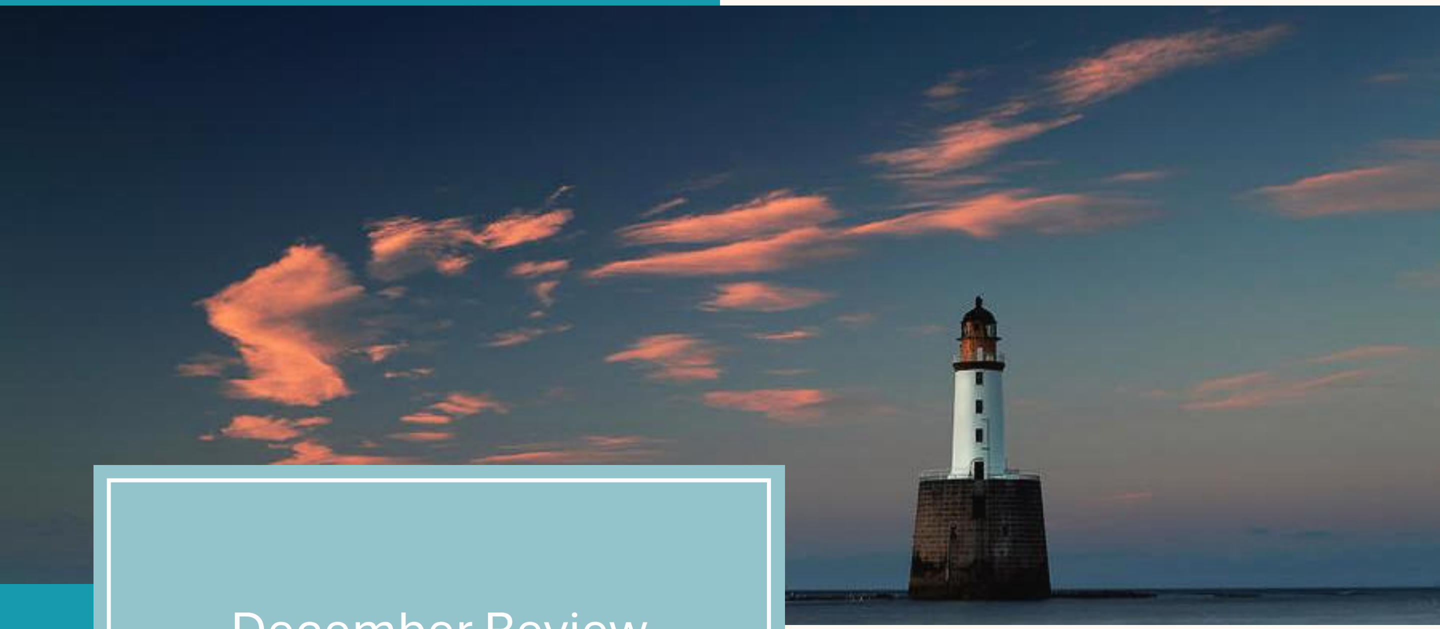
MONTHLY UPDATES

DECEMBER 2025



December Review

A summary of key events and market trends during the month of December.

THREE YEARS AND COUNTING ?

Global equity markets took a bit of a breather in the last couple of months of 2025 but still delivered strong performance despite building on the prior two years

Attention now shifts to 2026 and particularly the choice of the new Federal Reserve Governor coming up

HIGHLIGHTS

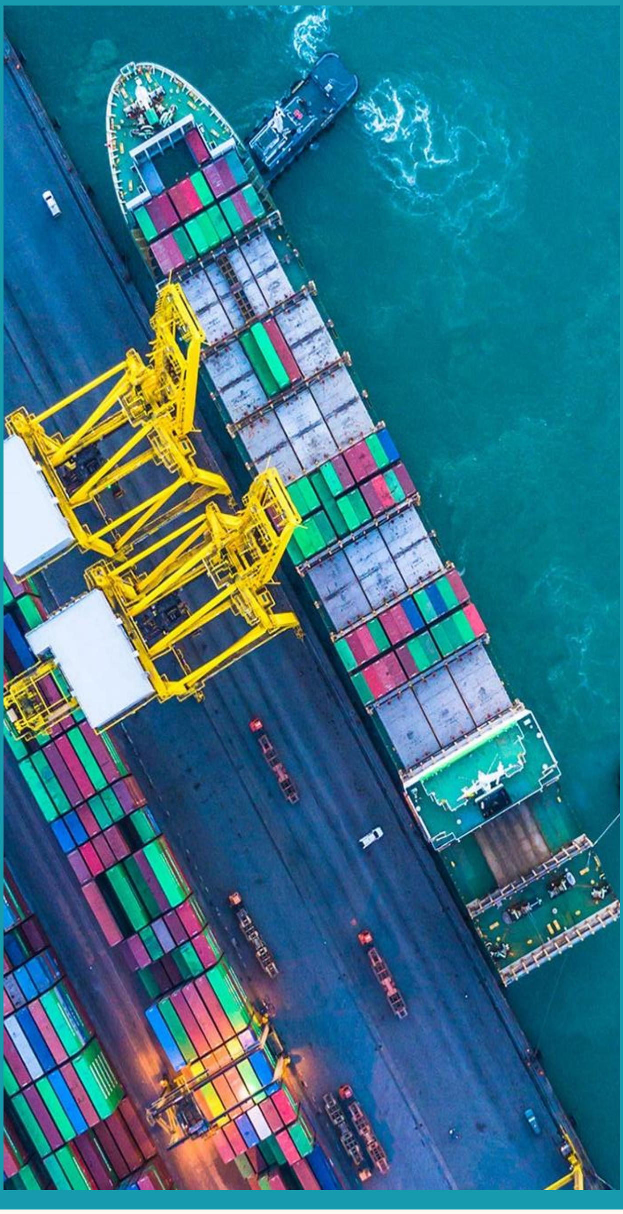
1. All manner of investment assets put in a strong year of performance; despite the hiccups at the start of the year around the implementation of tariff initiatives as well as the geopolitical tensions later.

2. The US Dollar declined versus the Euro by around 13% and metals put in some of the best performances seen in decades.

3. The Fixed Income markets expect around 2 – 3 rate cuts from the US Federal Reserve and we tend to align with that view.

4. The strong GDP print published last week of 4.3 % (3.3 % expected) shows that our expectation of noisy data on account of the tariff wars and government shutdown proved true. Nonetheless, a good note for the economy to end the year on.

Global Markets Update

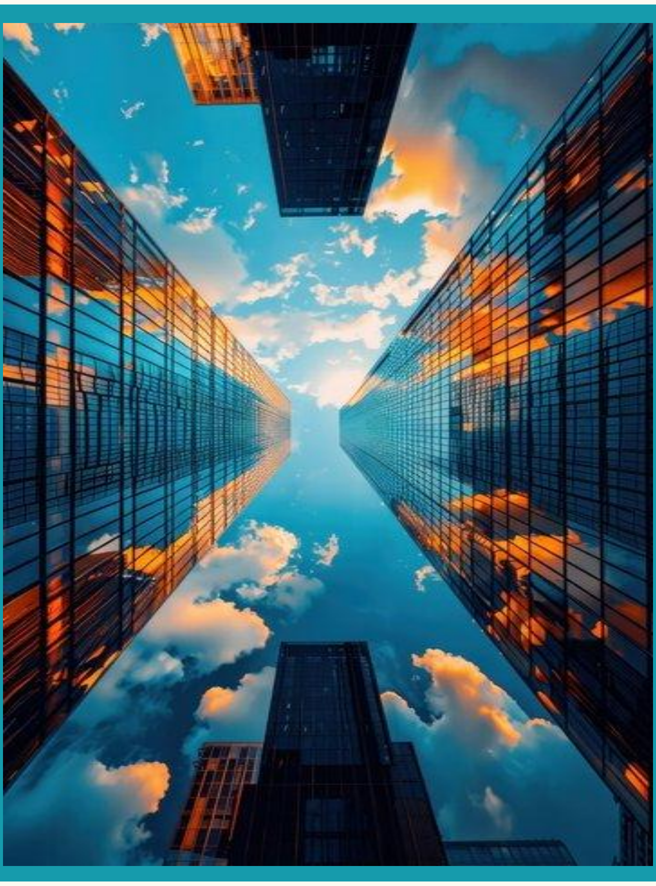


- The announcement of sweeping tariffs on "Liberation Day" (April 2) triggered a sharp selloff, with the S&P 500 shedding roughly $3 trillion in value in a single session. But the 90-day suspension that followed produced one of the largest single-day rallies in decades—the S&P 500 surged 9.5%, its best day in nearly 17 years. Markets ultimately learned to live with a 10% baseline tariff on most imports, with higher rates on select trading partners.

- After holding firm through mid-year, the Fed delivered three consecutive 25bp cuts starting in September, bringing the target range down to 3.5%–3.75% by year-end. The rationale shifted from inflation concerns to protecting a cooling labor market, though rates remain well above pre-2022 levels.

- Unemployment rose to 4.6% by November—a four-year high. Layoffs jumped 54% year-over-year as businesses responded to uncertainty and invested in AI efficiencies. A "K-shaped" economy persisted: higher-income consumers spent robustly, while lower- and middle-income households pulled back.

- The eurozone proved more resilient than expected, growing 1.4% for the year as domestic demand and robust labor markets offset trade headwinds. The ECB completed a cumulative 200bp of rate cuts, bringing the deposit rate to 2.0%, and held steady at year-end with inflation hovering near target at 2.1%.



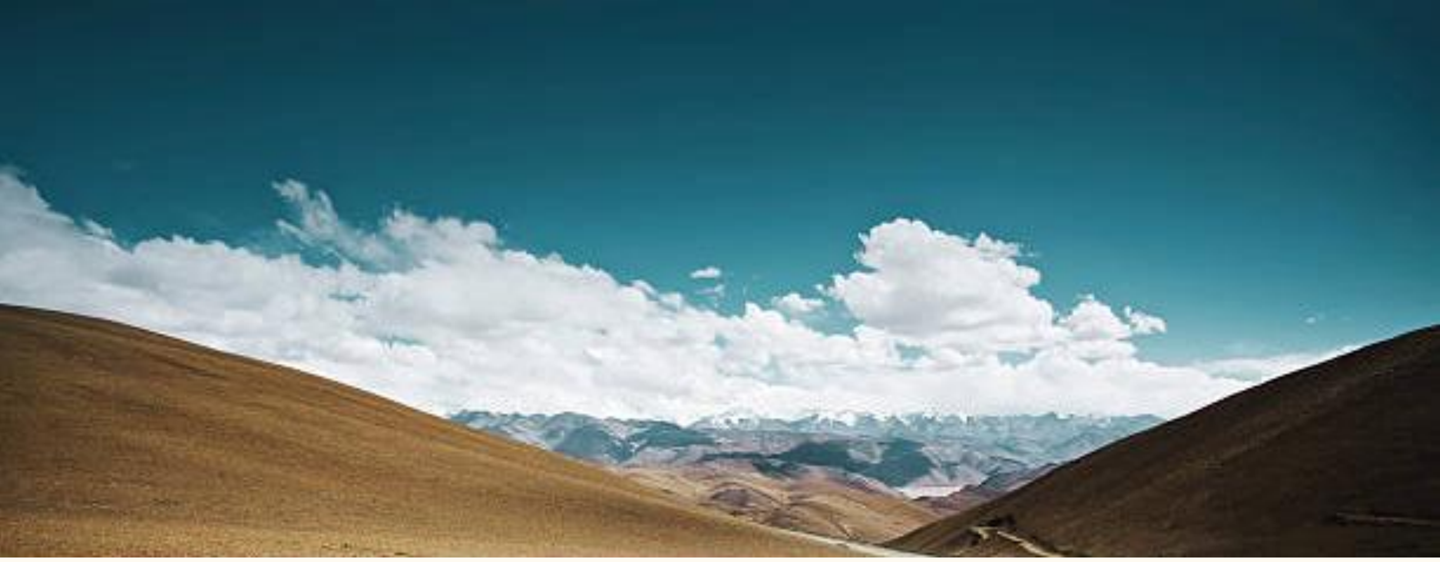
- A mid-year EU-US trade deal capped most tariffs at 15%, limiting the damage from transatlantic tensions. Defense and infrastructure spending—particularly in Germany—emerged as new growth drivers, while the manufacturing sector remained a weak spot.

- Beijing achieved its "around 5%" growth target, with the IMF projecting 5.0% for the year, but the underlying picture remained unbalanced. Property investment contracted nearly 16%, remaining the economy's largest drag, while exports provided crucial support—growing over 6% and contributing the lion's share of GDP growth.

- Rather than launching large-scale consumption stimulus, policymakers focused on local government debt swaps and targeted industrial support. Deflationary pressures persisted throughout the year, and the transition to a consumption-led growth model—a stated objective of the 15th Five-Year Plan—remains more aspiration than reality.

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	0.90	22.41
Hang Seng China Enterprises	-2.37	22.27
Dax	2.74	23.01
Euro Stoxx 50	2.17	18.29
S&P 500	-0.05	16.39
Dow Jones	0.73	12.97
Nasdaq 100	-0.73	20.17
US 10 Year Treasury	0.15	-0.40
Bloomberg Barclays Global Corporate Bond Index	0.26	8.17
Bloomberg Barclays Global Corporate Bond High Yield Index	0.98	12.06
EUR USD	1.28	13.44
USD JPY	0.34	-0.31
Gold	1.89	64.58



SGMC Forward Views Highlights

SGMC Forward Views						
Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Conviction**	**Notes**
Equities						
US Equities						Growth expectations and corporate earnings remain solid. Valuations are not cheap and, after the strong year to date rally, we prefer waiting for corrrections before adding additional exposure
EU Equities						**Upgraded to Hold:** We expected European outperformance compared to their American counterparts to fade away, and this is exactly what happened over the last few months. We are now comfortable in raising European names to hold.
Chinese Equities						Cheap in relative and absolute terms, a catalyst is required to meaningfully move and maintain valuations higher
Emerging Market Equities						We remain positive on the area but exteremely selective. Our top picks include **India, Indonesia and Brazil**.
Bonds						
High Yield						Happy to continue selectively adding to lock in yields but only with short duration
Investment Grade						**Downgraded to Hold:** while support for the asset class is likely to remain, the current tight corporate spreads and reduced absolute yields make additional investments less appealing
Government Bonds						**C**ontinued Central Bank dovishness and potential growth slow downs make government bond investments more attractive
FX & Alternative Asset Classes						
US Dollar Index						Rangebound trading likely to continue in the short term with a skew to the downside
Commodities						As rates decline, commodities to find support.
Private Equity / Hedge Funds						We remain relatively underweight this sector
Real Estate						With a benign interest rate environment we see good potential for this sector over the coming months
Collectibles						Uncorrelated with markets

- No changes this month

SGMC Media

OUR FOUNDER & CEO, MASSIMILIANO BONDURRI, JOINED...

December 5, 2025 | RTHK Money Talk podcast

SGMC Capital Funds update

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