



Review

Although September is often a weak month for global equities, it proved anything but the case this year as markets powered higher, led once more by the US and the technology heavy Nasdaq Index in particular, alongside several Asian and emerging markets. UK equity markets, whilst not as strong, still made further progress and the iShares UK Equity Index tracker gained +0.74% over the month.

Increasing signs of US labour market weakness were sufficient to ensure the Federal Reserve met consensus expectations and cut interest rates for the first time in 2025, by 0.25%, at their September meeting. Commentary following the meeting was supportive of further rate cuts over the balance of the year, adding to the general level of investor bullishness. Outside of the labour market, other US economic datapoints were indicative of a still resilient growth environment, and relief that trade tariffs have not, thus far, caused meaningful disruption was palpable.

Elsewhere, the French government duly collapsed after losing a confidence vote, forcing prime minister Bayrou to resign. However, fears of serious bond market dislocations failed to materialise, helped by President Macron appointing a new prime minister relatively quickly. Meanwhile, spurred on by the prospect of further US interest rate cuts, gold had its strongest monthly gain since 2011, rising nearly +12%, putting it on track for its best yearly performance since 1979. As the month ended, President Trump and Israel's prime minister Benjamin Netanyahu announced they had reached agreement on a 20-point peace plan to end the war in Gaza. Whilst a potentially significant positive development, it remains to be seen if the terms will prove acceptable to Hamas.

Finally, here in the UK, September marked the start of the political party conference season, and following consistently strong poll showings by the relatively 'new' political movement that is Reform UK, speculation is rife surrounding how the traditional incumbent parties can counter effectively moving forwards. Meanwhile, rumours concerning potential tax increases in the forthcoming autumn budget continued to grow and, as we mentioned previously, are having an unhelpful impact on both business and consumer confidence.

Fund performance / Activity

September was a pleasing month for our fund from a performance perspective, and for once it was not driven primarily by relative performance differentials between large-cap companies and mid and small sized companies. Our fund gained +2.66% (share class A GBP Net Accumulation) over the period, materially outperforming both the iShares UK Equity Index tracker gain of +0.74% and the peer group average gain of +1.03%.

There were several individual positive contributors to performance in September including Anglo American, Atalaya Mining, Kier, Wickes, IWG and Rosebank Industries. There were also several individual negative contributors during the month including Burberry, Dunelm, EasyJet, Breedon and DFS Furniture. Index heavyweight stocks that we do not own were a mixed bag for the month as we benefitted from share price weakness at the likes of Unilever, Diageo and AstraZeneca but suffered from share price strength at HSBC, BAE Systems and Rolls Royce.

Activity was relatively muted in the portfolio during September. We added no completely new holdings, and we made only one complete disposal, of Just Group, post its agreed acquisition by



Brookfield. We used the proceeds to add to holdings such as IWG, Kier, Wickes, Dunelm, Rosebank Industries and Johnson Matthey.

Market Outlook

Global equity markets have been incredibly buoyant since the initial tariff induced panic of six months ago, and most markets are showing healthy gains for 2025 thus far. This buoyancy has been aided by resilient economic and corporate earnings growth, supportive fiscal policies, falling interest rates in many geographies, and increasing levels of enthusiasm over the potential benefits of artificial intelligence (AI). The UK equity market, unloved and seemingly beset by major economic and political problems, has also participated handsomely, with the large-cap index gaining more than 15% this year.

Such underlying strength, in the face of numerous potentially serious issues, lends itself to the argument that complacency is setting in. Throw in signs of potential over exuberance in relation to all things AI related and it is entirely possible for volatility and/or near-term weakness to develop in equity markets at any time.

Notwithstanding this possibility, our view remains that the combination of factors that have supported progress so far in 2025, noted above, are likely to continue supporting further 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 are generally less healthy, we do not believe they will deteriorate to the degree sufficient to offset those private sector strengths.

Specifically on the UK, there is elevated uncertainty once more regarding the potential tax increases to be announced in the late November budget and this is currently having a demonstrable impact on consumer and corporate confidence, not to mention investor sentiment. Whilst clearly unhelpful in the near term, our view remains that the situation is not as dire as many of the more dramatic headlines would suggest, and that the fundamental strengths noted above will ultimately prevail.

Consequently, 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 and, in that regard, our enthusiasm for our current portfolio is substantial.

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

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