

# **Investment report for Teesside Pension Fund**

## **December 2025**

### **Political and economic outlook**

Another quarter passes with another deterioration in the political situation mainly driven by President Trump's antics. Trump's already tentative grip on a Nobel peace prize looks to have taken a severe knock with less than impressive results in the Gaza / Israel conflict and his presentation and timelines of the Russian crafted peace deal for Ukraine. Thankfully Europe and Canada have responded in a robust fashion so that potentially a lasting and just conclusion to the conflict can be achieved. Unfortunately Trump's personality and intellectual and mental faculties make it impossible to predict much at all. There has to come a time when the rest of the world's politicians step up to the plate and really tell him what they think of him and his policies. It won't come soon enough but it could still be some considerable time away. Trump is facing stiffer competition on the domestic front with the Republican Marjorie Taylor Greene and Gavin Newsom, Democratic governor of California calling him to account. There are some signs that the US judicial system is starting to take its responsibilities seriously with the charges against Letitia James, New York Attorney General and James Comey, former FBI director being dropped albeit on a technical infringement. We can only hope that the message gets through to the US Supreme Court as they have a vital role to play in restoring democratic values to the United States.

Trump has finally bowed to pressure to release the Epstein files. I would imagine that the administration is busily redacting a large number of email messages. We can only hope that a whistle blower has already

downloaded the files to a safe area so that full publication can take place at an appropriate time in the future.

The hope that the Chancellor would introduce a radical budget which would increase growth and improve the state of the UK economy over the longer term has been confounded. Despite the government's majority it has chickened out and introduced a pretty mundane set of policies and kicked much needed reforms down the road. The most significant policy change has been the removal of the two child cap on child benefits which should significantly improve the lot of 450,000 children. The Chancellor will be pleased and relieved that financial markets responded slightly positively to her budget.

The prospects for economic growth have deteriorated in an increasingly protectionist environment. The degree of uncertainty over American economic and foreign policy will have impacted adversely on growth prospects across the world. This is not good news in an era of extremely high borrowing by western countries. Unfortunately I do not expect the position to change in the medium term.

## **Markets**

Equity markets have in general risen slightly over the past three months and relatively strongly over the year. There is no reason to think that equities will fall sharply from their current levels but it is difficult to see them outperforming other asset classes significantly over the medium term. The increasingly difficult economic environment would tend to confirm this. Bonds are likely to underperform equities slightly as the real yield is still relatively modest and the potential for higher inflation is becoming more of a reality.

Index linked bonds I've been showing signs of bottoming out for quite some time now. The bottoming out period has taken quite some time but it looks set to continue for some time yet.

The economic environment has improved somewhat for commercial property but the outlook remains unsettled and as an asset class it is unlikely to outperform.

Lack of finance has weighed heavily on the private equity and unquoted sector of the market. This situation is unlikely to change going forward. A lack of opportunity to refinance and float companies will continue to hold back the sector.

We are looking at a period of low return across all market sectors.

## **Portfolio recommendation**

Given the low return environment and the likelihood of similar returns across asset classes there is little to be done with the portfolio. The difficult liquidity environment in the unquoted sector will lead to this being a drag on the performance of the fund. Unfortunately the nature of these particular investments means that there could be a long wait for the environment to improve. Fortunately the scheme is in a good funding position and for the time being is able to sit these difficulties out.

**Peter Moon**

**28 November 2025**

