



Review

Despite summer having a reputation for market weakness, global equities continued to perform strongly in August, with investor risk appetite increasing yet further. US equities continued to lead, alongside notable improvements in regions such as China. UK equity markets were more muted, although the iShares UK Equity Index tracker did manage a modest gain of +0.52% over the month.

Following a weaker than expected US jobs report for July, risk appetite was bolstered by expectations that the Federal Reserve would start to cut interest rates imminently. Fuel was added to the fire by a very 'dovish' speech from Chair Powell at the Jackson Hole economic symposium later in the month. Meanwhile, earnings reports from the large US technology stocks continued to impress, keeping enthusiasm for all things artificial intelligence related growing strongly. Trade tariffs, whilst never far from the headlines, took something of a back seat during August following agreements being reached with several large US trading partners including the EU and Japan.

Notwithstanding the generally positive environment, several concerning developments were evident in August. To start, nervousness continues to build over the future independence of the Federal Reserve, particularly following President Trump's unprecedented move to fire Lisa Cook from the Fed's Board of Governors. Secondly, political instability in Europe emerged once more as the French Prime Minister, struggling to pass tough budgetary measures, has called a confidence vote on the 8th of September which has the potential, should he be defeated, to topple the government again. Furthermore, whilst there was serious optimism mid-month over a possible ceasefire in Ukraine following President Trump's meeting with President Putin in Alaska, subsequent events appear to suggest an imminent resolution to the war is unlikely.

Finally, here in the UK, the Bank of England cut interest rates to 4% as expected at their latest meeting, although the commentary surrounding the decision was considerably more 'hawkish' than had been anticipated, leading markets to lower expectations for further rate reductions any time soon. Meanwhile, as has been entirely predictable, speculation surrounding potential tax increases in the forthcoming autumn budget is already reaching fever pitch and, undoubtedly, taking a toll on business and consumer confidence alike.

Fund performance / Activity

August was a moderately disappointing month for our fund where, once again, substantial outperformance of large-cap companies over mid and small sized companies proved a drag on our performance. As such, our fund fell -0.95% (share class A GBP Net Accumulation), underperforming the iShares UK Equity Index tracker gain of +0.52% and the peer group average gain of +0.35%.

There were several individual positive contributors to performance in August including Zegona Communications, JD Sports, Atalaya Mining, Vesuvius, Victrex and Ashmore. There were also several individual negative contributors during the month including WH Smith, Entain, IWG, Wickes, PageGroup and TP Icap. Not owning index heavyweights such as AstraZeneca, BP, Unilever, and HSBC also proved detrimental as their share prices performed strongly.

We were more active in the portfolio during August than in recent months. We added two completely new holdings, Informa and Johnson Matthey, and we made two complete disposals, Marshalls and



WH Smith. We added to holdings such as Savills, Wickes, Rosebank Industries and Telecom Plus, and we took profits primarily from our position in Just Group.

Market Outlook

Whilst August produced further gains for global equities, we are now entering historically one of the weakest months of the year, with risk appetite relatively elevated and several potentially worrying developments in the background as noted above. As such, it would not surprise us at all should volatility and/or near-term weakness develop in equity markets at any time.

Notwithstanding this possibility, our view remains that a combination of steady, if unspectacular, global economic growth, alongside continued corporate earnings progress, supportive monetary and fiscal policies, and a potential easing of geopolitical uncertainties, will remain fundamentally supportive of further equity market progress in the periods ahead. We reiterate our positive view of the underlying health of private sector corporate and consumer balance sheets and cash flows, and whilst public sector finances, particularly here in the UK, are less healthy, we do not believe the situation will deteriorate to the degree sufficient to offset those inherent private sector strengths.

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 and would get even greater in any bouts of market weakness.

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

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