Epworth
Investing Faithfully

QUARTERLY INVESTMENT REVIEW

Q4 2025

Summary of financial markets, our market outlook and responsible investment review for the quarter

RISK WARNING

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REVIEW OF THE QUARTER

ECONOMIC OVERVIEW

The last quarter of 2025 began with the longest government shutdown in the history of the United States, which deprived investors of crucial economic data from the world's largest economy, whilst politicians argued over the passing of the federal budget. Once this was resolved in mid-November, US economic data thankfully suggested the economy was performing just fine despite the disruption, growing faster than expected with manageable inflation. However, a softening labour market led the Federal Reserve to cut interest rates, which helped support financial markets. It is not clear how much the weaker employment data relates to President Trump's crackdown on immigration, the business rollout of artificial intelligence or traditional slowing demand. What it means is that the US economy has started to rely on productivity growth and government spending to grow in the face of a declining working-age population, which may not be sustainable unless artificial intelligence lives up to some very high hopes for its effectiveness in growing economic output.

In the UK, the government budget was a relief to financial markets, combining with softer than expected inflation data to provide conditions for the Bank of England to cut interest rates again in December after a short pause. The budget set out tax rises across many aspects of the economy that should slow economic activity somewhat and reduce inflationary pressures, and Epworth expects further cuts to interest rates in 2026 as a result. Economic data is increasingly pointing to a soft winter for UK business and consumers – the question is will this be enough to contain inflation without becoming a more damaging period of poor economic performance?

The EU similarly experienced economic stagnation, with the central bank already having cut rates more quickly than in the UK or US. Growth has been weak in the two major blocs - France and Germany. Political paralysis in the former since the 2024 election has continued to be a major headwind, whilst the German government has responded to its own structural issues by launching a huge stimulus package that is taking time to be reflected in better activity data. Meanwhile in Japan, inflation appears to have finally returned alongside a change of political leadership that should see higher government spending in pursuit of economic growth. The Bank of Japan has responded by lifting interest rates for the first time in decades, though they remain amongst the lowest globally. This is putting pressure on Japanese government debt and its currency, with the economy reliant on a smooth transition to better growth if it is to maintain its highly leveraged fiscal position.

In China, weak domestic demand continued while the country struggled to battle deflationary conditions. The government continues to pursue policies aimed at building out enormous manufacturing capacity and technological development, reliant on exporting vast quantities of goods to the rest of the world for low prices. It has yet to properly address an oversupply of housing and a declining birth rate, weighing heavily on domestic activity. In a democracy, these conditions would likely trigger a strong electoral backlash, but with no domestic political opposition it is difficult to foresee a significant shift from the Chinese government.

2026 MARKET OUTLOOK

Epworth's base case is that for investors, 2026 will to a significant extent be driven by the same two unpredictable, disruptive forces that made 2025 such a remarkable year – Donald Trump and Artificial Intelligence. Despite these disruptions, economic fundamentals continue to show resilience and offer comfort that even after three consecutive years of double-digit returns for global equities, 2026 may still offer further upside.

We expect the global economy to continue growing steadily, with prospects in Europe and Asia likely to improve somewhat from recent soft activity, whilst being offset by cooling momentum in the US. Trump's unorthodox policies on immigration, tariffs, foreign policy and US institutions should be a major driver of that shift and on their own may even threaten a more serious growth shock. The context for this is the ongoing rise of China, attempting to dominate key global supply chains and industries in order to break the US dominance of the global economy. As we observe this period through a renewed Cold War paradigm, we should expect an increase in superpower intervention across the world in a battle to secure natural resources and establish supply chain hegemony.

However, in the near-term unprecedented government spending in Germany, China and the US alongside lower global interest rates should ensure steady economic development continues for a while yet. The challenge for investors is that this progress will continue to be uneven and potentially store up problem for the future, favouring high income consumers and particular segments of the economy that thrive in this disruptive, authoritarian, de-regulated environment. This goes beyond technology companies to include banks, weapons manufacturers and metals producers.

Despite the disruptions, we expect business investment to continue its recovery and broaden beyond AI technology, as previous headwinds from tariff uncertainty and interest rates fade. This should largely support employment and labour income growth and, in turn, consumption to provide steady impetus to the broader economy. We expect

inflation to remain sticky in the US while disinflation elsewhere slows, with the exception of the UK where we see slowing activity providing room for the Bank of England base rate to fall towards 3% by the end of 2026. Despite the negative press around tax rises, this is likely to support growth in the UK and aid British assets that continue to trade at notable discounts to international peers.

Whilst lower interest rates reduce returns on cash investments, this should support risk assets, and we expect strong earnings growth from companies in most equity markets given the relatively benign conditions. Strong earnings growth is necessary to support elevated valuations in parts of the global equity market and extend the bull market for this asset class, though this reliance on growth to sustain valuations also increases downside risk if unforeseen shocks occur. The US market in particular has become dominant in global equity indices due to strong technology driven outperformance and a significant valuation premium, but this showed signs of starting to unwind somewhat in 2025 and Epworth's assumption is that this should continue.

As well as further global conflict, potential shocks could also include increasing democratic division, with political disruption an increasingly prominent factor for investors. Western governments face huge debt burdens and ageing populations that make the path to further prosperity increasingly narrow and uneven. This requires difficult debate about real solutions, but France has offered a recent example of what can happen when politics becomes so polarised that it fails to find agreement on almost anything, paralysing businesses, investors and citizens that need clarity and confidence for society to function. In the US, Trump has threatened the central bank's independence with significant appointments due to its committee this year – there is a risk he chooses loyalists that threaten credibility by lowering rates too far, which stokes future inflationary pressures.

For investors looking to balance the risks of shocks, diversification remains as important as ever and Epworth remains committed to broadening out the variety of quality assets available to navigate these scenarios. Alongside successful commodity allocations, we have added some exposure to potential winners of AI we judge to be reasonably placed, whilst spreading other allocations across more reasonably priced assets to ensure a balance of risks in case the market excitement runs too far too soon. AI is a transformative technology that is here to stay, but investors will increasingly require developers to demonstrate return on investment – it seems likely that some companies will fail this test.

This balanced equity exposure complemented by a bias to particular commodities forms the basis of Epworth's investment strategy entering 2026. However, conscious of strong recent market performance, extra cash is also being held to help guard against setbacks from any one of the various risks outlined. This strategy is complemented by more modest exposure to property, infrastructure and fixed income, assets that have been largely out of favour since 2022 as the market has got excited by other themes. Nonethless, we do not foresee these assets being unloved forever, they offer useful yield, but an environment of political and inflationary risks is not conducive to the strong returns these assets used to deliver before the pandemic.

From an ethical perspective, the spectacular outperformance of military companies in the last couple of years has been a clear ethical headwind for all ethical investors including Epworth, though this has been partly offset by also excluding fossil fuel producers that have suffered from recent oversupply concerns. In addition, evidence that the new generation of young adults drink far less than their predecessors has weighed on alcohol manufacturers, showing that ethical investment always generates short term winners and losers, but over time we see plenty of opportunity for the faithful investor without needing to compromise on values.

SAFEGUARDING CHILDREN: CHILD LABOUR - A SUPPLY CHAIN ISSUE

The fifth article in this series exploring investment issues affecting children focuses on child labour within extended corporate supply chains. The previous two articles focused on areas where children are impacted directly by corporate policies, advertising or behaviours in the areas of technology and health and wellbeing. There is however, a flip side where goods themselves may be manufactured or sourced that involves child labour.

This is among the most intractable issues responsible investors face, given the myriad ways children become 'trapped' in modern extended and globalised supply chains. This phenomenon, though hardly new, remains elusive in its extent, and for the most part, practically invisible. Responsible investors adopting strong human rights policies, will almost certainly wish to avoid 'child, forced and bonded labour' at all costs, and will have clients concerned to pursue a policy of absolute avoidance. This article therefore explores the challenges in achieving this, the need for vigilance when investing, and why adopting a zero-tolerance approach may be impossible.

Child labour encompasses both paid and unpaid work, within and without the family unit. Whilst it can exhibit as a form of slavery, it may also be very low or non-paid work that takes children in poverty out of education or play, or represent a normal part of a family run smallholding growing crops. Estimates of the extent of child labour do vary given its invisibility, but UNICEF has estimated that 138 million children globally are impacted by the phenomenon of child labour[1]. Some of this may not be injurious to them; it's why total eradication and zero-tolerance may be impossible. However, ILO (International Labour Organisation) and the Convention of the Rights of the Child place limits and boundaries on what is deemed to be 'acceptable'. These, for instance, reference long hours and arduous or dangerous work where the child is below a certain age.

The good news is that overall numbers of children who work has reduced from 245.5m in 2000 to around 138m in 2024. A more pronounced trend has been improvement in the numbers of children aged 5-17 who are to be found undertaking hazardous work; here the numbers have fallen from 170.5m in 2000, to 54m in 2024[2]. Trends therefore appear to be positive, in which case should investors continue to be unduly concerned?

It is undoubtedly true that coalitions of investors and responsible businesses have, over time, exerted strong influence over most aspects of corporate supply chains; ‘doing the right thing’, public scrutiny and reputational risk have all played their part in businesses taking proactive control of supply chains they previously claimed no responsibility for.

One example is the cocoa industry, where revelations around the extent of child labour led to serious interventions by the likes of Cadbury and Nestlé to understand the nature of child labour within family cocoa farms, and to mitigate the worst behaviours such as children working long hours, wielding machetes and losing education. Whilst problems remain, as responsible investors working over-time with the industry, improvements have been seen that have also benefited farmers in respect of improved husbandry techniques, higher yields and premium prices paid. Cocoa is among the most complex of areas for investors; children form part of the family unit that works and husbands the crop, making small holdings viable. Prohibiting this work would undoubtedly increase the risk to livelihoods and exacerbate poverty; can investors and their clients therefore ‘live’ with this compromise where child labour exists, but the worst effects are mitigated by controlled hours, time for education, rest and play, and the removal of hazardous practices?

Although the overall trend in the number of children caught up in paid or unpaid work is falling, the US Bureau of International Labor Affairs maintains a list of goods and services it stresses are likely to be sourced from child or trafficked labour. This list comprises 204 areas of production from 82 countries, pointing to the sheer breadth of work children may be involved in[3]. Children are most often found working in agricultural production or in some form of manufacturing, for instance brick-making in the Indian sub-continent. The US list has evidence of child labour in areas such as the harvesting of bananas in Central and South America, aluminium smelting and refining in Asia and especially China and, to take one of the most challenging crops for responsible investors, cotton. Cotton harvesting is particularly prone to child involvement, where they are taken out of school in China and Uzbekistan, for instance, to pick the bolls. Investors via engagement have to interrogate corporate policies and processes to see whether companies understand

where and how raw materials are derived when contracting suppliers to manufacture clothes in countries such as Cambodia, Bangladesh and Myanmar. Global NGO coalitions such as the Cotton Campaign4 help inform investors of salient issues, whilst investors can search for relevant evidence of strong oversight, such as the M&S Child Labour Procedure, that sets out required standards expected of suppliers.

It is often true that client expectations exceed the real, complex dilemmas surrounding child labour. As responsible investors, we seek to navigate these challenges via focused engagement and dialogue with a range of parties including expert NGOs. Avoiding child labour is far from simple and may be unavoidable given cultural and socio-economic realities in some sectors. The degree of genuine commitment can often be evidenced however, thereby avoiding investment where there may be embedded risk (for instance MPs questioned the degree of commitment and rigor applied by Chinese retailer Shein in the run up to its potential London IPO earlier this year), and rewarding ‘good’ companies, which if not perfect, are nevertheless grappling proactively with the issue to eliminate the most heinous examples.

[1] UNICEF https://data.unicef.org/topic/child-protection/child-labour/

[2] UNICEF ibid

[3] Bureau of International Labor Affairs https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods

[4] The Cotton Campaign https://www.cottoncampaign.org/

Online Resources

There is a wealth of supporting resources dealing with the phenomenon of child labour; of interest see Nestlé Cocoa Plan and M&S Plan A ESG Report. Or the Primark Cotton Project. Other useful sources of information are those cited including UNICEF and the US Bureau of International Labor Affairs.

L'OREAL: LOOKING GOOD ON THE OUTSIDE, FEELING GOOD ON THE INSIDE

One of Epworth's ethical pillars is Earth & Ecosystem, describing our investment approach seeking solutions to the challenges facing our planet. Beauty and cosmetic is a business that generates a high degree of customer loyalty. After all, we all have a right to feel and look our best! Indeed, 2020 (COVID lockdown) was the only year this century that the sector failed to see positive growth.

L'Oreal, a holding in our Global Conviction Portfolio, are one of the best and biggest at helping us look and smell good. They have an estimated 60% of the worldwide beauty sector for women, whilst they reckon that at least 1 billion people globally use their products to clean and pamper themselves with. That translates into strong pricing power and helps the company generate attractive levels of profitability.

However, what we also admire about L'Oreal is their approach to the ethical considerations facing the beauty industry. They were aiming to finish 2025 with 100% of the energy powering their sites coming from renewable sources, and 100% of their plastic packaging being recyclable or refillable. We are waiting to find out whether these targets have been met.

L'Oréal have also led from the front on animal testing. They ended all animal testing on finished products in 1989, 14 years before it was legally required in the EU. Today, they do not tolerate testing of ingredients on any animal, without exception. In some countries, notably China, authorities do still independently carry out their own animal testing for certain cosmetic categories. L'Oréal works directly with regulators and scientists in China to have non-animal methods accepted. Thanks to such efforts, many cosmetics products sold in China no longer require animal tests.

By investing in L'Oreal and other companies offering solutions for a sustainable future, Epworth's clients are helping to drive positive change for both people and planet.

CHUGAI PHARMACEUTICAL: TREATING DISEASE & PROVIDING EQUITABLE ACCESS TO DRUGS

Another of Epworth's ethical pillars centres on Health and Wellbeing and our belief that all people should have the opportunity to enjoy life in its fullness. As lifestyle diseases rise and health inequity persists, we seek to invest in companies that help to address these challenges.

Chugai Pharmaceutical is a recent addition to our WS Epworth Global Equity Fund. It is a Japanese listed prescription drug company best known for developing drugs to treat various forms of cancer and certain autoimmune diseases. Its most successful drug to date has been a revolutionary haemophilia A treatment that has shifted the standard of care for sufferers of the disease from frequent intravenous injections to less frequent subcutaneous (under the skin), thereby reducing the risks of joint damage caused by the intravenous injections. The drug has enabled clinicians to make earlier interventions for newborn infants and has allowed patients to lead more active lives.

The company invests heavily in drug development and in retaining the in-house manufacture of its drugs. As a result of this high-cost base and the need to 'recover' these costs, the company runs the risk of limiting patient access in certain geographic markets. To mitigate this risk, Chugai has implemented several initiatives to improve patient access to its drugs, including patient assistance programs, price reductions in certain markets, and collaborations with healthcare providers and governments to expand coverage.

One of the things that convinced us that Chugai Pharmaceutical stood out from its peers from both an investment and an ethical perspective, was the company's development of a daily tablet medication for treating obesity and type 2 diabetes, which the company has licensed to the American pharmaceutical company Eli Lilly. The cost of the drug is expected to be significantly less than the current injectable treatments, and combined with the self-administration of the drug, it could help to provide equitable access to obesity care across geographies and income groups. Chugai stands to receive significant royalties from the sale of the drug, without needing to make any further investment in drug development or drug manufacture.

In summary, our investment in Chugai Pharmaceutical means that Epworth's clients are helping to combat life-threatening diseases and are providing equitable access to drugs for poorer people across a range of geographies.

NESTLE: EQUALITY IN ACTION

One of Epworth's pillars is equality – all people are worthy of value and dignity as they are made in the image of God. Systemic inequality persists across the economy, often reinforced by corporate structures, bias, and culture. Discrimination, whether overt or structural, harms individuals and undermines sustainable value creation. We believe that inclusive business practices are not only morally right, but essential for long-term stability, innovation, and legitimacy.

We recognise that meaningful progress on equality requires cultural change and long-term commitment. Nestle is one of Epworth's longest corporate engagements, and we recently met with the company to discuss various projects, including their social and equality work within their cocoa supply chain. More recently, Nestle has launched the income accelerator program[MJ1] , which is focused on closing the living income gap by rewarding through cash incentives both heads of the households, and reducing child labour risks for cocoa workers in the Cote D'Ivoire.

In our meeting with the company, representatives noted how pleased they were with the program, with notable and quantifiable improvements thanks to the programme, including an 18% improvement in the gender index. The program was trialled in the Cote D'Ivoire as that is Nestle's biggest cocoa source and where it has the largest market share – this reflects that such initiatives have high start-up costs and are more difficult to achieve where there is more buying competition due to the risk of a lack of return on investment. It is therefore not straightforward to replicate success in other markets and ingredients, as these can require different experience and setups – the example given was the prevalence of child labour in many markets. Nonetheless, this program had been expanded to Ghana and aims to work with 160,000 farming families by 2030.

Epworth asked whether the company would partner with third-party organisations or charities for such initiatives. Nestle said they have participated in co-financing or shared initiatives with third parties, but these can get complicated with regards to establishing ownership and control. However, they gave an example of how the implementation of projects which are specific to a country or region leads to the most positive results, citing a project in Pakistan which empowered the poorest women in communities to create

small stores with PPPs in their own homes. The women would sell everyday items, receiving upskilling and grants from Nestle – and the government was supportive because grants provided to women and families were less likely to go into illicit drugs or other such social harms. This project also solved the issue of penetrating the rural market in Pakistan, which Nestle had previously struggled with, while also empowering women, underscoring the two-tiered focus for the company. This project was facilitated through partnership with the local government, though this is not possible for every project as there may be political or cultural differences around the role of genders or sustainability views (palm oil for example).

Epworth is pleased with the progress that has been made and to hear the positive examples of Nestle's work across different countries and cultures. We look forward to continuing our discussions with Nestle for more years to come.

WHAT DOES 'ETHICAL INVESTMENT' ACTUALLY MEAN?

Cutting Through the Jargon

In today's investment landscape, phrases like "ethical," "responsible," and "sustainable" are everywhere. But what does ethical investment actually mean—especially for trustees of churches, charities, and religious organisations?

At Epworth Investment Management, we define ethical investment not as a marketing label, but as a principled commitment to align capital with values. For us—and for our clients—it's a matter of integrity, stewardship, and faithfulness.

Ethical Investment vs ESG: What's the Difference?

Many investment managers now promote ESG (Environmental, Social and Governance) strategies. These approaches assess how companies manage risks related to things like pollution, labour conditions, or board diversity. But there's a critical distinction:

- ESG is a risk lens—a way of evaluating companies' exposure to non-financial factors.
- Ethical investment is a values lens—a way of aligning investments with moral and spiritual convictions.

In other words, ESG asks how well a company behaves; ethical investment asks whether a company's core activity is morally acceptable. *For example: An arms manufacturer with a diverse board and net-zero plan might score highly on ESG—yet it would be excluded from an ethical portfolio based on Christian principles.*

Core Components of Ethical Investment

Ethical investment typically includes three overlapping tools:

1. Exclusions – Avoiding harm

The first step is to screen out industries and companies whose activities conflict with moral and theological values.

Common exclusions include:

- Fossil fuel extraction
- Tobacco and adult entertainment
- High-interest lending (e.g. payday loans)
- Gambling and alcohol
- Weapons, especially those with indiscriminate effect
- Human rights violations and exploitative labour

At Epworth, our exclusions are based on clear theological principles and are reviewed regularly in partnership with Christian stakeholders.

2. Positive Alignment – *Seeking the good*

Ethical investing isn't just about what you avoid—it's about what you support. That includes companies that:

- Promote human rights and decent work
- Lead on climate change and biodiversity
- Provide access to health, nutrition, and housing
- Uphold transparency, fairness, and integrity

We favour companies aligned with standards like the Science-Based Targets initiative and the Access to Nutrition Index, and we apply a Christian lens to determine their social contribution.

3. Engagement – Using your voice

Ethical investors should not be passive. Through active ownership, you can:

- Vote at AGMs based on moral principles
- Engage company leadership on issues like climate, human rights, and inequality
- Join faith-based coalitions to increase influence
- Escalate if progress is not made—including filing resolutions or divesting

This is especially important for faith-based charities, who have a duty to ensure their capital is stewarded with integrity.

Why Ethical Investment Matters for Charities and Churches

Charity trustees, treasurers, and denominational boards are increasingly asking:

Are our investments consistent with our mission?

Ethical investment provides a clear framework to answer that question. It allows churches and charities to:

- Honour their values
- Avoid reputational risk
- Strengthen donor and stakeholder trust
- Align with regulatory expectations
- Contribute to a more just and sustainable economy

It's not just about doing less harm—it's about using capital for good.

Isn't Ethical Investing Lower-Performing?

That's a common myth—but not supported by the data.

Well-governed, ethically screened portfolios can deliver competitive long-term returns while avoiding exposure to regulatory, environmental, or reputational risks. In fact, ethical investors are often better positioned for the transition to a low-carbon, high-accountability economy.

At Epworth, we don't believe you have to choose between financial prudence and moral purpose. You can—and should—have both.

Conclusion: Invest with Clarity, Not Confusion

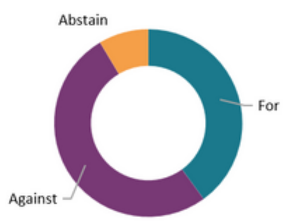
In a world full of vague claims and shifting ESG standards, ethical investment offers something different: moral clarity, governance integrity, and alignment with purpose. Whether you are a local church, a national charity, or a religious order, you have the opportunity to make your capital reflect your values.

Talk to us about how to implement an ethical investment approach rooted in Christian faith and financial responsibility.

EPWORTH VOTING SUMMARY: Q4 2025

Remuneration reports

For	14
Against	18
Abstain	3

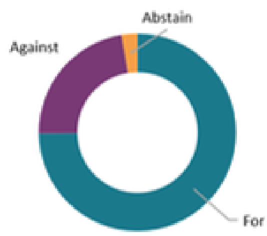


Auditors appointments

For	19
Against	0
Abstain	0

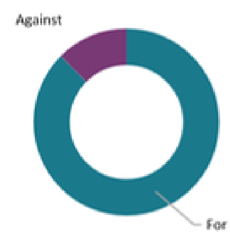
Directors

For	146
Against	44
Abstain	5



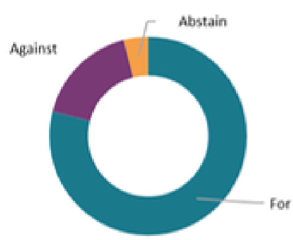
Executive pay schemes

For	7
Against	1
Abstain	0



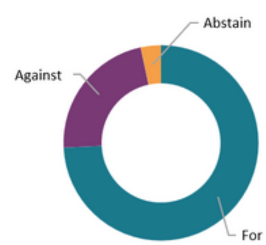
Other

For	79
Against	17
Abstain	4



Total Votes Cast

For	265
Against	80
Abstain	12



Epworth Investment Management adheres to the principle that one of the privileges of owning shares in a company is the right to vote on issues submitted to a shareholder vote. Voting is carried out at all UK and global company meetings, in which Epworth invests, in line with a collaborative Church Investors Group (CIG) policy which is reviewed annually. The voting template is implemented by the CIG's service provider, ISS (Institutional Shareholder Services). The latest policy for voting can be found on the Epworth website. The above charts detail the number of votes we have participated in during the last quarter as well as how we have voted.

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