Quarterly Investment Update

July - September 2025

QUARTERLY MARKET COMMENTARY

3rd Quarter 2025

SNAPSHOT

- US Fed cut rates for the first time in 2025, boosting global assets.
- Almost across the board, global stock markets hit all-time highs.
- Bonds rallied as well, despite government borrowing concerns.

All percentages below are quarterly returns unless indicated otherwise

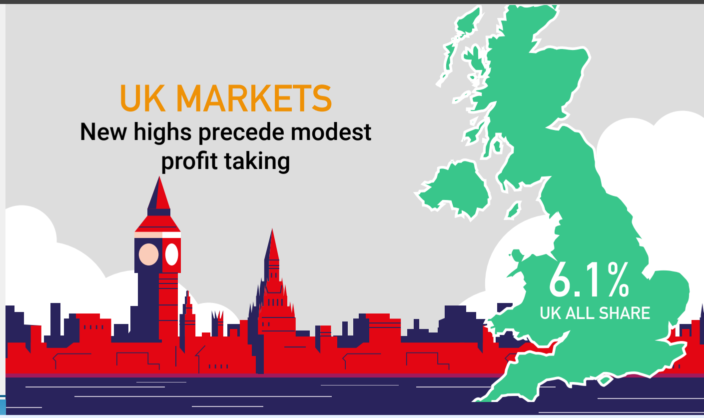
EQUITIES

US MARKETS

Tech-led rally brought new market highs

7.8%

US 500



UK MARKETS

New highs precede modest profit taking

6.1%

UK ALL SHARE

EMERGING MARKETS

China led, while geopolitics weighed on India

10.1%

EM

BOND MARKETS

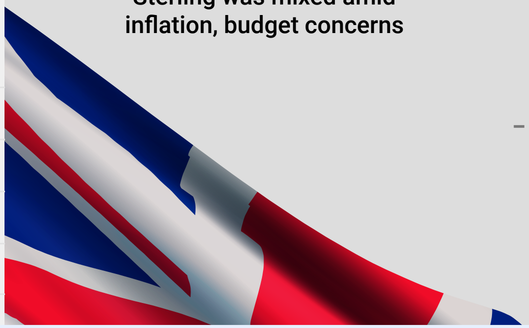
BONDS

Credit and rates performed well

UK GILTS	-0.6%
US TREASURIES	1.5%
GLOBAL CORPORATE BONDS	3.9%
GLOBAL HIGH YIELD BONDS	4.5%

*Values represent bond index returns

CURRENCIES



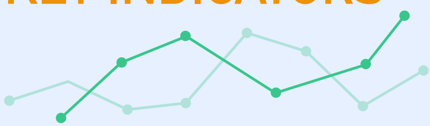
CURRENCIES

Sterling was mixed amid inflation, budget concerns

Pound vs Other Currencies

GBP vs USD	-1.9%
GBP vs JPY	0.5%
GBP vs EUR	-1.8%
GBP vs CNY	-2.5%

KEY INDICATORS

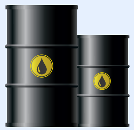


GOLD – XAU/USD

16.4%

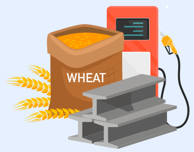
OIL – BRENT CRUDE

-0.9%



COMMODITIES

5.9%



INFLATION – UK CPI (YOY)

3.8%

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GLOBAL MARKETS

Global equities rebounded strongly in Q3, recovering from early-year volatility driven by tariff announcements. The S&P 500 rallied strongly from its April lows, while Europe and the UK lagged.

US MARKETS

Up on Fed rates cut

US equities posted strong gains across Q3, with the S&P 500 reaching new highs in each month of the quarter. Small caps and gold miners performed well, while robust earnings from tech giants, and resilient GDP data, helped support investor sentiment. In September, the Fed cut rates by 25bps, their first in 2025, citing risk management, though stronger data tempered expectations for aggressive further easing.

7.8%

US 500

UK MARKETS

Budget concerns tempered market returns

UK equities were mixed. Each month saw modest gains, with the FTSE100 hitting record highs multiple times, closing the quarter marginally below a fresh peak. The FTSE250 underperformed amid weak domestic data and rising gilt yields. Inflation remained elevated, and public sector borrowing surged, fuelling fiscal concerns. The Bank of England held rates steady and slowed Quantitative Tightening in September, citing inflation risks. Investor sentiment weakened ahead of the Autumn Budget.

6.1%

UK All Share

EUROPEAN MARKETS

Political uncertainty dampened market returns

European equities rose in the early part of Q3, supported by trade deals, but lagged global markets as political turmoil in France and rising bond yields eroded these gains. Fitch downgraded France's credit rating after PM Bayrou's ousting, while corporate headlines, such as Orsted's sharp decline on President Trump's renewable energy policies, added to volatility. The ECB held rates in September, hinting it may have reached the end of its easing cycle. Flash PMIs showed private sector strength, but manufacturing contracted.

2.8%

Euro 600 Index ex UK

JAPAN MARKETS

Stronger on trade deal and economic data

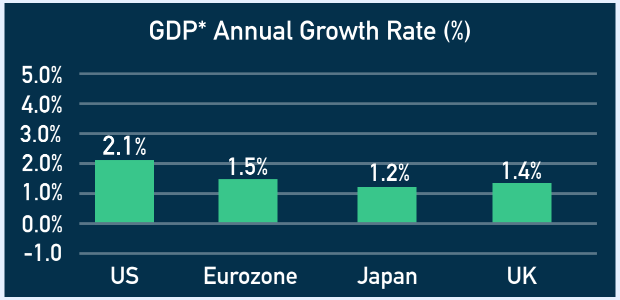
Japanese stocks were stronger, with the Topix reaching record highs in August and September. Gains were driven by the prospect of trade relief, boosting exporter sentiment, as well as tech sector momentum. The BoJ held rates steady but signalled that further policy normalisation (i.e. higher rates) should be expected, with plans to unwind their ETF holdings. Political uncertainty emerged with the resignation of Prime Minister Ishiba, but markets remained resilient. Economic data was mixed, with GDP growth revised higher but offset by weak manufacturing and exports.

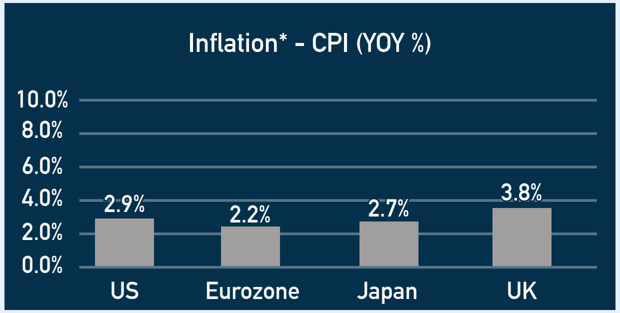
10.0%

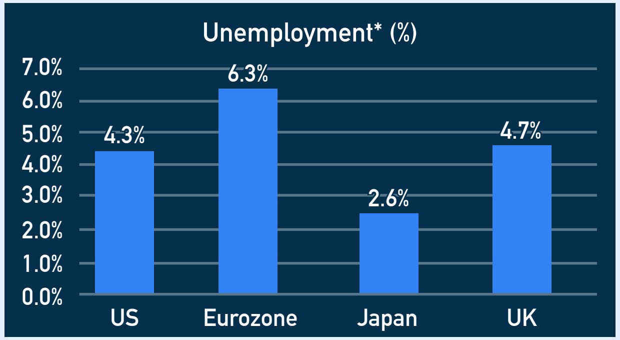
Japan Index

THE WORLD AT A GLANCE

	2025 Q3	Year to Date	2024	2023	2022	2021
UK Cash	1.0	3.3	5.2	4.7	1.4	0.1
US Dollar	0.9	-9.9	7.1	-2.1	8.2	6.4
UK Gilts	-0.6	1.9	-3.3	3.7	-23.8	-5.2
US Treasuries	1.5	5.4	0.6	4.1	-12.5	-2.3
Global Corporate Bonds	3.9	1.8	2.8	4.0	-6.8	-1.9
Global High Yield Bonds	4.5	2.0	11.0	8.2	-2.3	2.0
US 500	7.8	13.7	23.3	24.2	-19.4	26.9
UK ALL SHARES INDEX	6.1	13.3	5.6	3.9	-3.2	14.6
EURO 600 INDEX EX UK	2.8	10.6	4.5	14.9	-15.0	22.5
JAPAN INDEX	10.0	12.7	17.7	25.1	-5.1	10.4
Asia Ex Japan	12.8	24.8	16.2	6.4	-15.4	-3.1
Emerging Markets	10.1	25.2	5.1	7.0	-22.4	-4.6
Commodities	5.9	-1.3	11.2	-9.7	41.9	41.7
Gold	16.4	44.8	26.6	12.8	-0.7	-4.3
Hedge Funds	3.2	5.2	5.3	2.7	-4.4	3.0







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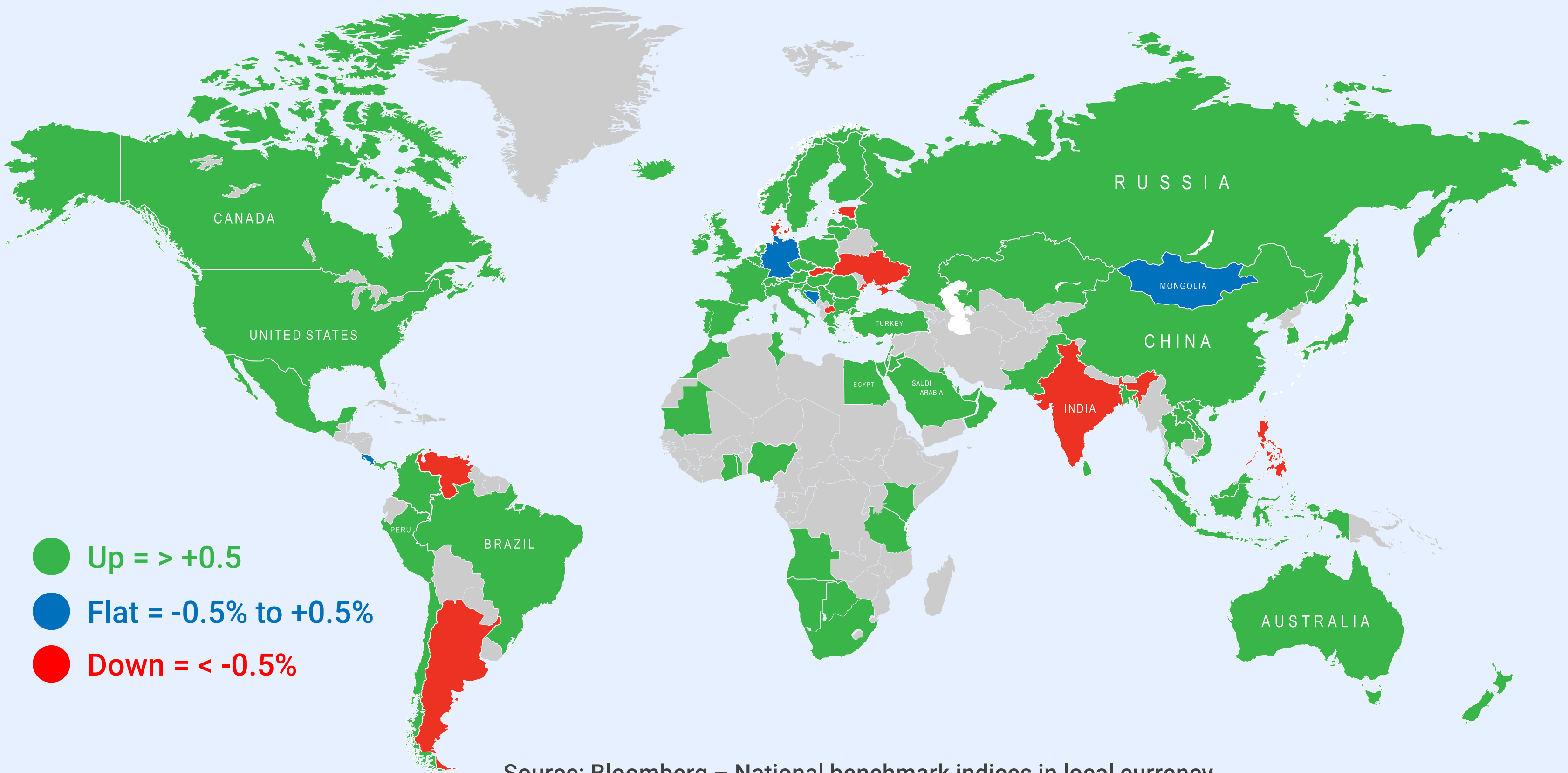
WORLD EQUITY MARKETS



Source: Bloomberg – National benchmark indices in local currency

7.8% USA

2.8% EUROPE

10.0% JAPAN

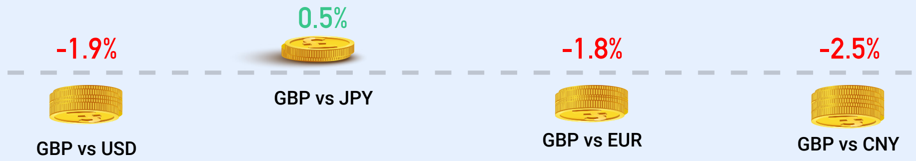
6.1% UK

10.1% EMERGING MARKETS

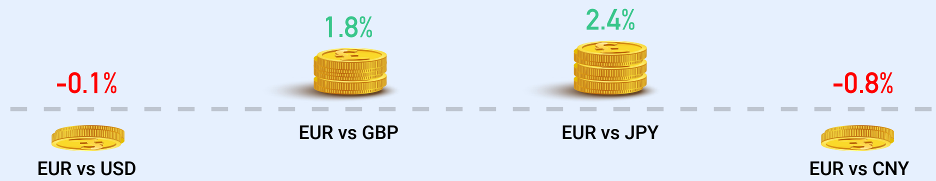
Key Points

- Developed markets gained across Q3, led by Japan and the US. Europe and the UK posted modest returns, with political and fiscal risks weighing on sentiment.
- Gold, silver, and platinum were boosted by the fiscal backdrop and positive sector sentiment, with supply concerns supporting metal prices and the associated stocks. Gold closed September at a new record, above $3,800/oz, 45% higher over 12months.
- UK equities were subdued despite record FTSE100 levels. Fiscal concerns and weak data pressured mid-caps. European equities faced headwinds from French political instability and rising bond yields.
- Emerging markets were mixed: China outperformed India, but weak data in September temporarily reversed some of the gains. Markets rallied into the quarter end, with Shenzhen hitting its highest level since 2021, and the Shanghai stock exchange near its best levels since 2015.

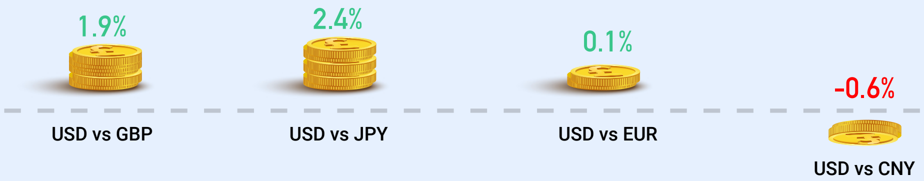
CURRENCIES



GBP VS OTHER CURRENCIES



EUR VS OTHER CURRENCIES



USD VS OTHER CURRENCIES

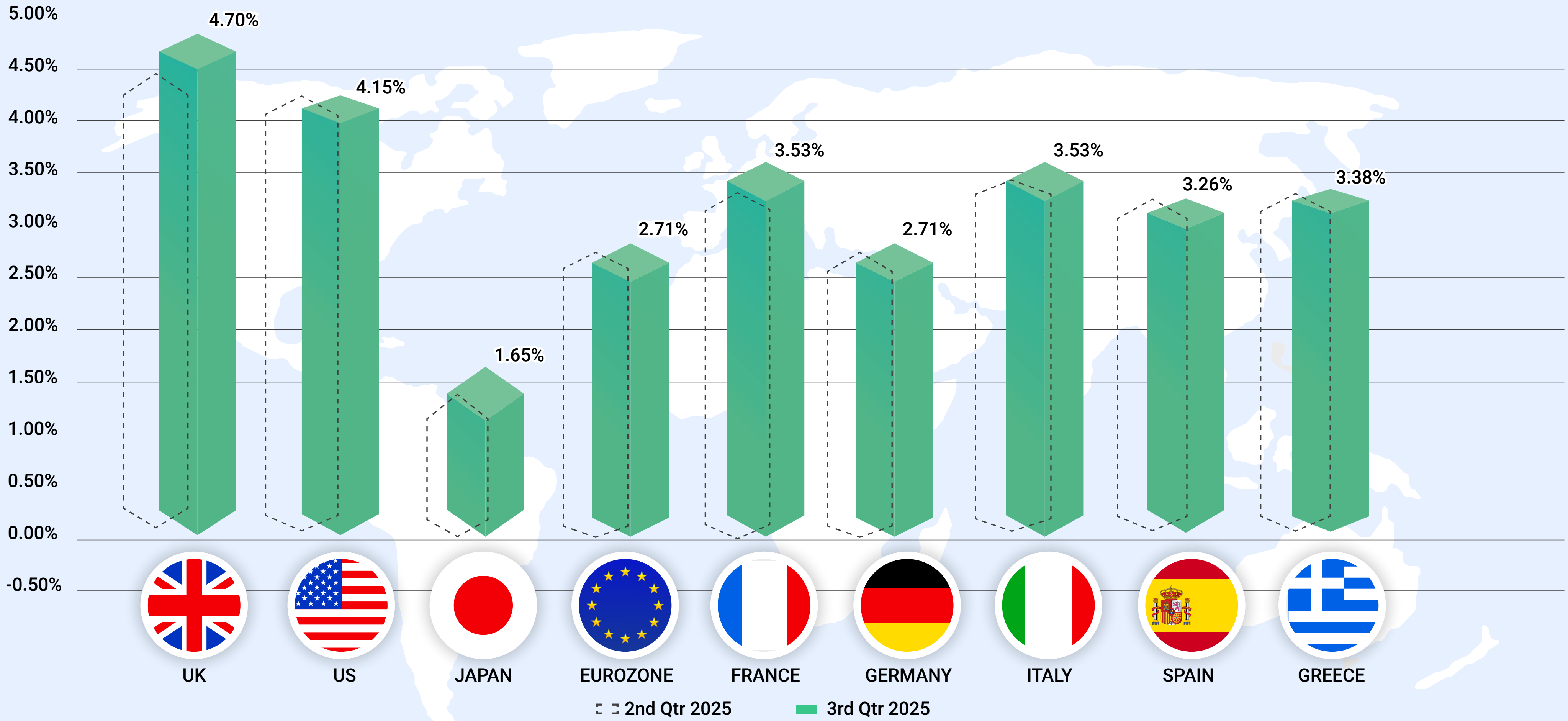
JPY VS OTHER CURRENCIES

Key Points

- The US dollar strengthened in July, then weakened in August and early September following the Fed's rate cut and mixed data, before recovering, a little, late in the quarter.
- Sterling rose in August but fell in September versus the dollar amid fiscal concerns and weak data. It remained broadly stable against the yen but softened versus the euro.
- The yen weakened in July but strengthened later, as the BoJ signalled base-case rate rises while European political uncertainty drove safe-haven flows into the yen.
- The Indian rupee hovered near record lows, pressured by US tariffs and visa rule changes. Commodity currencies surged, with AUD and CAD benefiting from rising commodity prices and dollar weakness.

GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Bond markets were volatile for the quarter. High yield and corporate credit outperformed government bonds across Q3, supported by resilient corporate fundamentals, investor demand, and deteriorating government balance sheets.
- US Treasuries saw mixed performance: short-duration yields fell on weak data, while long-duration yields declined less amid Fed-White House tensions and strong GDP.
- UK gilts declined in July and August, with yields rising further to multi-decade highs, recovering some lost ground in September despite ongoing inflation and fiscal concerns.
- Eurozone bond yields rose through the quarter, driven by political risk and increased supply, though September saw a modest improvement in prices. French yields climbed amid deficit worries, exceeding the borrowing costs of Greece, Italy, and Portugal.
- Japanese government bond yields rose to 17-year highs as the BoJ held rates steady, announced ETF sales, and signalled their base case was for further rate increases.

GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as 'sterling'
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries

Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
Macro	or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK.