

Welcome to the quarterly investment review. This review covers the key factors that have influenced investment markets over the past quarter and the Investment Team's current views and broad strategies being employed.

Macro & Markets

Macro

Coming into the third quarter of 2025, US trade policy was once again a major factor driving investor sentiment. Tariffs continue to muddy the water in terms of the global economic outlook. Their impact on inflation, both in the US and abroad, as well as the potential for trade friction to be a drag on growth, are as yet not fully understood. Despite this, most major asset classes continued their march higher in Q3, with Asian and emerging markets among the major winners.

The summer months saw President Trump renew his assault on the US Federal Reserve (the Fed). Back in April, he threatened to fire Fed chairman Jermone Powell (a power the President does not possess). While he has since backed off from these threats, in August Fed Governor Lisa Cook found herself in the crosshairs, with the President demanding her removal citing alleged mortgage fraud. Trump's displeasure with the Fed stems from his belief that the central bank is not cutting interest rates fast enough, curtailing economic growth and costing billions in additional interest payments on government debt. From the Fed's perspective, tariffs present a potential upside inflation risk; so, while policymakers are keeping a close eye on the jobs market, they are unlikely to cut rates rapidly – the risk of a further inflationary impulse remains too high. Ultimately, the Fed did cut rates by 25 basis points in September, despite Republican-led pressure for a larger 50 basis point cut. The prospect of further near-term easing helped lift major markets, particularly for rate sensitive sectors such as small cap stocks and real estate.

US headline inflation accelerated to 2.9% year-on-year in August, above the Fed's long-term 2% target, but so far, the impact of tariffs has been more modest than previously feared. It remains to be seen who is footing the tariff bill, but the lower-than-expected uptick in inflation suggests at least some of the tab is being picked up by US corporates. Elsewhere, the picture was more mixed. In Europe, inflation remained at target, while an uglier picture has emerged in the UK in recent months. In August, headline inflation rose to 3.8%, and with growth still weak, fears of 'stagflation' (a combination of low growth and high

inflation) appear well founded. The Bank of England still expects the recent uptick (which is partly due to the recent, weather-driven rise in food prices) to be transitory, with a return towards the 2% target in early 2026. It reiterated this belief with a further 25 basis point cut in August.

Artificial Intelligence (AI) enthusiasm continued to support gains in global equity markets. Graphical Processing Unit (GPU) manufacturer and AI poster child Nvidia reported yet another strong set of results, including a 56% year-on-year increase in total revenue, now \$46.7 billion. However, it was another US firm, Oracle, which stole the show after reporting a 359% increase in total contracted future revenue, largely from its cloud infrastructure division. This propelled the stock upwards by more than 36% on the day, and briefly made its founder, Larry Ellison, the world's richest person (a title he claimed from, and subsequently lost to, Tesla CEO Elon Musk). Asian markets were similarly buoyed by a string of AI-related announcements. In September, Chinese e-commerce giant Alibaba released its latest AI model, Qwen-3-Max-Preview, designed to compete directly with the models of US tech giants, such as ChatGPT. Chinese authorities also announced new measures to support domestic chipmakers, as the country looks to reduce its dependence on foreign manufacturers.

Markets

The third quarter of 2025 saw positive returns for most major equity markets. In the developed world, Japanese equities were the best performing region (+9.5%, all returns in sterling), closely followed by the US (+8.2%). A weaker yen provided a boost for the export-orientated Japanese market, as did the announcement of a US-Japan trade deal, which lowered tariffs on most exports from 25% to 15%. Ongoing corporate governance reforms, aimed at improving capital efficiency and unlocking shareholder value, were also supportive. US equities also enjoyed a strong quarter, helped by another solid corporate earnings season. While July's employment data hinted at a softening of the jobs markets, in the main macro data remained resilient; second quarter economic growth was revised up to 3.8%, marking the strongest

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performance since Q3 2023. European (+3.0%) and UK (+3.1%) stocks were the laggards over the quarter, although both produced solid absolute gains. A lack of companies deemed to be exposed to the AI theme was a headwind, as well as ongoing political instability in France, where Prime Minister Bayrou was ousted following a vote of no confidence.

Chinese equities were the big winner in Q3 (+23.9%), supporting broader gains for Asia ex-Japan and emerging market indices. Technology stocks rallied sharply, with policy support and an acceleration in AI spend fuelling gains. Policymakers also announced further stimulus measures, including targeted support for the struggling property sector, such as plans to buy unsold housing inventory and lower mortgage rates. Korean equities (+14.8%) also produced strong returns and extended their year-to-date gains, on optimism over Japan-like corporate reform and favourable relative trade terms with the US. Among the major emerging market constituents, India was the relative loser, declining -4.3% over the quarter. Disappointing earnings, lacklustre domestic consumption and lofty valuations all weighed on Indian equities. The complicated macro backdrop worsened after President Trump imposed a 50% tariff on Indian goods, partly as a penalty for Delhi's ongoing purchase of Russian oil and weapons.

Bond markets experienced a mixed quarter. We wrote about the divergence of government and corporate bond performance in last quarter's review, and this continued through Q3. The easing of trade tensions was supportive of corporate bonds (particularly sub-investment grade) as credit spreads (the additional yield an investor demands relative to the equivalent 'risk free' government bond) continued to tighten. Meanwhile, for UK investors at least, a complex inflation dynamic weighed on UK government bonds, which underperformed their corporate counterparts by c.1.5% over the quarter. Fiscal sustainability concerns are not an issue for the UK in isolation, but nervousness in the lead up the Autumn budget led to further rise in long-dated government debt. By the end of September, the yield on a 30-year gilt had risen to 5.5%, the highest since 1998.

The other big story over the quarter was the continuation of the recent rally in gold – the precious metal returned +18.5% in Q3 and has gained almost 36% year-to-date. Other precious metals, including silver (+30.9%) and platinum (+21.7%), as well as the mining companies who have enjoyed a sudden expansion in profit margins, also produced strong quarterly returns. With ongoing economic and political uncertainty, central bank buying, and expectations of further rate cuts from the Fed, demand for gold shows no immediate signs of abating.

2020	2021	2022	2023	2024	2025 YTD	Q3 2025
Asia ex-Japan +20.0%	N. America +25.5%	Asia ex-Japan -6.9%	N. America +16.7%	N. America +22.0%	Europe ex-UK +16.8%	Asia ex-Japan +12.1%
N. America +16.2%	UK +17.3%	Japan -8.1%	Europe ex-UK +14.0%	Asia ex-Japan +10.0%	Emerging Mkts +16.7%	Emerging Mkts +11.7%
Japan +13.8%	Europe ex-UK +15.8%	Europe ex-UK -9.0%	Japan +11.6%	Japan +8.7%	Asia ex-Japan +15.0%	Japan +9.5%
Emerging Mkts +13.7%	Japan +1.8%	UK -9.1%	UK +7.4%	Emerging Mkts +8.2%	Japan +14.1%	N. America +8.2%
Europe ex-UK +10.3%	Asia ex-Japan +1.5%	N. America -9.7%	Emerging Mkts +4.3%	UK +7.9%	UK +11.0%	UK +3.1%
UK -6.0%	Emerging Mkts -0.5%	Emerging Mkts -12.2%	Asia ex-Japan -1.0%	Europe ex-UK +1.7%	N. America +4.7%	Europe ex-UK +3.0%

Major market total returns in Sterling. Data correct as of 30/09/25. Sectors used: Asia ex-Japan – IA Asia Pacific ex-Japan TR (GBP), Emerging Mkts – IA Global Emerging Markets TR (GBP), Europe ex-UK – IA Europe excluding UK TR (GBP), Japan – IA Japan TR (GBP), N. America – IA North America TR (GBP), UK – IA UK All Companies TR (GBP).



Asset Allocation & Portfolio Activity

We wrote extensively in Q1 about how we realigned the Whitechurch portfolios with our updated strategic asset allocation framework, thus there were no notable changes in Q3.

Quarterly Outlook

Equity markets continue to grind higher despite a multitude of macro and geopolitical uncertainties. Back in April, Trump's Liberation Day tariff announcement sent markets into a tailspin, but as the year has progressed, investors have increasingly shown signs of tariff fatigue – new threats from the US administration have not meaningfully derailed the recent stock market recovery. A 50% tariff on Indian imports to the US, for instance – unthinkable a year ago – led to a brief sell-off, but the Indian market had recovered within a week. The impact of US tariffs has, so far, been muted. Inflation has been relatively benign in the US, and the economy resilient. In the meantime, stocks have risen, and valuations increased. If the economy does begin to slow – the labour market is showing signs of cooling – these may prove difficult to justify. We are cognisant of concentration risk, and the need to be properly diversified across styles, sectors and geographies.

Corporate bonds, too, look richly valued – credit spreads are at or near (depending on market and sector) historic tights. However, yields remain comparatively attractive relative to recent history, and demand for new issuance is high. Given the complicated inflation

dynamic, particularly in the UK, we do not expect any rapid easing of interest rates from here (though gradual easing is still likely), so over the medium term, the majority of returns for bond investors is likely to be in the form of income, rather than capital appreciation. On aggregate, our underlying managers have been increasing overall credit quality, to protect against a possible widening of spreads. We also have a healthy allocation to government bonds across our low and medium risk portfolios, which should outperform their corporate peers if the economy starts to slow.

With structurally higher inflation a possibility going forward, the role of the traditional 60/40 portfolio continues to be debated. 2022 showed that when inflation spikes, equities and bonds can behave in much the same way, eroding the diversification benefits. We therefore see further growth in demand for genuine alternatives with low correlation to other major asset classes. Gold has been one of the major beneficiaries year-to-date, and with ongoing geopolitical uncertainty and an uncertain economic backdrop, demand for the precious metal looks set to continue into 2026.

From the Investment Team...

Following the acquisition of Whitechurch Securities Ltd by Ascot Lloyd last year, this will be the last quarterly review in its current form. From the many authors that have contributed to this review over many years, we hope you have found the content informative, and thank you for reading!

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Important Notes:

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are being met 100% of the time, despite our best efforts to do so. Our ESG fund screening, selection, review and ongoing monitoring process is available on our website or upon request.

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