



Review

Equity markets continued to climb during the month, driven predominantly by AI related stocks, although this was not confined to the US as Chinese equity markets continued their climb since the April lows with the Shanghai composite up more than 25% and the CSI 1000 index close to 40%. Like in the US, the Chinese resurgence was also driven by their technology stocks.

Within the technology market, the unprofitable tech basket of companies outperformed their more established peers, which was a familiar phenomenon to those investors who lived through the dot-com bubble and led to questions as to whether the AI trade was a bubble that is likely to burst in the near future or if the seismic change from AI means that companies can rely on debt markets to keep them afloat until profitability occurs.



While domestic investors grapple with the deficit issues and what rabbits may be pulled out of the chancellor's hat in the Autumn budget, elsewhere, forward looking indicators continue to improve from their lows of June 2023 and retail spending appears to be continuing unabashed. Meanwhile analysts' earnings estimates for 2026 and 2027 are being revised upwards, providing further support to equity markets as we enter the final quarter of 2025.

Fund performance / Activity

We made only a few changes in the Fund during the month, once again cutting back our position in Amphenol after another month of strong performance, which we continue to do to reduce single stock exposure. We also continued to rebuild our position in Novo Nordisk as the new CEO has started taking actions to revive performance and the company has begun to release some positive trial data in contrast to the disappointing data last year. Most notably was that surrounding its oral version of Wegovy, which had similar weight loss to the injectable version, and ahead of the Eli Lilly's pill, Orforglipron.



Capital at Risk – the value of investments can fall as well as rise and you may not get back what you invested

Past performance is not a reliable indicator of future results.

In terms of performance, the biggest contributors to the Fund returns over the month were Schnieder Electric, Amphenol, Broadcom, Apple, and Otis Worldwide as the AI related names continued to be the main force behind equity returns during the month. Conversely our holdings in Diageo, DSV, Deutsche Boerse, Nike, and L'Oréal all underperformed, falling during the month. The Fund fell by 0.80% during the month, leaving the loss for the year at -2.35%.

One area that has come under pressure this month is those companies who rely on providing data to third parties and the belief that this data could be provided easily through the use of AI models. In terms of impact to the Fund this impacted our holdings in Deutsche Boerse and RELX. RELX was the first to market in adding GenAI tools to their legal offering and have subsequently partnered with a legal AI start-up, Harvey.

The attention has been of how AI could replicate this data, however, despite some of the data being open access and therefore available to AI models, much of the data is proprietary and thus only open to those who subscribe to RELXs offerings. The argument that the volume of data provides a barrier to entry holds little water, as AI models can compile vast amounts of data overnight. However, the ability to provide the data in a format that is how each client wants and free from false data, combined with their proprietary data does provide a defensive moat that has been underestimated by the market.

Market Outlook

Such is the demand for compute, data centre storage and energy security, we are seeing ever increasing sums of money being pledged between the technology companies on a scale that dwarf the market capitalisation of many firms. Governments around the globe are stepping in to ensure that some of these funds flow into their domestic economies, providing incentives to entice companies to invest and in doing so create jobs and contribute to GDP growth.

Outside of the technology sector the outlook is more nuanced, and the promise shown by Europe at the turn of the year, once again appears to have been short lived. France seems determined to undermine its own markets with political turmoil that shows little sign of finding a resolution. The promise of a huge capital boost in Germany is yet to find its way through to companies' order books, however, we expect the Chancellor to find a way to get these funds flowing. The one bright spot for investment continues to be defence spending, as the Russian incursions into NATO airspace serves only to impress on governments the need for greater national security.

Although momentum continues to drive the market, we continue to believe that value is to be found in quality companies that produce tangible products and services that people use every day, and thus have reliable cash flows and revenue streams, therefore eschewing those companies which rely heavily on debt with the promise of future revenue streams that may or may not materialise.

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