



Wealth
Management

LGT WM Active MPS

Q2 2025 quarterly report



Josef Höger, detail from "View from the terrace of Palais Rasumofsky in Vienna," after 1837 © LIECHTENSTEIN. The Princely Collections, Vaduz-Vienna

Overview

- Volatile start, strong rebound in global equities
- Tech and growth stocks led performance
- Regional divergence in equity market strength

Macroeconomic landscape



The second quarter of 2025 has been a story of volatility, recovery and renewed optimism across global markets. After a strong start to the year, April brought a sharp correction, driven largely by the surprise implementation of new global trade tariffs and Trump's self-declared 'Liberation Day'. Equity markets pulled back significantly, with the S&P 500 dropping nearly 19% by mid-April, briefly testing bear market territory. The announcement of a 90-day pause in new tariff actions, along with stabilising economic data and more measured rhetoric, helped equities rebound meaningfully through May and June. By mid-May, the S&P 500 had returned to positive territory for the year, restoring confidence for investors.



The standout performance came from large-cap US technology names. The Magnificent Seven delivered an impressive +21.5% return in Q2, marking a powerful rebound from April's lows and reasserting itself after this relief rally. Global growth equities also rallied strongly, with the MSCI World Growth index up +17.7%, significantly outperforming the +5.4% gain in the MSCI World Value index. US equities led developed markets, with the MSCI USA index gaining +11.3%, driven by strong earnings in the tech and consumer sectors. The MSCI World index rose +11.5%, reflecting wider global participation.



In Asia, MSCI Asia ex Japan advanced +8.5%, supported by strength in South Korea and India. Japan delivered gains of +7.6%, weighed down slightly by yen weakness and softer domestic activity, though we continue to believe that the improved corporate activity will benefit Japanese equities over the long term. Chinese equities were softer, rising +2.6%, as concerns linger over growth momentum. Emerging markets continued to benefit from a more favourable macro backdrop, with MSCI EM returning +7.9%, supported by commodity-linked economies and a softer US dollar.



European equities saw more muted returns following a strong first quarter. MSCI Europe ex UK rose +3.1% and MSCI UK gained +2.4%, held back by slower growth data and political noise. The US dollar softened slightly against a basket of major currencies, offering a tailwind to non-US equity markets and emerging economies. The Japanese yen remained under pressure, testing multi-year lows, which provided some support to Japanese exporters despite weighing on domestic sentiment.



Overall, Q2 has reinforced the importance of remaining globally diversified. While geopolitical risk and policy uncertainty persist, the breadth of this quarter's recovery across regions and asset classes is a positive sign for investors heading into the second half of the year.



For a more detailed summary of the Q2 investment landscape, including insights from LGT's CIO Sanjay Rijhsinghani and other key team members, [click here](#).

Q2 2025 performance

Top performers

L&G Pacific returned 12.98% over Q2, buoyed by strong returns in the Technology and Financials sectors in the Pacific region. TSMC, the fund's largest holding, had a particularly strong quarter following very strong earnings results and a recovery from the sell-off in Q1 following DeepSeek's emergence.

PGIM Jennison US Growth returned 11.77% over Q2, as US technology stocks recovered strongly from a difficult Q1. Fears surrounding increased Chinese AI competition through DeepSeek and tariffs turned out to be overblown, prompting a strong recovery throughout Q2.

Bottom performers

Polar Capital Global Insurance returned -3.56% over Q2 as the financials sectors relinquished some strong prior gains. The increased likelihood of rate cuts following the fallout from US tariffs has dampened the forward-looking prospects for many financials firms, although the fund remains up +9.8% over the last 12 months.

Beutel Goodman US Value returned -4.29% over the second quarter. The fund faced headwinds as sectors outside of growth-based US technology names struggled to bounce back. Weakness in the US dollar compounded poor performance as the dollar fell roughly 5.5%.

Model portfolio performance as at 30 June 2025

Model Portfolio	3 months	6 months	1 year	3 years	5 years
Defensive	1.79	2.52	4.77	13.28	14.58
Cautious	2.52	1.85	4.31	16.36	19.96
Balanced	3.24	1.02	3.84	17.75	22.50
Growth	3.79	0.13	3.60	19.80	26.28
Adventurous	4.28	-0.39	3.56	24.81	33.91
Strategic Income	3.61	3.94	7.98	23.94	34.51

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.



Portfolio changes and rationale

Steadfast amidst volatility

During Q2, we were broadly happy with how the portfolios held up amid ongoing market volatility. We didn't make any major changes to positioning, as we felt the portfolios were already well-balanced and appropriately exposed. The only adjustment made was a rebalance back to target model weights.

In practical terms, this meant buying into equities where allocations had drifted slightly lower due to market movements following Liberation Day. For example, in the Balanced model, we increased equity exposure by around 3%. This wasn't a strategic shift, but a rebalancing exercise – taking profits from areas that had held up well and using that capital to top up equities, which had sold off more sharply.

The decision to rebalance was made once volatility (as measured by the VIX) calmed down from its highs in early April. We avoided rushing in during the worst of the market swings, waiting instead for spreads to stabilise and trading conditions to improve. The rebalances were submitted on 14th April, across the full LGT MPS range.



We strive to ensure that we never take advisers and their clients for granted and always remember that we must continuously earn the right to look after our clients' wealth”.

Henry Wilson
Partner, MPS Team Head
LGT Wealth Management

Glossary of terms

Bear Market	A market condition where stock prices drop significantly
Bonds	Bonds are debt securities issued by governments and corporations to raise money. Similar to an IOU, the investor lends money with the agreement that it will be paid back by a specific date, and they will receive periodic interest payments along the way. Bonds come under the umbrella of 'fixed income' investments.
Credit spreads	The difference in yield between two bonds of similar maturity but different credit quality.
Defensive	Defensive positions prioritise preserving capital over growth. It is important to hold such positions in periods of market turbulence.
Diversification	Spreading your money across different types of investments, such as equities, bonds, and property, instead of putting all your money in just one type of investment. By doing this, you can reduce the overall risk of your investment portfolio.
Duration	The sensitivity of the price of a bond to changes in interest rates. A bond with a longer duration will typically be more sensitive to changes in interest rates than a bond with a shorter duration.
Fixed Income	Investments that provide regular, set interest payments, such as bonds or treasury bills, and return the principal at maturity.
Growth vs Value	Most stocks are classified as either value stocks or growth stocks. Generally speaking, a value stock trades for a cheaper price than its financial performance and fundamentals suggest it's worth. A growth stock is a company which comes at a higher price however, its profits are expected to grow significantly in the coming years as the company develops – this is typical for technology firms.
High Yield Bonds	High yield bonds pay investors a higher level of interest due to a great risk the borrower may default.
Index	A fund that aims to track the performance of a market index.
Magnificent Seven	A group of high-performing technology companies considered industry leaders, including Apple, Amazon, Alphabet, Microsoft, Meta, Tesla, and Nvidia.
Market Capitalisation (Market Cap)	Market 'cap' is the market value of a company based on its current share price and total number of shares. Ultra-large cap companies have the largest market capitalisation. The largest companies by market cap are currently Apple, Microsoft, Alphabet (Google), Amazon, Nvidia and Meta (Facebook).
Mega-cap	Ultra-large cap companies with the highest market capitalization.
Quality-value	An investment style focusing on quality and value stocks, avoiding sectors like Technology.
Rally	A market rally is a sustained increase in stock prices driven by positive investor sentiment and economic conditions.
Sentiment	Market sentiment is the overarching attitude or outlook of investors towards a particular security, sector of the market or economy as a whole.
Soft vs. Hard Landing	A soft landing refers to a gradual economic slowdown or adjustment, usually avoiding a recession, while a hard landing is a sudden and severe economic downturn often leading to a recession.
Value-Trap	An investment selling at depressed prices due to intrinsic issues
Volatility	The degree of fluctuation in a security's price or a market's performance over time. A highly volatile share experiences larger price changes compared to more stable investments, indicating higher risk.
Yen Carry Trade	The Yen carry trade is a financial strategy where investors borrow funds in Japanese yen, which typically has low-interest rates, and invest in higher-yielding assets in other currencies.
Yield	The income you receive on an investment, such as dividends from shares or interest from bonds.
Yield Curve	A visual depiction of how the yields of bonds vary at different maturities. It shows how much you'd earn if you invested your money for a short time, e.g. 6 months, versus if you invested it for a longer time, e.g. 10 years.



Josef Höger, detail from "View from Lake Gosau to the Dachstein," 1836
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