

Hymans Robertson Investment Services (HRIS)

Investment portfolios: Fix the roof while the sun shines

October 2025

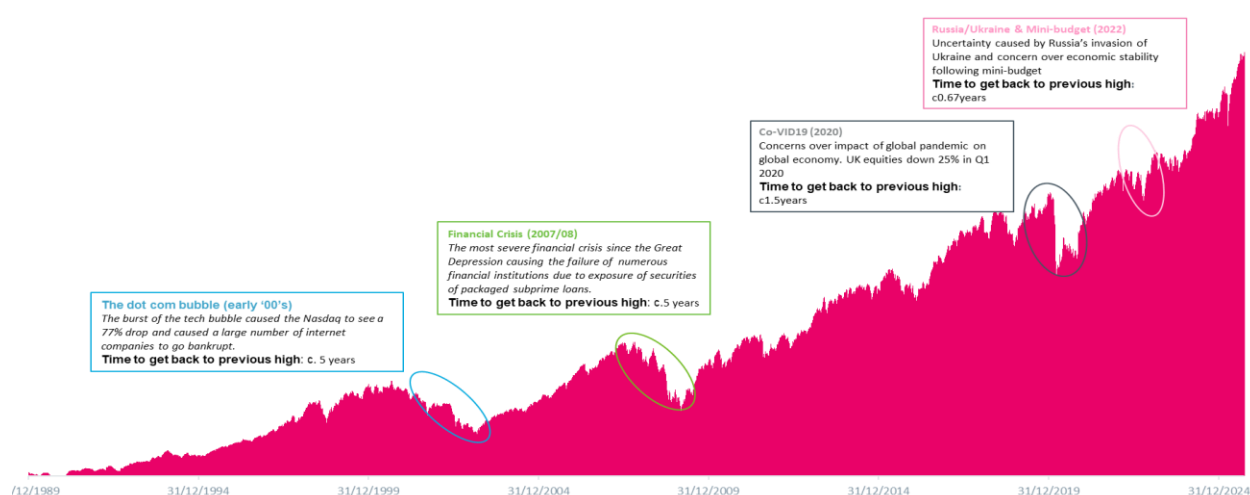
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Markets have continued their upward trajectory in 2025, defying expectations amid tariff uncertainty and geopolitical tensions. While investors may feel reassured by portfolio performance, many of our adviser clients see this as a moment for reflection. At HRIS, we agree, market resilience can mask underlying volatility—making now the ideal time to get ahead in client conversations and reinforce long-term investment governance.

Global equities have returned almost 10% a year to date (end Q3 2025). Over one year, returns are even higher at just under 17%. A good outcome for investors? Of course! However, here at HRIS we're conscious of the uncertainty currently shrouding markets and from speaking to our Adviser clients, this is at the forefront of their minds too. Given this, we have prepared the following document, focusing on 5 key points, which provide a reminder that market sell-offs can happen, but with a long-term investment horizon, a well-designed diversified investment portfolio and good communication support, investors should be rewarded for remaining invested.

Key Point #1: Over the long-term investing in markets has paid off, despite periods of market volatility

Chart 1: UK Stock-market over the last 35 years



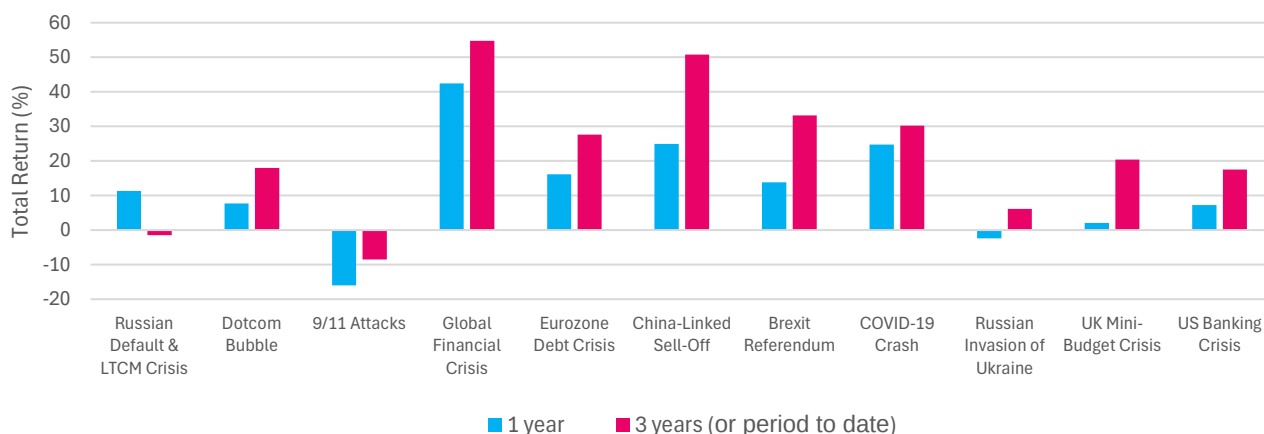
Source: Morningstar

While recent market performance has been encouraging, it's important to remember that volatility is a natural part of investing. Even in strong markets, unexpected events can trigger short-term declines that exceed typical day-to-day fluctuations. Advisers will be familiar with charts like the one above, showing that equity returns—here focusing on the UK—have not followed a straight path over the past 35 years. Market corrections are not rare; rather than attempting to predict the next downturn, it's more constructive to accept that these events are part of the investment journey.

Key Point #2: The good news is that markets recover, and often more quickly than you think

While market corrections can feel unsettling, history also shows that markets recover, and often quicker than you might think (interestingly, some of the best days in terms of return often come shortly after some of the worst). The market upheaval in and around “Liberation Day” on 2nd April this year is a prime example of this. Markets fell in the immediate aftermath but quickly responded – 9th April saw the 4th largest one-day positive swing in the US market since World War II. There are many more examples of this suggesting short-term declines often appear as minor blips on a long-term growth trajectory (see chart below which shows the 1 and 3 year return, in excess of cash, following a significant market sell off). Therefore, whilst it may be tempting to divest when markets fall, it’s not necessarily the answer – hunkering down in cash has also historically been the wrong approach to take if you have a long-term investment horizon.

Chart 2: Returns over cash of a 60/40 portfolio



Source: Morningstar. 1- and 3-year returns taken from respective trough dates for each market drawdown.

Key Point #3: Investing in well-diversified, scenario-tested portfolios is integral defence against volatility

As exemplified by Chart 3, asset classes are prone to fluctuations. Staying invested during the inevitable periods of market volatility can of course be challenging. Confidence in your investment portfolios, particularly their ability to successfully navigate such periods is therefore key. At HRIS (portfolio performance shown in black on the chart), we hold a range of different asset classes, managers and funds and we test our portfolios against a broad range of forward-looking market scenarios, all with the aim of reducing the extent of any market related drawdown and to help accelerate the rate of performance recovery.

Chart 3: Asset Class Calendar year performance ranked highest to lowest

	2018	2019	2020	2021	2022	2023	2024	2025 (YTD)
Best	Global (ex UK) Fixed Interest (5.1%)	North American Equities (26.4%)	North American Equities (16.9%)	North American Equities (28.1%)	UK Equities (7.2%)	North American Equities (19.5%)	North American Equities (26.8%)	Europe (ex UK) Equities (19.8%)
	Global High Yield (2.7%)	Europe (ex UK) Equities (21.0%)	Emerging Market Equities (15.5%)	UK Equities (19.6%)	Pacific (ex J) Equities (6.0%)	Europe (ex UK) Equities (15.8%)	Balanced Portfolio (14.7%)	Emerging Market Equities (19.3%)
	Cash (0.7%)	Balanced Portfolio (19.4%)	Japan Equities (11.4%)	Europe (ex UK) Equities (17.6%)	Cash (2.0%)	Japan Equities (14.0%)	Japan Equities (10.6%)	UK Equities (17.5%)
	North American Equities (0.7%)	UK Equities (16.5%)	UK IndexLinked Gilts (11.0%)	Balanced Portfolio (16.9%)	Global High Yield (-2.3%)	Balanced Portfolio (12.8%)	Emerging Market Equities (10.0%)	Japan Equities (12.7%)
	UK Gilts (0.6%)	Japan Equities (15.4%)	UK Corporate Bonds (8.6%)	Pacific (ex J) Equities (5.8%)	Balanced Portfolio (-4.7%)	UK Corporate Bonds (9.7%)	UK Equities (9.5%)	Pacific (ex J) Equities (12.3%)
	UK Index-Linked Gilts (-0.3%)	Emerging Market Equities (14.3%)	Balanced Portfolio (8.4%)	UK IndexLinked Gilts (4.2%)	Japan Equities (-5.8%)	UK Equities (7.7%)	Global High Yield (9.4%)	Balanced Portfolio (11.2%)
	UK Corporate Bonds (-2.2%)	Pacific (ex J) Equities (13.9%)	UK Gilts (8.3%)	Japan Equities (3.0%)	Global (ex UK) Fixed Interest (-6.4%)	Global High Yield (7.7%)	Pacific (ex J) Equities (6.6%)	North American Equities (7.4%)
	Balanced Portfolio (-3.3%)	UK Corporate Bonds (11.0%)	Europe (ex UK) Equities (8.2%)	Global High Yield (2.3%)	Europe (ex UK) Equities (-6.9%)	Cash (5.1%)	Cash (5.3%)	UK Corporate Bonds (4.5%)
	Pacific (ex J) Equities (-4.6%)	Global High Yield (9.3%)	Global (ex UK) Fixed Interest (5.6%)	Cash (0.1%)	North American Equities (-8.9%)	Emerging Market Equities (4.1%)	Europe (ex UK) Equities (2.8%)	Cash (3.3%)
	Japan Equities (-7.1%)	UK Gilts (6.90%)	Global High Yield (4.7%)	Emerging Market Equities (-1.3%)	Emerging Market Equities (-9.6%)	UK Gilts (3.7%)	UK Corporate Bonds (2.2%)	Global High Yield (1.9%)
	UK Equities (-8.8%)	UK IndexLinked Gilts (6.4%)	Pacific (ex J) Equities (3.4%)	UK Corporate Bonds (-3.2%)	UK Corporate Bonds (-18.4%)	UK Index-Linked Gilts (0.9%)	Global (ex UK) Bonds (-0.3%)	UK Gilts (1.9%)
	Emerging Market Equities (-8.9%)	Global (ex UK) Fixed Interest (2.7%)	Cash (0.3%)	Global (ex UK) Fixed Interest (-4.4%)	UK Gilts (-23.8%)	Pacific (ex J) Equities (0.5%)	UK Gilts (-3.3%)	Global (ex UK) Bonds (-1.9%)
Worst	Europe (ex UK) Equities (-9.1%)	Cash (0.8%)	UK Equities (-13.2%)	UK Gilts (-5.2%)	UK Index-Linked Gilts (-33.6%)	Global (ex UK) Bonds (-0.4%)	UK Index-Linked Gilts (-8.3%)	UK Index-Linked Gilts (-1.9%)

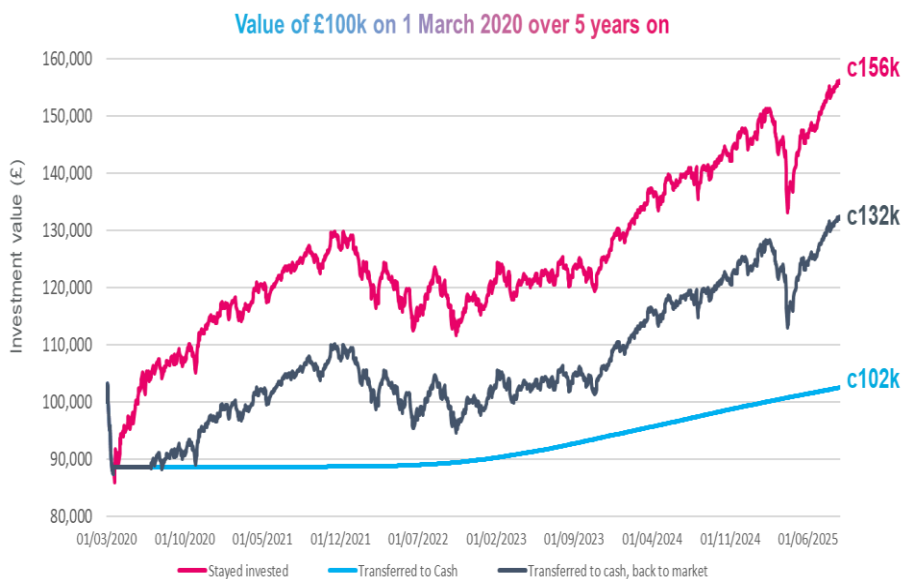
Source: HR LLP Data quoted in GBP terms

Key Point #4: Robust portfolios and ongoing communication provide a great source of value

Chart 4: Value of staying invested since Covid

On the right we show example analysis of an investor's outcome had they stayed invested in the markets since Covid (pink), divested into cash (blue) and divested but then reinvested later (black). The comforting news – staying invested could have helped this investor generate an extra **50%** in the value of their investment holdings.

Whilst the journey and overall “saving” will be unique to each individual market “shock”, history suggests staying invested in a robust, well-diversified portfolio helps to improve long-term outcomes for clients and can be used to evidence the value that Advisers generate for their clients and how Advisers give clients peace of mind when it comes to their investments.



Source: HRIS, Representative medium-high risk portfolio used as a proxy here (back-tested performance used pre-inception date of August 2022)

Key Point #5: Draw on Past Experience to Navigate Uncertainty

The current market outlook reflects a complex interplay of technological optimism, geopolitical tension, and economic strain. For example, the strength of equity markets and Artificial Intelligence (“AI”) boom may well persist for some time, driven by surging demand for chips and continued investor enthusiasm—even in the face of macroeconomic headwinds such as sticky inflation and potential fiscal instability.

In anticipation of future volatility, it’s important to draw on past experience (as history has a habit of repeating itself) and investment expertise to identify plausible market scenarios and assess how portfolios might respond. Confidence in your investment approach is key—not just in the portfolios themselves, but in the support structures around them. That includes access to timely communications, relevant training, and ad-hoc support to help you guide clients through uncertain periods with clarity and confidence.



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