



Review

October saw global equity markets make further considerable progress, with easing trade tensions and ongoing enthusiasm for the potential of Artificial Intelligence (AI) providing the supportive backdrop. UK equities made excellent progress, led by the larger more international companies, and the iShares UK Equity Index tracker gained an impressive +5.03% over the month.

Trade tariffs provided the main focus for October, as they have multiple times in recent months. Initially tensions between the US and China increased, but as the month progressed relations thawed, culminating in a meeting between Presidents Trump and Xi at which they agreed to extend the tariff truce and postpone export restrictions.

The US earnings season started strongly and the enthusiasm surrounding AI expenditure continued to build, with the 'magnificent 7' technology companies being significant contributors to US market gains once more. There were some potentially concerning developments in terms of the outlook for US credit quality, a 'hawkish' cut in interest rates by the Federal Reserve, and the fact that the US government shutdown shows no signs of ending imminently, however, these were not sufficient to offset investors positive disposition.

Elsewhere, the surprise election of Sanae Takaichi as Japanese Prime Minister, a strong advocate for fiscal stimulus, delighted markets and the Nikkei had its strongest month since October 1990 in local currency terms. Meanwhile, the French political saga continued, with new Prime Minister Lecornu resigning at the start of the month, only to be reinstated a few days later.

Finally, here in the UK, the rumour mill concerning potential tax increases in the forthcoming autumn budget has been in full swing and is having a demonstrable impact on private sector confidence. It is also likely a key reason behind significant, and sustained, underperformance of small and medium sized companies, compared to larger more internationally diversified businesses.

Fund performance / Activity

October was a disappointing month for our fund from a performance perspective, as once again large-cap companies significantly outperformed mid and small sized companies, an area of the market to which our fund has substantial exposure. Whilst our fund gained +1.86% (share class A GBP Net Accumulation) over the period, this was materially lower than both the iShares UK Equity Index tracker gain of +5.03% and the peer group average gain of +3.44%.

There were a number of individual positive contributors to performance in October including Polar Capital, Atalaya Mining, Harbour Energy, Ashmore, Savills, and Burberry. There were also several individual negative contributors during the month including ICG, Victrex, Entain, Rosebank Industries, and OSB. Index heavyweight stocks that we do not own, whose share prices performed strongly, were the most significant detractors to our performance and included AstraZeneca, Shell, and GSK.

We were relatively active in the portfolio during October. We added three completely new holdings, Gamma Communications, Harbour Energy, and DiscoverIE, and we made two complete disposals, EasyJet and Morgan Advanced Materials. We also added to holdings such as Burberry, Rosebank



Industries, RS Group, Victrex, and Telecom Plus and took profits in positions such as Kier, Atalaya Mining, Anglo American, Prudential and Rio Tinto.

Market Outlook

Global equity markets continue to march higher, climbing the proverbial ‘wall of worry’ along the way, and now enter what are usually the most positive few months in the calendar. As is typically the case, there are aspects of this move that cause concern including the narrowness of market leadership, the potential for an AI related bubble, early signs of stress in credit markets, the sustainability of government deficits and so on. However, there are also many fundamental supports to the move including steady economic growth, solid corporate earnings growth, strong private sector balance sheets, falling interest rates and still supportive fiscal regimes in many geographies.

Given the relatively uninterrupted rise of global markets over recent months, it would be entirely natural for some consolidation and/or a correction to occur at any stage. Notwithstanding this possibility, our view remains that, for now at least, the combination of positive factors noted above are more than sufficient to offset the wall of worry and are thus likely to continue supporting further market progress in the periods ahead.

Specifically on the UK, the uncertainty regarding the potential tax increases to be announced in the November budget is reaching a crescendo, causing extremely negative investor sentiment towards the UK, as reflected in the very material underperformance of more domestically orientated companies, typically mid and small sized businesses. 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, as evidenced by economic and corporate datapoints that remain relatively robust. However, we do firmly believe the widespread negativity is creating outstanding valuation opportunities in these areas of the market from a medium-term perspective.

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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