



## Review

Global equity markets made new highs in July as risk sentiment continued to improve. US markets witnessed some of the strongest gains once more, alongside several emerging markets, whilst European equities generally lagged somewhat. In that context the UK equity market put in a very creditable performance, and the iShares UK Equity Index tracker gained +4.56% over the month.

The relatively strong showing from US markets came alongside resilient macroeconomic data releases and a robust second quarter earnings season, where c.80% of S&P 500 companies that reported delivered positive surprises. Large technology companies were once again a standout feature as enthusiasm reignited for all things AI related. Trade tariff news flow was, relative to expectations at least, benign and with the Federal Reserve taking a robust stance on the economic outlook, US bond yields rose, and the Dollar had its strongest monthly rally since October 2024.

Elsewhere, whilst Eurozone economic data continued to modestly improve, there was a muted response to the announced US-EU trade deal whereby the EU will face 15% tariffs on most of its exports to the US, with minimal tariffs on US goods entering the EU. Geopolitical developments were relatively calm, compared to recent months, although President Trump continues to push for an end to the war between Russia and Ukraine, threatening sanctions on Russian crude oil sales should a deal not be reached. This, amongst other things, helped the oil price rally during July. Finally, there were early, tentative, signs of an improvement in Chinese economic data following protracted weakness.

Here in the UK, economic data painted a mixed picture with inflation still relatively elevated, employment trends weakening and consumer confidence remaining subdued. Speculation over potential further tax increases in the autumn budget has increased, given a lack of headroom in the government's fiscal position, and this uncertainty has the capacity to dampen confidence further in the months ahead. Perhaps offsetting this, consensus expectations remain for the Bank of England to lower interest rates again at their next meeting in August, with gradual further reductions likely.

## Fund performance / Activity

After performing strongly in recent months, July was more mixed for our fund. Substantial outperformance of large-cap companies over mid and small sized companies, where we have significant exposure, once more proved a drag on our performance compared to the overall market, although relative to our peers our returns were more robust. As such, our fund gained +1.91% (share class A GBP Net Accumulation), underperforming the iShares UK Equity Index tracker gain of +4.56% but outperforming the peer group average gain of +1.56%.

There were a variety of individual positive contributors to performance in July including Ashmore, Entain, Zegona, Burberry, Bodycote, and ICG. By far the largest positive contribution came from Just Group, who are the subject of a recommended takeover by Brookfield Wealth Solutions, at a premium of 75% to the closing price the day before the announcement of the deal. There were also several individual negative contributors during the month including Marshalls, Victrex, Vesuvius, EasyJet, and Mony Group. Not owning index heavyweights such as AstraZeneca, Shell, BP, British American Tobacco, and HSBC also proved detrimental as their share prices performed strongly.



We were modestly active in the portfolio during July, adding one completely new holding, Zegona Communications, and making no complete disposals. We added to holdings such as Rosebank Industries, Atalaya Mining and Breedon Group and we took profits in positions such as OSB Group, TP Icap, Entain, IWG and Burberry.

## Market Outlook

Following several months of healthy gains in global equity markets we are entering the traditionally quieter, and often weaker, summer/autumn period. Markets have had a great deal to contend with recently and have generally coped incredibly well. In our view a key reason for such resilience has been the continuation of steady, if unspectacular, global economic growth alongside continued corporate earnings progress, as witnessed through the latest quarterly reporting season.

Whilst a period of volatility/weakness could materialise at any stage, we remain optimistic that the market backdrop will continue to be supportive and potentially improve further as the policy outlook, specifically relating to tariffs and trade, becomes clearer and more certain in the months ahead. We remain fundamentally positive on the underlying health of private sector corporate and consumer balance sheets and cash flows, and we see scope for incrementally supportive fiscal and monetary policies in many regions of the world.

Given our comments above it should hopefully not come as a surprise that we look forward to the balance of the year and into 2026 with optimism, whilst cognisant that there exists the potential for short-term volatility spikes at any time. As we regularly remind readers, we consider it essential to focus on the medium-term potential of our investments when building our portfolio. At present valuations, our enthusiasm for the medium-term potential of our current portfolio is substantial.

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Data source (unless otherwise stated): Bloomberg, FE Analytics

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