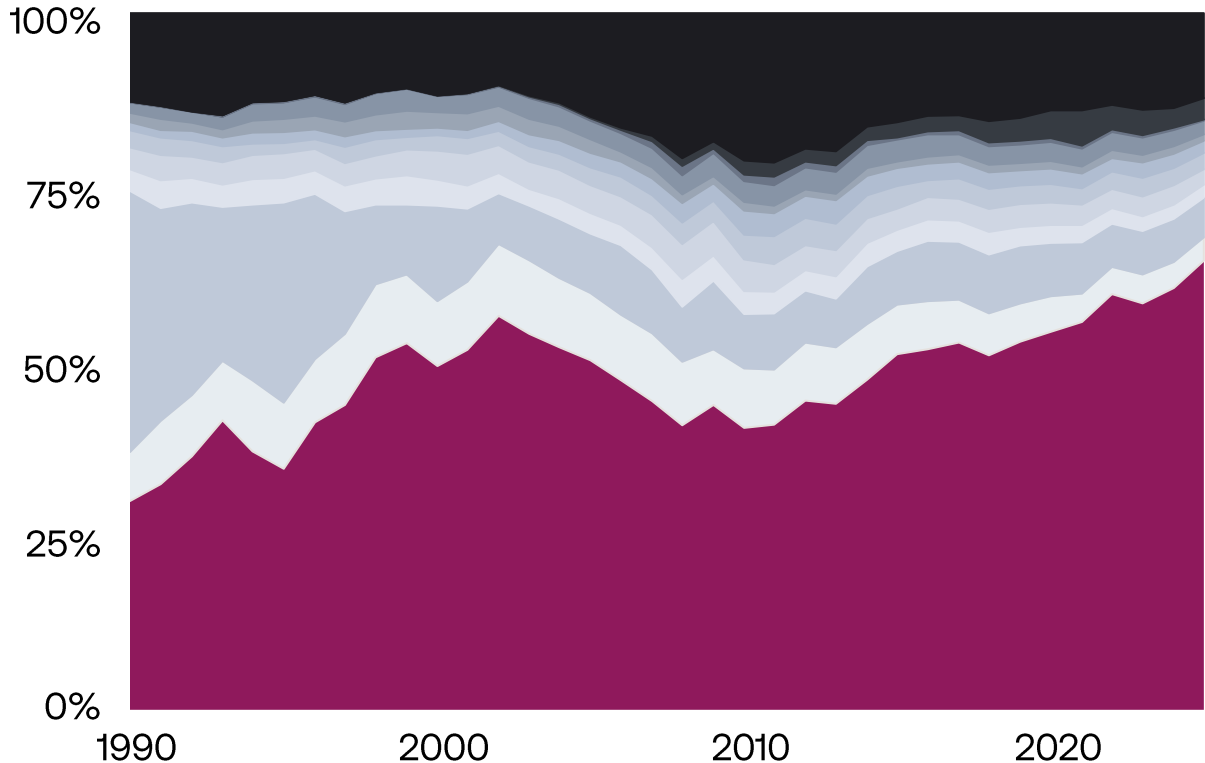
- 1 Market concentration and lessons of history
- 2 Other factors influencing allocations
- 3 When orthodoxy changes
- 4 So what: future returns

1.
Market structure
today and the lessons
of history

The inexorable rise of the US stock market

Geographic breakdown

- Other
- China
- Austria
- Russia
- Switzerland
- Netherlands
- Australia
- Canada
- France
- Germany
- Japan
- UK
- USA



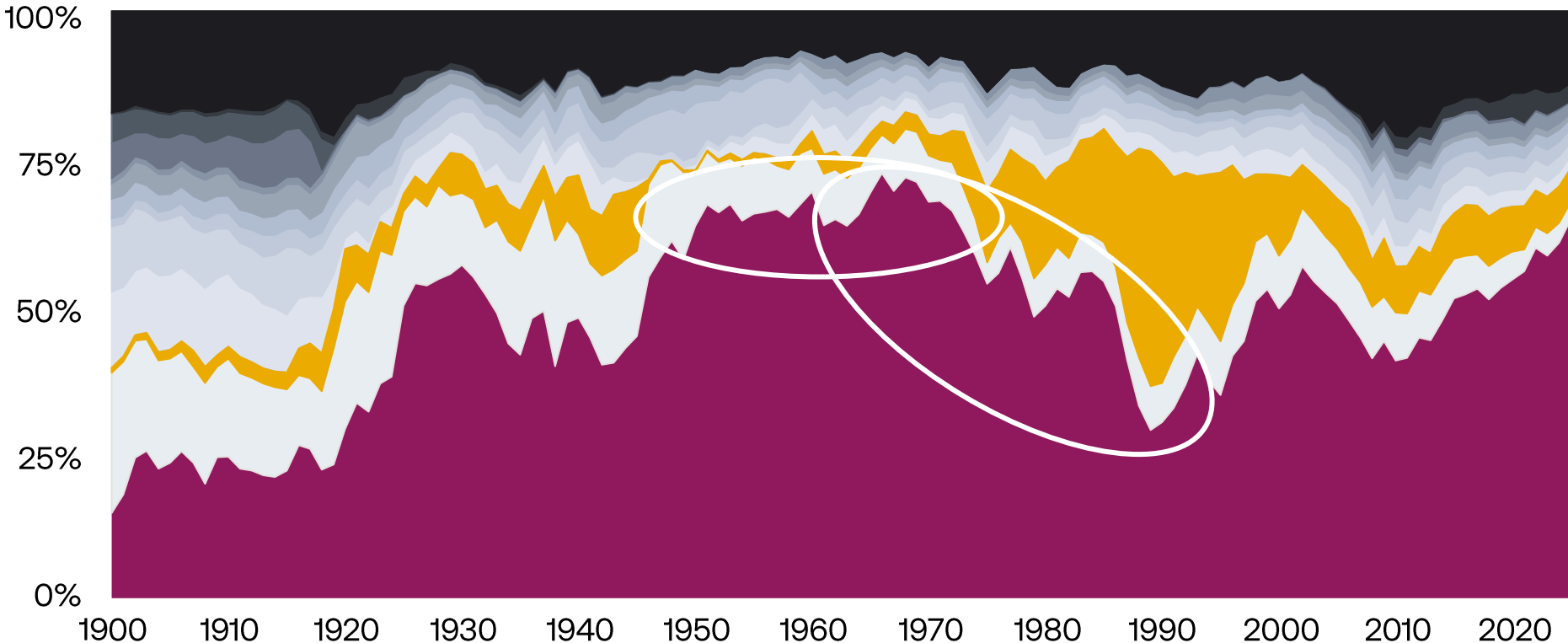
Source: DMS Database, Global Investment Returns Yearbook, 31.12.25

Past performance is not a reliable indicator of future results and may not be repeated.

The inexorable rise of the US stock market

Geographic breakdown

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Source: DMS Database, Global Investment Returns Yearbook, 31.12.25

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Global equity real return 1960 to 1990

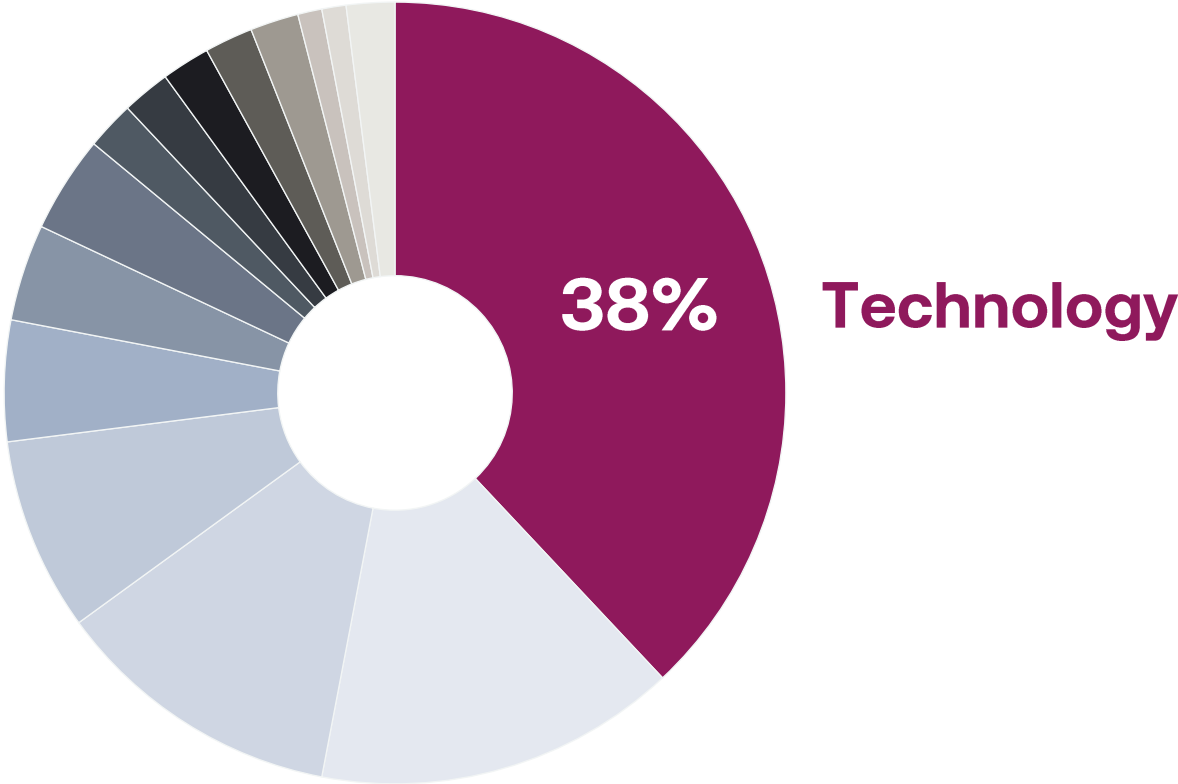
Global equity real
return per annum

+6.5%

Sector concentration in 2026

How might this play out?

- Industrials
- Health
- Retail
- Financial services
- Banks
- Energy
- Utilities
- Real estate
- Telecoms
- Insurance
- Travel & leisure
- Media
- Drinks
- Others

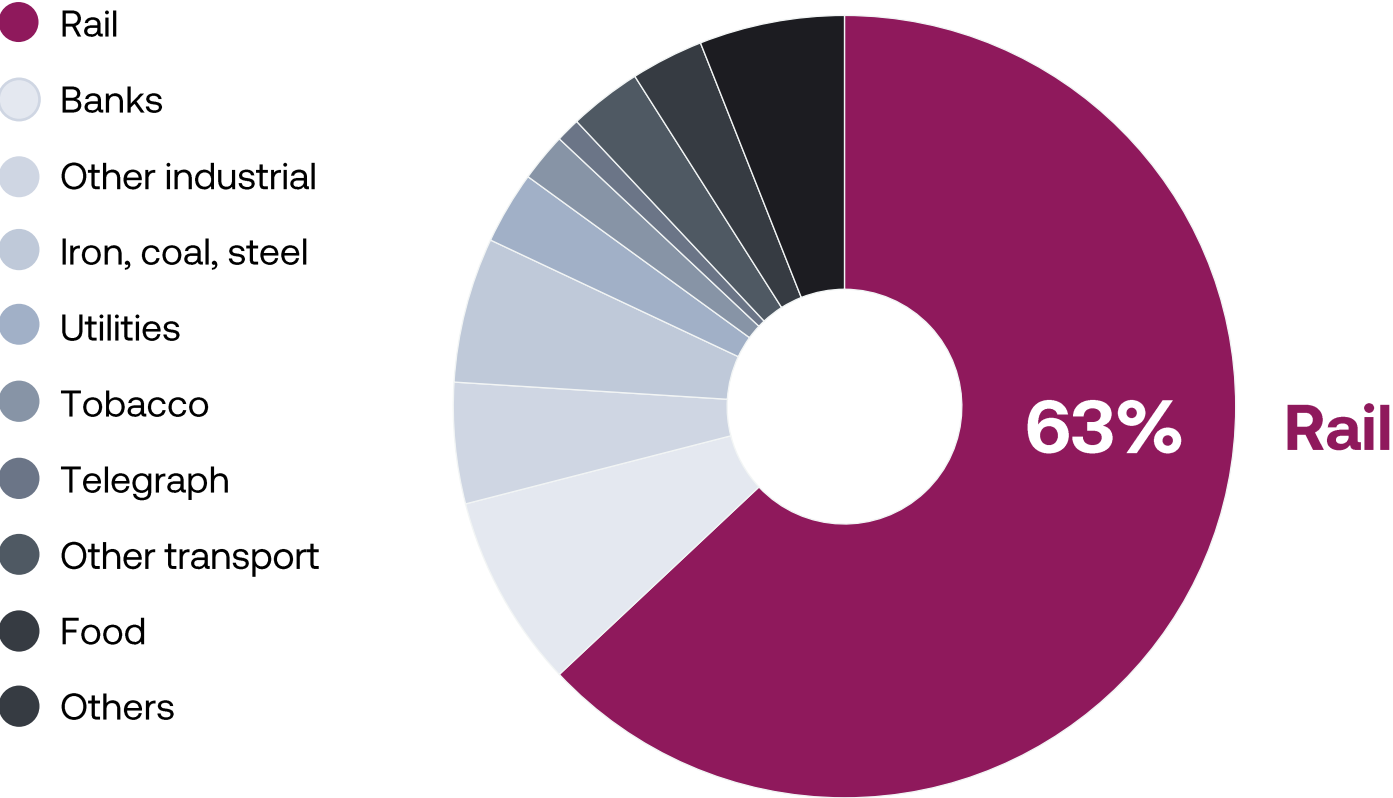


Source: Macrobond, 31.12.25

Past performance is not a reliable indicator of future results and may not be repeated.

Sector concentration in 1900

US stock market



| US equities real return (% p.a.) | |
|----------------------------------|------------|
| 1900s | 9.3 |
| 1910s | -2.5 |
| 1920s | 14.3 |
| 1930s | 1.8 |
| | 5.5 |

Source: Macrobond, 31.12.25

Past performance is not a reliable indicator of future results and may not be repeated.

Source: Elroy Dimson, Paul Marsh & Mike Staunton, 31.12.25

The last technology crisis: lost decade, or attractive overall returns?

| US equity real returns (\$) | % |
|-----------------------------|------------|
| 1995 | 34.4 |
| 1996 | 20.5 |
| 1997 | 31.0 |
| 1998 | 28.7 |
| 1999 | 19.3 |
| 2000 | -15.7 |
| 2001 | -13.7 |
| 2002 | -24.9 |
| 2003 | 26.1 |
| 2004 | 6.7 |
| 10 years p.a. | 9.1 |

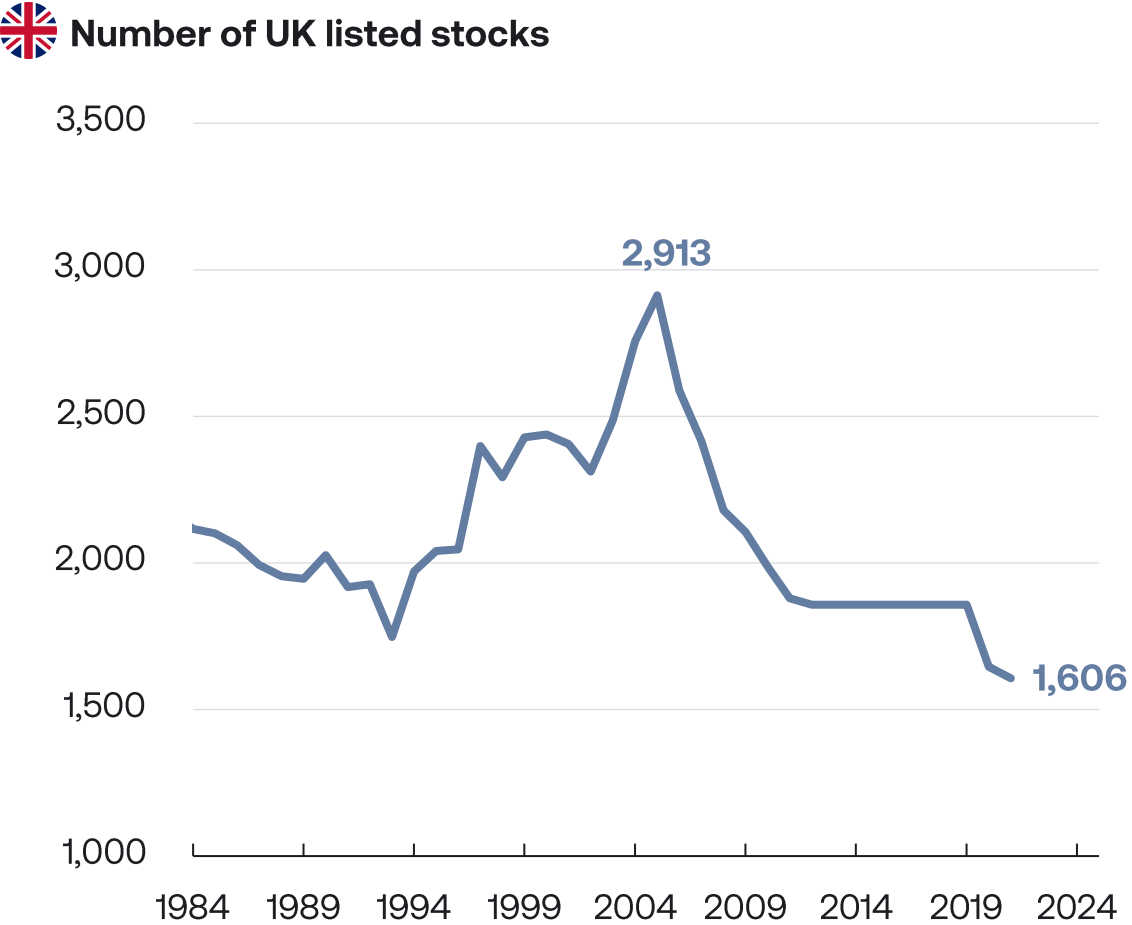
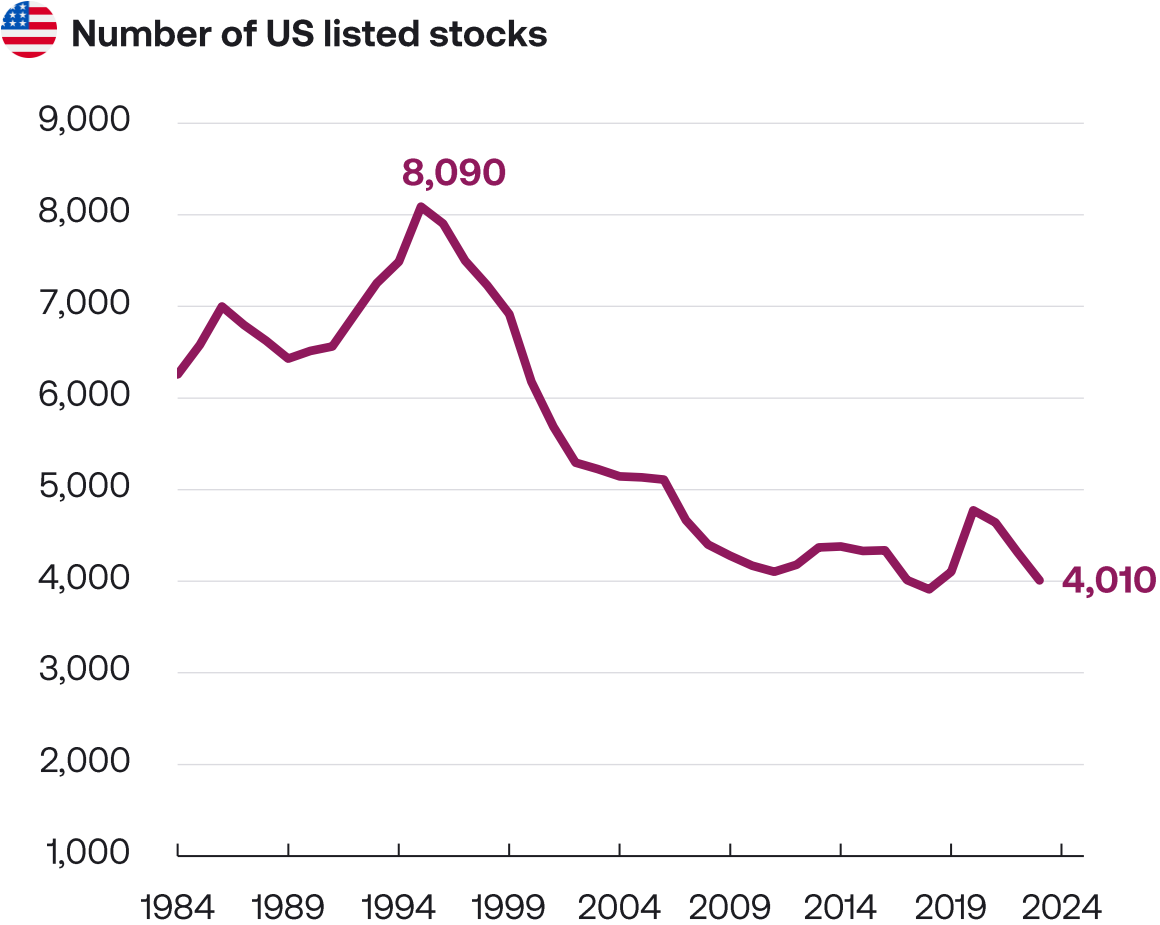
Source: Sarasin & Partners Compendium of Investment, 31.12.25

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2. Other factors and an impact of stock market concentration

Further distortion of markets

De-equitisation and the impact of private markets



Source: Macrobond, 31.12.25

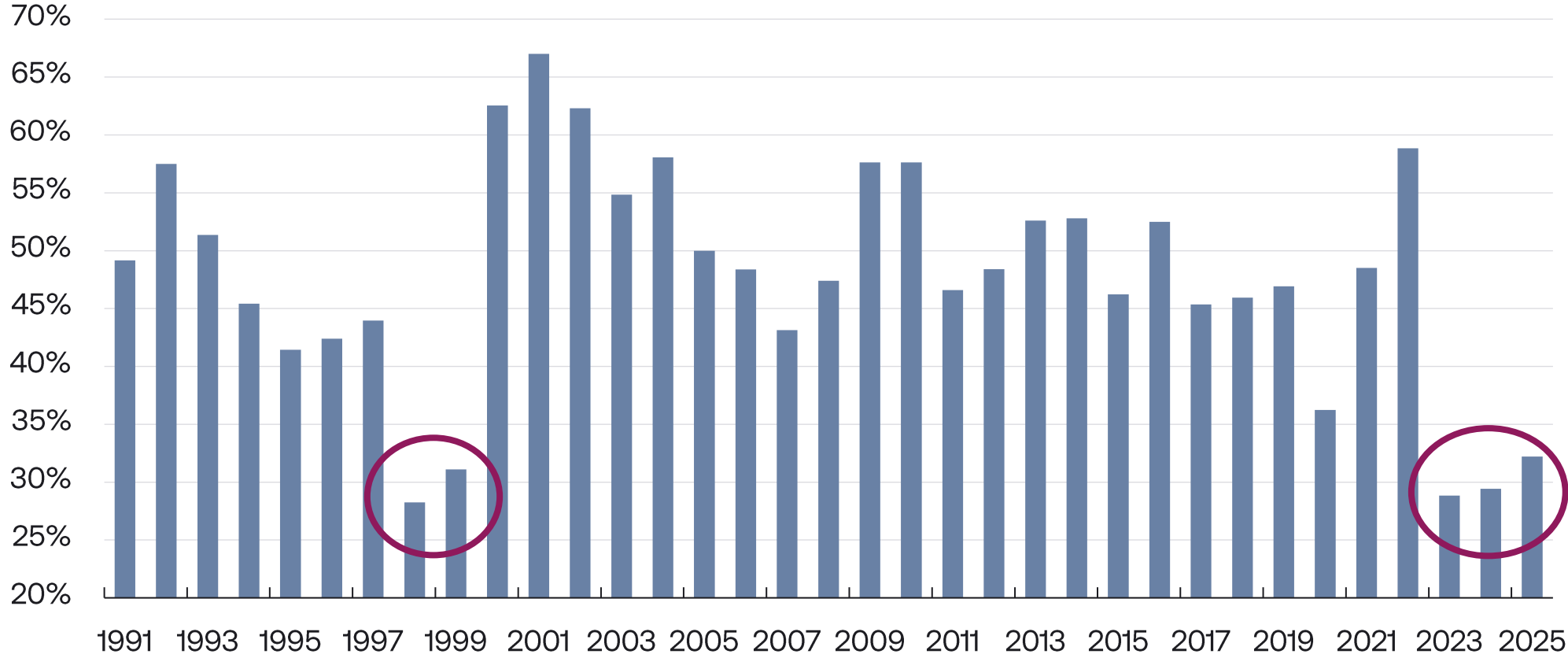
Source: Macrobond, 31.12.2025

Past performance is not a reliable indicator of future results and may not be repeated.

Is it rare for so few companies to outperform?

What is 'normal'?

% stocks outperforming S&P 500



Source: Factset, 31.12.25

Past performance is not a reliable indicator of future results and may not be repeated.

Active managers have struggled

Relative performance of global equity funds

2021 to 2025

| Year | Median fund | Top quartile |
|---------------------|-------------|----------------------|
| 2021 | -1.6 | 2.1 |
| 2022 | -3.5 | 1.2 |
| 2023 | -2.8 | 1.5 |
| 2024 | -6.7 | -1.5 |
| 2025 | -4.1 | 0.2 |
| | Median | Top quartile average |
| Funds outperforming | 0% | 0.7% |

2006 to 2020

| Year | Median fund | Top quartile |
|---------------------|-------------|----------------------|
| 2006 | 3.1 | 7.2 |
| 2007 | 0.3 | 5.4 |
| 2008 | -3.5 | 0.3 |
| 2009 | 2.4 | 9.0 |
| 2010 | -0.4 | 4.6 |
| 2011 | -2.1 | 0.9 |
| 2012 | -0.4 | 2.2 |
| 2013 | 2.7 | 7.3 |
| 2014 | -2.7 | 0.3 |
| 2015 | 0.1 | 3.4 |
| 2016 | -5.0 | -0.8 |
| 2017 | 0.1 | 4.7 |
| 2018 | -2.2 | 0.4 |
| 2019 | -0.5 | 3.1 |
| 2020 | 0.7 | 9.1 |
| | Median | Top quartile average |
| Funds outperforming | 47% | +3.8% |

Source: Returns of the Investment Association Global Equity Funds Vs MSCI AC World Index, Morningstar 31.12.25

Past performance is not a reliable indicator of future results and may not be repeated.

3.
Change:
necessary and
inevitable

The Sarasin Endowments Strategy

Despite everything, attractive long-term returns

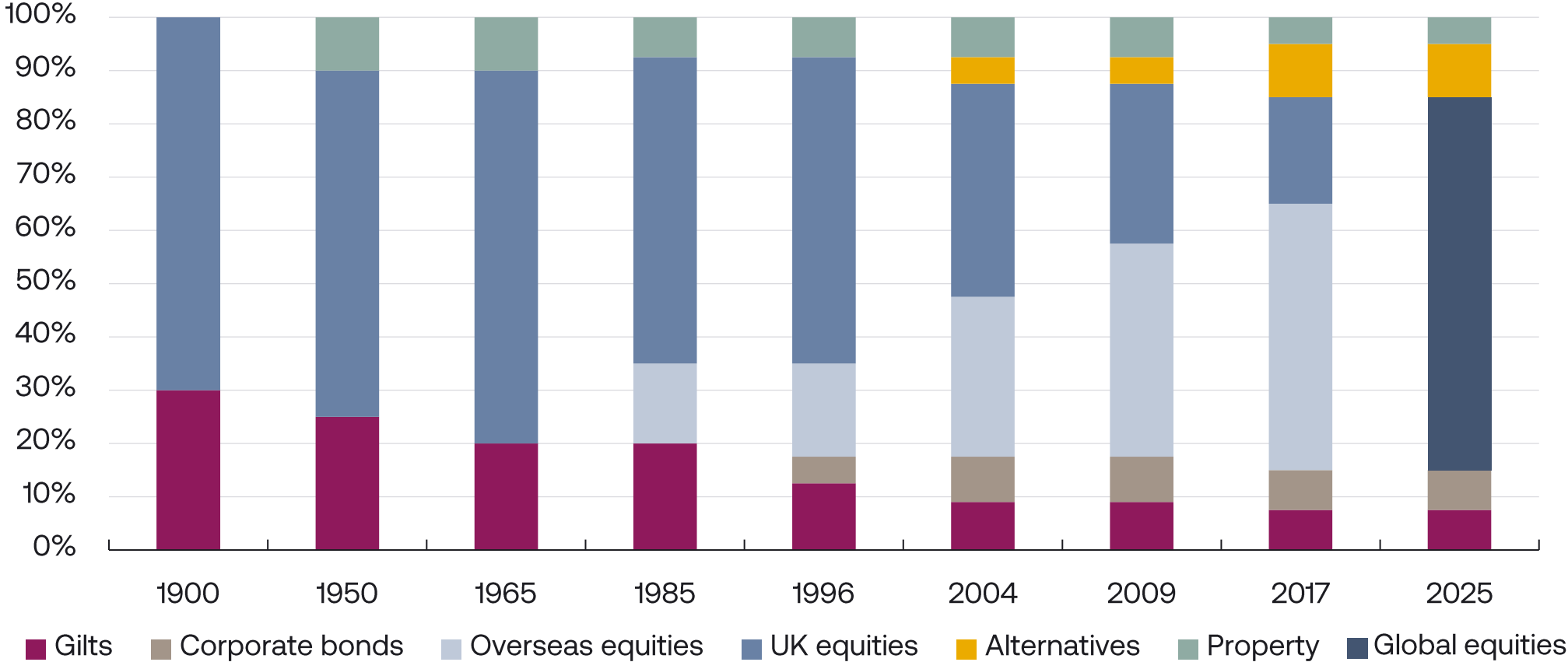
| Decade | Total absolute return (%) | Inflation (%) | Real return (%) |
|----------------------------------|---------------------------|---------------|-----------------|
| 1900s | 2.4 | 1.3 | 1.1 |
| 1910s | 5.0 | 8.3 | -3.0 |
| 1920s | 5.9 | -2.9 | 9.1 |
| 1930s | 4.2 | 0.4 | 3.8 |
| 1940s | 5.4 | 2.8 | 2.5 |
| 1950s | 13.1 | 4.1 | 8.6 |
| 1960s | 8.8 | 3.7 | 4.9 |
| 1970s | 12.4 | 13.1 | -0.6 |
| 1980s | 21.1 | 6.9 | 13.2 |
| 1990s | 13.1 | 3.5 | 9.2 |
| 2000s | 2.6 | 2.3 | 0.3 |
| 2010s | 8.9 | 2.2 | 6.5 |
| 2020s (6 years) | 8.5 | 4.4 | 4.0 |
| 126 years (since 1900) | 8.4 | 3.8 | 4.5 |

Source: Sarasin & Partners, Compendium of Investment, 31.12.25

Past performance is not a reliable indicator of future results and may not be repeated.

Asset allocation of Endowments Model (%)

Natural drift combined with overt action



Source: Sarasin & Partners, 31.12.25

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A key moment

When orthodoxy was challenged



The equity
revolution of
the 1950s

4.

So what does
this mean?

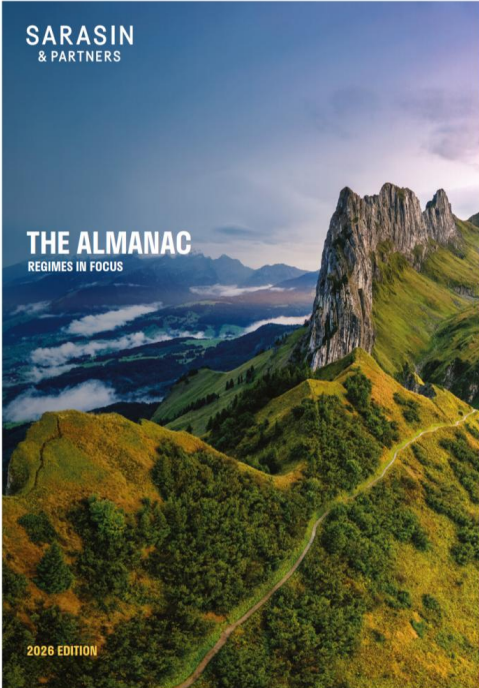
The importance of being dynamic

Three speeds of thinking

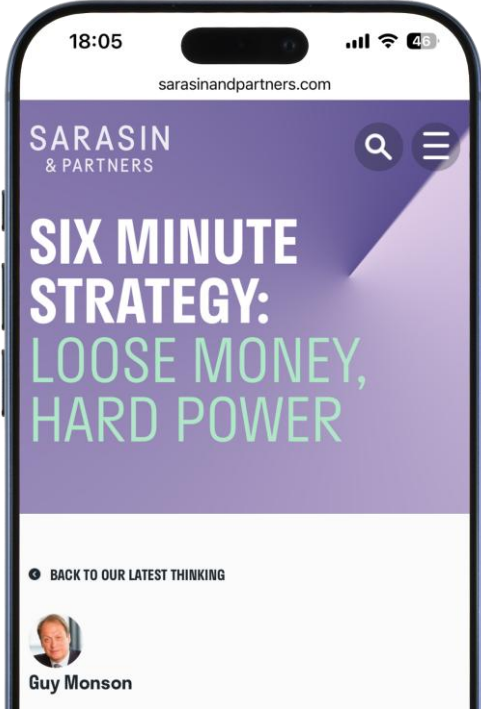
Long-term strategy



Medium-term regimes



Short-term tactics



The Compendium

The 'base case' for an Endowments portfolio



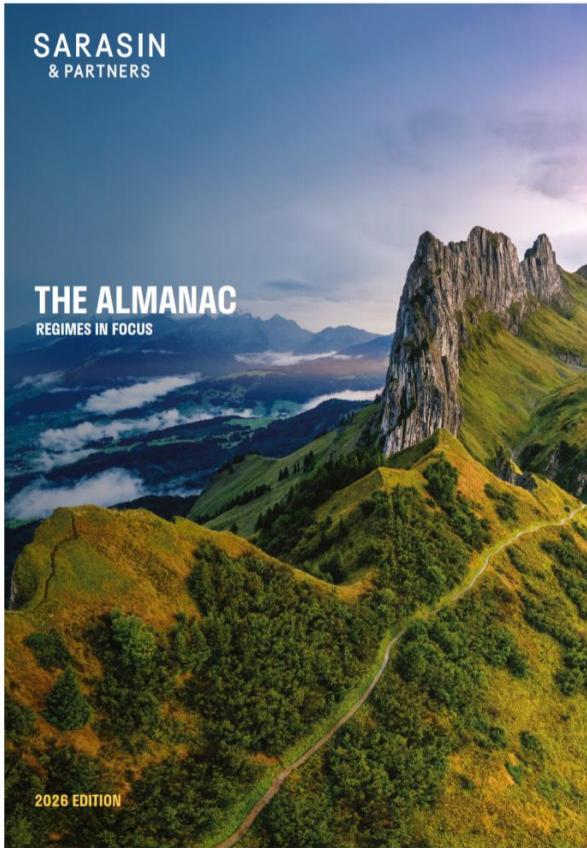
| Asset classes | Asset mix (%) | 5-7 year trend return p.a. (%) |
|--|---------------|--------------------------------|
| Gilts | 7.5 | 4.4 |
| Corporate Bonds | 7.5 | 5.2 |
| Equities | 70.0 | 7.4 |
| Alternatives | 15.0 | 6.3 |
| Total fund | 100 | 6.8 |
| Expected inflation | | -2.7 |
| Projected real return <u>before</u> costs | | 4.0 |

Source: Sarasin & Partners, 31.12.25

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The Almanac

Taking account of today's regime and market structure



Tilt away from the US

Concentration offers opportunities for the active investor

Private markets offer return and diversification benefits

Portfolio implementation

| | Solution 1 | Solution 2 | Solution 3 |
|---|--|----------------------------------|---|
| Asset classes | Static / passive Endowments Strategy | Active regime-aware liquid | Active regime-aware unconstrained |
| Gilts | 7.5 | 5.0 | 3.5 |
| Corporate bonds | 7.5 | 5.0 | 3.5 |
| Private and high yield debt | - | - | 3.0 |
| Equities | 70.0 | 75.0 | 65.0 |
| Private equity | - | - | 15.0 |
| Listed alternatives | 15.0 | 15.0 | 10.0 |
| Total fund | 100.0 | 100.0 | 100.0 |
| Gross return | 6.8 | 7.6 | 8.0 |
| Additional tactical asset allocation | 0.0 | 0.3 | 0.3 |
| Expected inflation | -2.7 | -2.7 | -2.7 |
| Projected real return after costs (% p.a.) | 3.7 | 4.6 | 5.0 |

Source: Sarasin & Partners, 31.12.25

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Summary

| | Solution 1 | Solution 2 | Solution 3 |
|---|---|---|--|
| | Static / passive Endowments Strategy | Active regime-aware liquid | Active regime-aware unconstrained |
| Projected real return after costs (% p.a.) | 3.7 | 4.6 | 5.0 |

Source: Sarasin & Partners, 31.12.25

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Conclusions

1. Build portfolios for the next 5 years, not the last
2. Investment is an emotional rollercoaster

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