



Review

November was a more volatile month for global equity markets, with a meaningful bout of weakness initially followed by a later stage recovery, leaving many markets relatively flat for the period. UK equities followed a similar pattern, although by the end of the month the iShares UK Equity Index tracker had not quite managed to recoup all the initial losses and finished November down -0.58%.

Early month weakness was triggered by a combination of investors reducing the likelihood of a December interest rate cut by the US Federal Reserve, a lack of economic data as the US government shut down persisted, and increasing fears of a bubble in artificial intelligence (AI) stocks. Following the biggest peak-to-trough fall in the S&P 500 since April, the end of the government shutdown, weaker data releases, and reassuring commentary from several Fed officials, allowed conviction to return to the prospect of additional interest rate cuts starting in December. Consequently, a risk asset recovery began – although the ‘Magnificent 7’ technology stocks, alongside Bitcoin in particular, still suffered meaningful losses for the month.

Elsewhere it was a mixed picture. European markets performed moderately better as there appeared to be tangible signs of progress in the Russia/ Ukraine peace talks, leading President Trump to announce on 25th November that “we’re getting very close to a deal”. Consequently, defence related stocks and the oil price fell as the markets viewed a potential peace deal as increasingly likely. Meanwhile, Japanese markets were under pressure following the announcement of a large fiscal stimulus package by the new Prime Minister, as concerns over the implications for government bond yields and the value of the Yen came to the fore.

Finally, here in the UK, the day of the highly anticipated autumn budget duly arrived. Following an unprecedented degree of speculation and numerous policy U-turns in the build-up, the outturn was broadly as expected, with tax increases to the tune of £26bn to fund large increases in welfare spending and a welcome increase in the fiscal ‘buffer’. Markets were, thankfully, relatively becalmed in response, with Sterling and UK equities modestly higher and government borrowing costs modestly lower. Whether or not this can mark the start of a more stable period for UK politics and, by extension for UK risk assets, remains to be seen.

Fund performance / Activity

November was a moderately disappointing month for our fund from a performance perspective, as the ‘risk off’ environment for much of the month, with ongoing large company outperformance, continued to weigh on our relative performance. As such, our fund fell -1.46% (share class A GBP Net Accumulation) over the period, lower than the iShares UK Equity Index tracker fall of -0.58% and the peer group average gain of +0.41%.

There were several individual positive contributors to performance in November including Zegona Communications, RS Group, Wickes, OSB Group, and Kier. There were also several individual negative contributors during the month including JD Sports, Telecom Plus, Burberry, Ashmore, and Harbour Energy. Index heavyweight stocks that we do not own, whose share prices performed strongly, were significant detractors once more and included AstraZeneca and British American Tobacco.



We were less active in the portfolio during November than recent months. We added no completely new holdings, and made only one complete disposal, of TP Icap. We added to holdings such as JD Sports, Breedon, Victrex, DiscoverIE, Rosebank, and Harbour Energy and took profits in positions such as Informa, Prudential, Johnson Matthey, and ICG Group.

Market Outlook

After several months of solid gains, a pause in global equity market progress in November did not surprise us unduly, particularly as the extended US government shutdown left markets without many of the usual data points with which to anchor expectations for future growth, inflation, interest rate moves and so on. Equally, the growing investor scepticism toward the 'AI trade' is, in our view, to be welcomed, especially if it allows market leadership to broaden to other areas in due course.

We mentioned last month that we are now in the seasonally strongest part of the year for equity markets typically, and we expect this year to prove no different. However, we also see fundamental grounds for a positive market outlook as we look to 2026 and beyond. Trade uncertainty, post all the US tariff announcements, should start to ease into the new year, meanwhile interest rates continue to fall in many geographies, and fiscal stimulus will be meaningful in countries such as Germany, Japan and the US. Throw in robust consumer spending and corporate earnings growth, alongside possible geopolitical improvements such as a potential end to the Russia/ Ukraine war, and it is not hard, for us at least, to form a positive view on equity market progress in the period ahead.

Specifically on the UK, the recent period of uncertainty surrounding the November budget has been extremely unhelpful. However, given the underlying strengths of the UK economy we are optimistic that growth has weathered this period better than many fear. We are also hopeful that the worst of the uncertainty has now passed and a period of, relative at least, stability can ensue. We expect the Bank of England to continue lowering interest rates and we also expect the UK to benefit from any improvement in the global economy looking forwards.

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 fundinfo 2025.

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