



Global Outlook

August 2025

This document should be used as a guide only. It is based on our current view of markets and is subject to change.

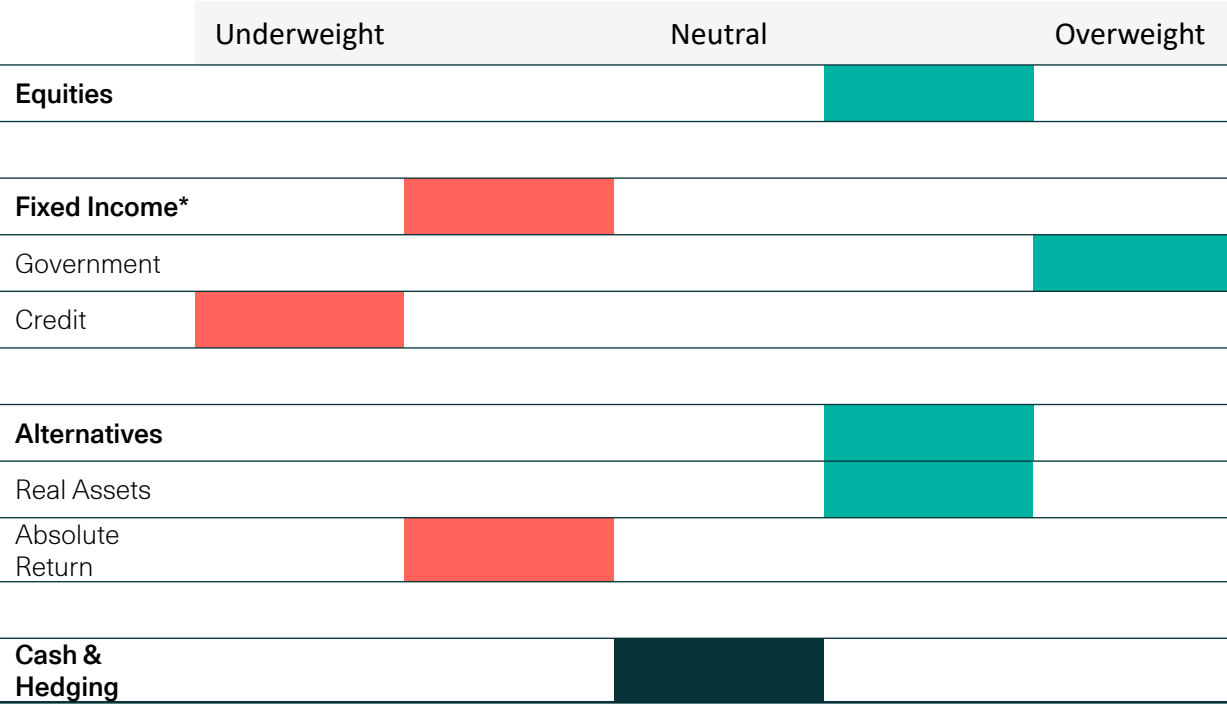
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This document shows the charts that we think are particularly useful to help us determine where we are in the economic cycle and what the outlook is for markets.

Summary of our views

August 2025 Asset Allocation Positioning



Positively positioned:

- Global growth is solid;
- Inflation expectations benign;
- Interest rate cuts are expected in the US and UK over the next 18 months;
- Sentiment not overly optimistic;
- Valuations not unattractive in most parts of equity markets.
- Government bonds appear more attractive than credit given narrow spreads.

Risks:

- Tariffs and resulting inflation risk are currently not concerning the market;
- US consumers yet to feel the impact of higher prices; demand could soften;

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Summary of our views

Macroeconomic background

Over the summer there has been surprisingly little market nervousness about the assorted uncertainties relating to US economic policy. Tariffs are generating genuine revenue (\$26.6 billion in June alone) but there remains considerable uncertainty about who is paying this new tax. It seems to be a combination of corporates and consumers. But it is very difficult to model how this is going to evolve given that there remains no sign of an agreement with China. And even those agreements that have been made are light on details. For example, does the 15% tariff agreed with the European Union include pharmaceutical exports to the US? That seems unlikely given that President Trump has made it clear that is exactly the sort of thing that he wants to reverse and bring such manufacturing back to the USA. But for now at least the market has decided to not be concerned about these great unknowns.

The other theme that has asserted itself in recent weeks has been the outperformance of the US stock market and within the US the leadership has reverted to the so called “Magnificent 7” (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla). Those stocks now represent a record 32% of the benchmark S&P500 Index. The broadening of market leadership that we saw at the end of last year and the beginning of this has not been maintained. Although the theme of technological innovation and in particular the investment in Artificial Intelligence is very real it would be healthier if stock market leadership reverted to being broader than the current very narrow focus.

The market is also not showing concern about the political pressure being exerted on the Federal Reserve. There is a long history of President’s being frustrated by the Federal Reserve. Lyndon Johnson famously shoved Fed Chair William McChesney

Martin against a wall at his ranch in Texas. Trump has not done that to Jerome Powell, yet. But Trump has appointed his Chair of Economic Advisors, Stephen Miran, as a Governor to serve until January 2026 and will be able to appoint a permanent Governor at that time. The likelihood is that interest rates will be reduced by the Fed in coming months. The market is expecting two rate cuts between now and the end of the year and sees the Fed Funds rate getting to 3.0% by January 2027, down from its current 4.5%.

That could happen if the market is correct in thinking that inflation is not going to reassert itself. The five year inflation swap is priced at 2.7% (i.e. that is what the market expects inflation to average over the next five years). A year ago the swap was priced at 2.25% but there has not been an adverse reaction to the repricing. It will be important though for the market not to expect the inflation picture to deteriorate any further.

As the investment team highlighted this week, with 90% of S&P 500 companies reporting quarterly results, corporate earnings season is winding down. Earnings results have been stronger than expected, as 82% of S&P 500 companies have beaten analyst estimates, with an average upside surprise of 8.5%. As a result, forecasts for earnings growth have been revised sharply higher to 9.7%, from 3.8% at the end of 2Q, showing that prior downgrades appear to have been overdone.

The Mag 7 continued to generate an unusually big share of overall 2Q earnings growth. In aggregate Mag 7 are forecast to report average growth of 25.7% as of August 5, according to FactSet. Excluding those big tech firms, the S&P 500’s other 493 stocks were expected to post much slower growth of 6.3%. But the health of the US corporate sector remains rude, a helpful backdrop given the uncertainty around tariffs.

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Summary of our views

Equities (overweight)

July saw continued equity strength as the market largely shrugged off numerous tariff headlines. Trump's deadlines for negotiations continued to be pushed back, and it became apparent once more that higher tariff rates were being threatened as a negotiating tactic to accelerate trade discussions.

Europe's relative lag on a regional basis during the month was caused by uncertainty over tariffs with both sides ratcheting up the rhetoric. At the end of the month the EU and US negotiated a truce that will last to January 2026 which would reduce the tariff rate from 30% to 15% on all European exports to the US. This was broadly met with dissatisfaction in European capitals. Whilst better than the market feared the deal didn't provide that much protection for German autos or the French view that there was no reciprocal relief in agriculture and green tech from the US.

During this period the market favoured Growth and Cyclical names with the strongest performance coming from Communication Services and IT (both benefiting from continued strong momentum in AI), as well as Financials where Q2 results reflected a broadly resilient US consumer and improving credit quality. The more defensive and yield sensitive parts of the markets lagged by comparison.

The fact that the full impact of tariffs has yet to be felt is a key overhang, although this may be partially offset in corporate earnings by the weaker US dollar. In the US, some corporates will also benefit from the One Big Beautiful Bill which introduces changes to Research & Development and Capital investment accounting methodology as well as tax cuts for certain industries and is likely to be a further boost to free cash flow and profitability in the coming months.

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Fixed Income (underweight)

We still see value in government bonds. We also see them as an important diversifier.

Short dated sterling credit is also attractive with yields of 5.5% on offer for an investment grade portfolio of bonds maturing within the next 18 months.

Alternatives (neutral)

We believe Alternatives have an important role to play in diversified portfolios.

Absolute Return strategies can give exposure to an uncorrelated stream of returns giving diversification benefits. This sector has struggled in recent years, but well-run funds have attractive volatility dampening characteristics.

Real Assets such as property (both physical and intellectual), infrastructure (including transportation), commodities (such as gold) and other investments underpinned by physical assets offer a combination of income and capital return that is attractive. Many of the assets that produce income have inflation-linked cashflows.

Cash (neutral)

Even though savings rates have risen, cash still loses purchasing power quickly in any period of high inflation.

Politics, Policy, Bonds & Currencies

Trump 2.0 policies create uncertainty: Tariffs

The latest iteration of Trump's tariff plans means that the average tariff rate is estimated by The Budget Lab at Yale to be 18.6%, it's highest level since 1933.

We have to say "estimated" because tariff policy is changing on a regular basis. This estimate takes into account the new 50% tariff on India announced on August 7th. But there are likely more announcements coming on pharmaceuticals and we still do not know what the rate China will be paying is going to be. Even the tariff "deals" that have been done with the likes of the European Union are very short on detail. We remain surprised at how sanguine the market seems to be about this very important issue.

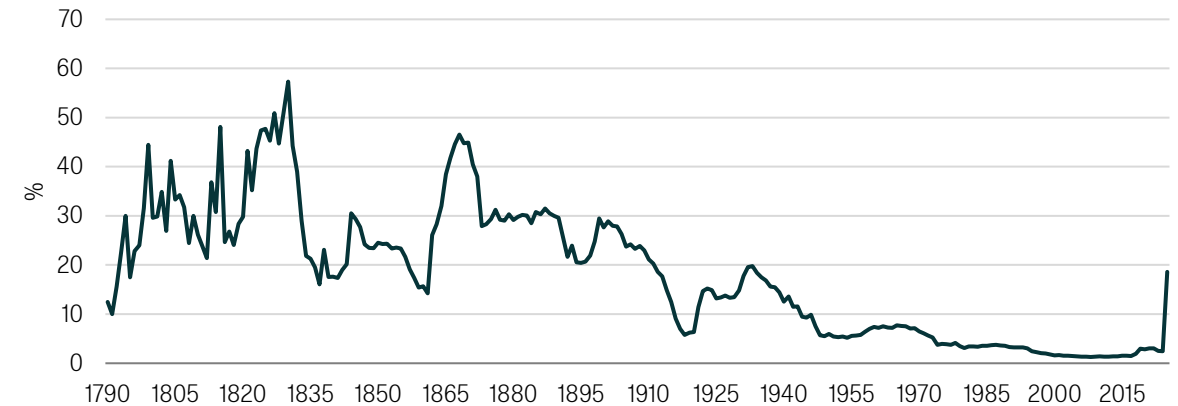
In Fiscal 2023 the US raised \$82 billion from tariffs out of an overall tax take of \$2,916 billion. The bottom chart on the right shows that the actual revenue generated to the US Treasury from the tariffs already imposed has been increasing materially this year. \$26.6 billion dollars was raised in June. If we annualise that it is an increase of over 10% in US Federal tax revenues.

What we do not yet know is who will pay the tariffs, corporates or consumers or a combination thereof. It is also possible that multi-nationals may raise their prices globally so that it is not just American consumers paying them, but all consumers.

All this creates massive uncertainty and could have implications for inflationary expectations and geopolitical risks. So far, financial markets are not pricing in either a material change in the outlook for inflation or for growth. But history tells us that tariffs are a lose-lose policy and at some point we suspect there will be a less sanguine view taken by markets.

We suspect that surplus countries will be under pressure to allow their currencies to appreciate against the US dollar and there is some evidence the market is already beginning to price that (see page 15).

US imports average effective tariff %, 1790 – 2025 est.



US Customs Duties Revenues, US\$ billion, 2010- 2025 monthly



Source: US Treasury, [State of U.S. Tariffs: July 28, 2025](#) | The Budget Lab at Yale | W1M. As at 06.08.25

Trump 2.0 policies create uncertainty: Immigration & Deportation

The top chart shows the number (LH scale) of inadmissible or deportable foreigners who have left the country each fiscal year back to 1892. The data is also shown as % of the US population (RH scale).

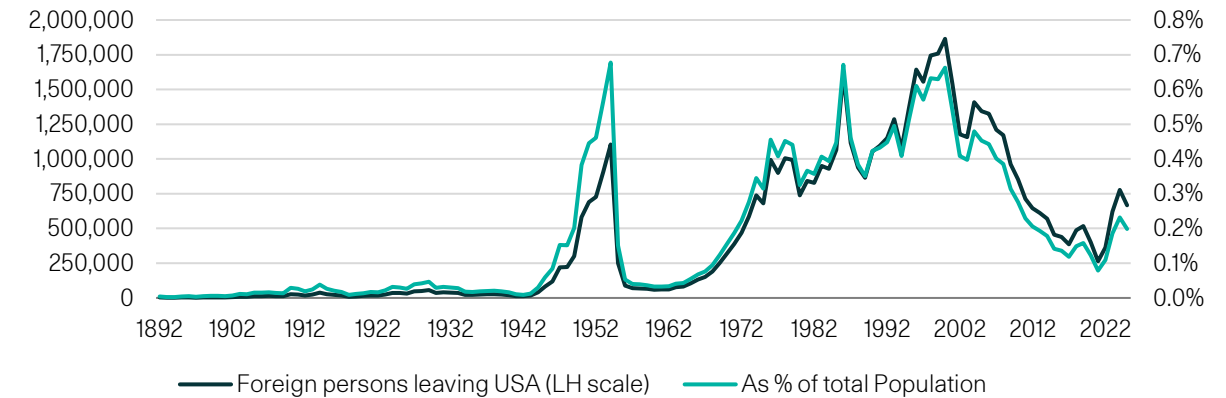
Trump is starting at a low base relative to history so may well be that he increases the number. But more people left by this measure in the Biden administration (2.0 million) than did in Trump 1.0 (1.8 million).

We can track the number of people removed (the last data is November 2024) so we can watch this closely. If there is a material pick up, then it will impact industries such as construction and agriculture that have historically widely used cheap labour and have turned a blind eye to where people came from. Estimates vary, but the range is 25% - 50% of the workers in those industries are undocumented. Around 8 million work in construction and 2 million work in agriculture so 2.5 to 5.0 million of them are undocumented. The total US labour force is 164 million.

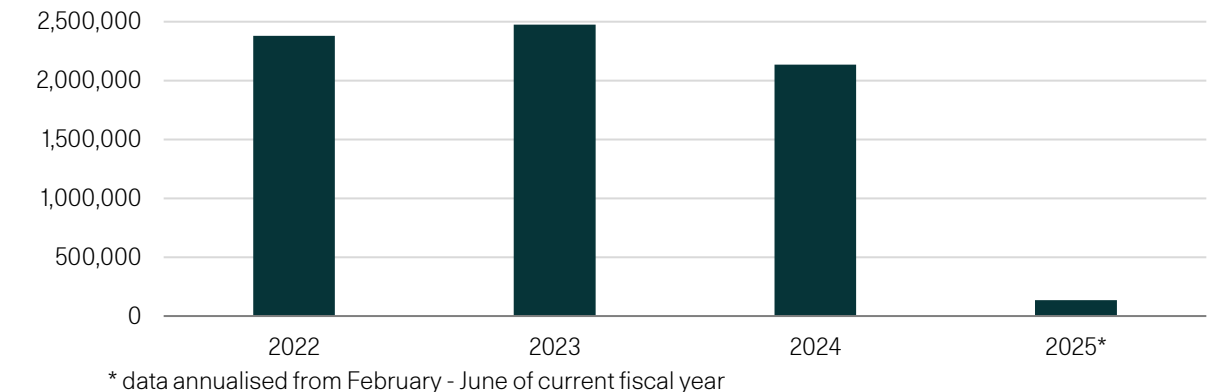
Trump has made migrants think twice about crossing the border. The bottom chart shows the number of people encountered at the south-west border by US Customs & Border Protection officers. In the last five months, a cumulative 56,508 have been encountered. That is 136,000 at an annualised basis. That is a reduction of 94% in the number of encounters compared to each of the three prior fiscal years.

We can infer from this that the number of people getting across without being encountered will be down dramatically too. If this continues, this will mean a meaningful reduction in the supply of cheap labour for the agricultural and construction industries. That could have an impact on wages in those industries. One to be watched closely in coming months.

Inadmissible foreigners who left the USA, fiscal years 1892 - 2025



Southwest Land Border Encounters, fiscal years 2022 - 2025



Source: <https://www.cbp.gov/newsroom/stats/southwest-land-border-encounters>. and <https://ohss.dhs.gov/topics/immigration/immigration-enforcement/immigration-enforcement-and-legal-processes-monthly>.

As at 30.06.25

Fiscal policy will remain a big issue in 2025

This chart shows the US budget deficit as a % of US GDP. It is currently 6.3%.

In the “One Big Beautiful Bill” that was signed into law on July 4th extends the 2017 tax cuts that Trump passed in his first term. It also includes other tax changes that will be stimulative to consumers and to businesses. It also raised the breakeven debt limit to permit more borrowing by the Federal Government to \$5 trillion.

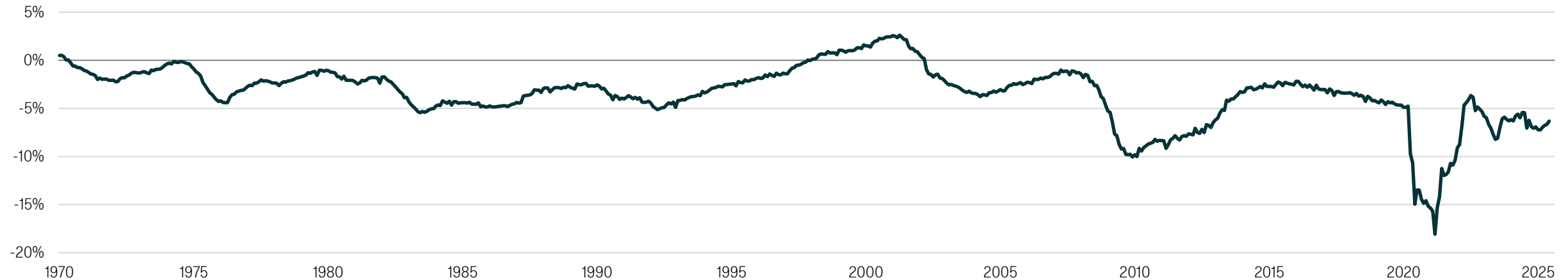
When Trump took office in 2017 the deficit was 3% of GDP. The current situation gives much less leeway for expansionary policy but that has not stopped the administration from going down that route..

The Congressional Budget Office estimates the OBBB will increase the deficit by \$2.8 trillion over the next decade which averages at \$300 billion a year or 1% of current GDP.

The bond market swooned in April although that appears to have been driven more by technical issues relating to the spread between yields on cash bonds and futures. We have not seen the bond vigilantes yet. Maybe we will in the months ahead.

The good news for the economy is that the likelihood of the Federal Reserve cutting interest rates this year has risen so that will be a positive offset for bond investors.

US budget balance as % of GDP 1970 - current



Source: Bloomberg, W1M. As at 30.06.25

Rate cuts expected in the US and UK

The top chart shows current expectations for the US Federal Reserve policy rate over this year and next. The market has been pretty consistent in expecting cuts to come with it even being possible that we will have three 0.25% reductions by the end of the year.

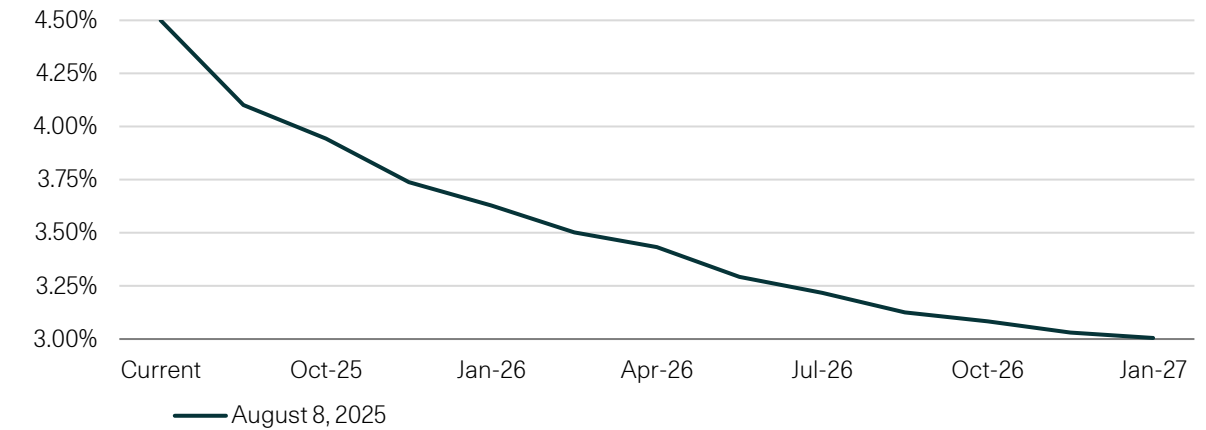
The Federal Reserve has been caught in the crosshairs of Trump's disappointment that there have not already been rate cuts. That has been amplified since the report of the reduction in the number of jobs created in recent months that was released on August 1st. Trump has also nominated Stephen Miran, his Chair of the Council of Economic Advisors to the President, a harsh critic of the Federal Reserve, as a Governor of the Federal Reserve. He will be in that role until January at which point Trump has said he will nominate a permanent Governor who could be the next Chair of Governors, the role that Jerome Powell currently has.

Presidents have often had public disputes with the Federal Reserve but it does add a layer of complexity to proceedings. For now though it is rational for the market to see at least two rate cuts this year.

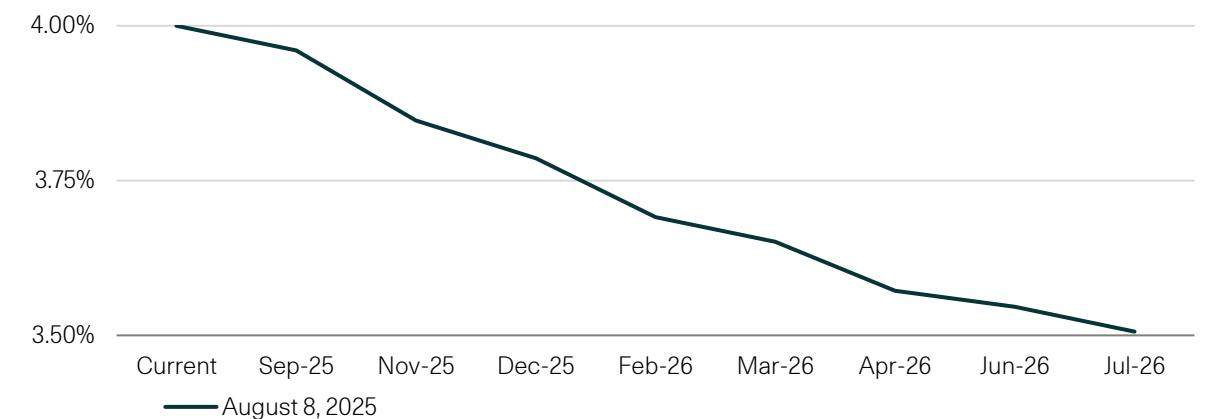
In the UK expectations for the base rate did change after the unique scenes reported at the Monetary Policy Committee meeting on August 7th when there had to be two votes by the committee before a rate cut was passed by a majority of one. The market is now unsure whether there will be another cut this year thinking it more likely to be in Q1 2026.

We think the Bank of England has handled this badly. With inflation expectations in the UK having improved in recent months and a sluggish economy, more rate cuts would be a rational policy to be adopting.

Implied US Fed funds rate %



Implied UK base rate %



Source: Bloomberg, W1M. As at 08.08.25

Treasuries and gilts range bound

The top chart shows how the yield on 10-year gilts and 10-year US Treasuries has evolved over the last two and a half years.

US Treasuries had rallied in March but since then, like gilts, they have been rangebound.

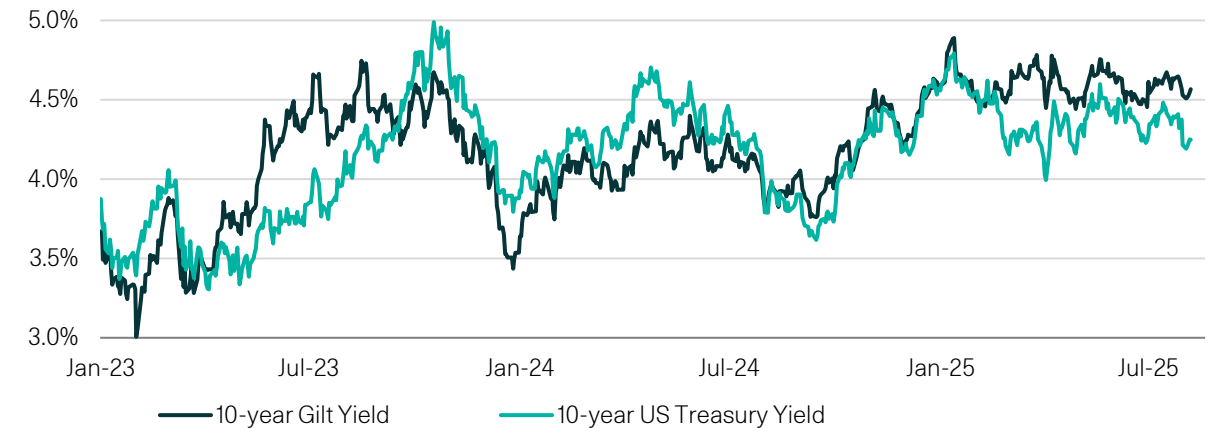
We think there is good value in the gilt market.

The bottom chart shows those same yields after deducting the current 10-year inflation swap rate in each market, using the CPI swap rather than the RPI one in the UK. The swap rate is one indication of market expectations for inflation over the life of the bond.

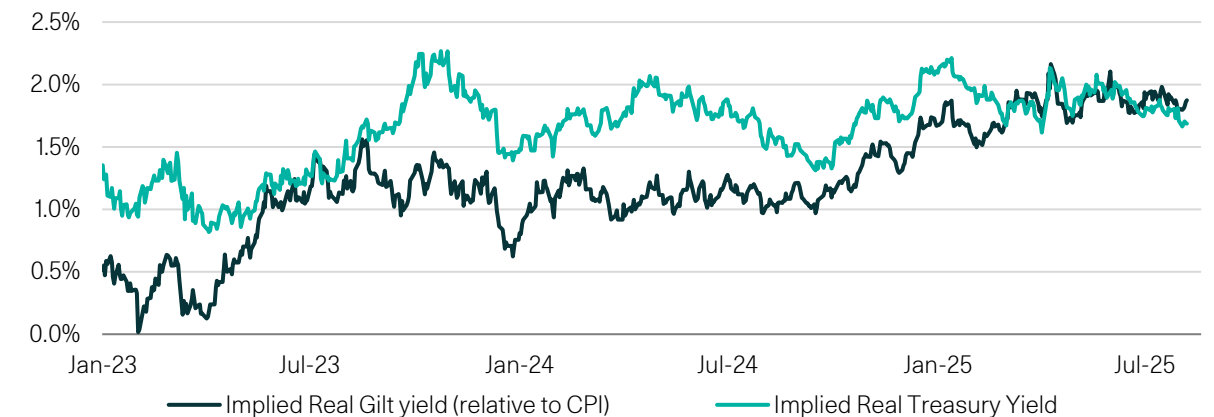
As the chart shows, both markets continue to offer, on this measure, a positive real yield. The inflation linked bond market is saying something similar in the US where the Treasury Inflation Protected Securities market is giving a positive real yield. The January 2035 TIPS yields 1.9%. The UK linker market is optically less attractive (the September 2035 linker yields 1.5%) but as this is based on RPI, the total return (thanks to RPI being higher than CPI) is similar between UK and US linker markets.

We still think there is value in government bonds given the positive real yields on offer.

US and UK 10-year bond yields (%)



US and UK implied real 10-year bond yields (%)



Source: Bloomberg, W1M. As at 08.08.25

Inflation rates have decelerated around the world

The peak for US inflation was in June 2022 at 9.1%. It is now 2.7%. The euro area peaked in October 2022 at 10.6% (now 2.0%) and the UK also peaked in October 2022 when RPI was 14.2%, and CPI 11.1%. RPI is now 4.4% and CPI is 3.6%.

US core inflation (excluding food and energy) peaked at 6.6% in September 2022. It is now 2.9%.

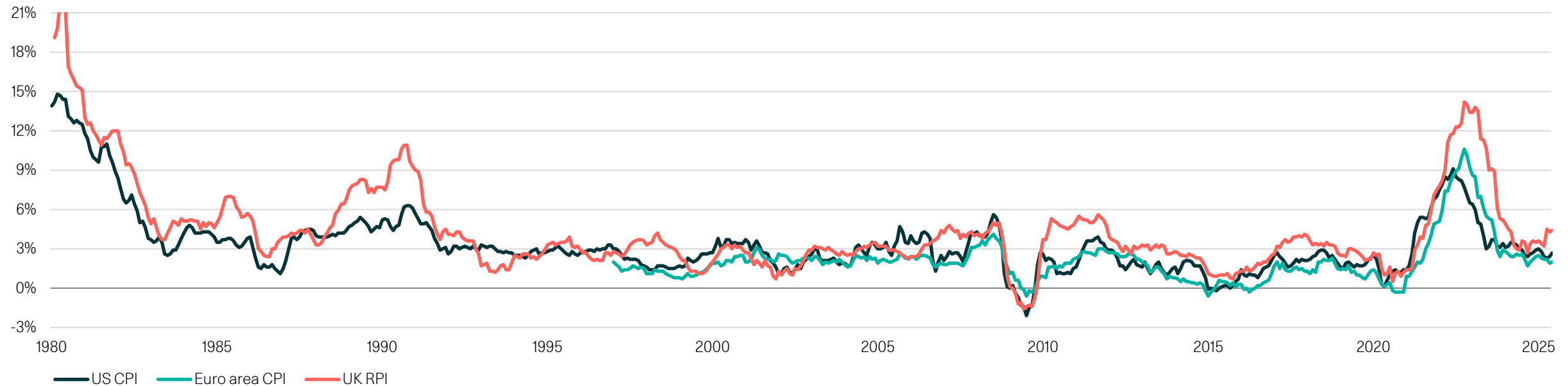
There remain concerns about the inflationary impulse across the developed world. The improvement has stalled in recent months with inflation higher at the end of 2024 than it was in

September 2024 in all three countries/regions.

With the impact of Trump's policies being debated some inflation risk premium may reappear.

However, for now, as the next charts show, the market is still somewhat sanguine about future inflation.

Inflation (% change year-on-year) - 1980 - current



Source: Bloomberg, W1M. As at 28.07.25

Expectations for future inflation remain anchored

The top chart shows the 5-year inflation swap rate which is one reflection of the market's view on future inflation. One can buy or sell the swap. If you think inflation will average more than the current price, you buy the swap and vice versa. The payoffs are roughly linear. If you buy at 2% and the outcome is 2.2%, you make about 10%.

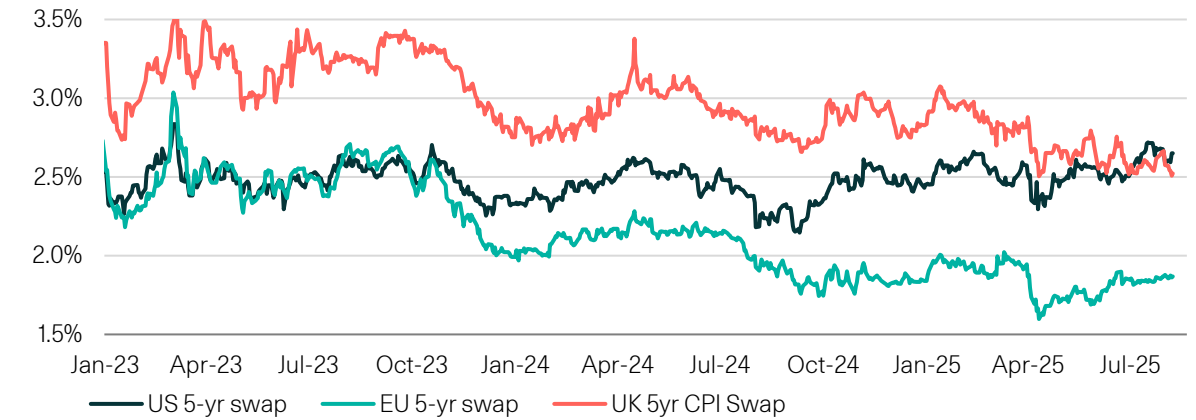
The market continues to have anchored expectations for inflation over the next five years. But we need to watch this closely as the recent uptick in the US (dark line in top chart) is of concern. Conversely, expectations for UK inflation (we are using the swap on CPI in this chart) have been trending down this year from an average rate of 3% expected in January to just 2.5% now.

The bottom chart shows longer-term inflation indicators. Here the picture remains encouraging.

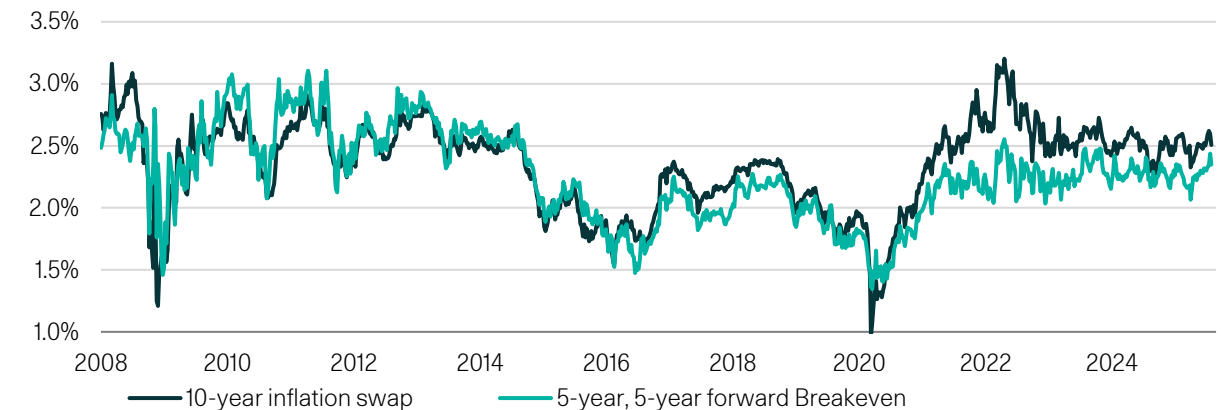
The green line is the 10-year US inflation swap and the teal line is the inflation rate calculated from the spread between five-year nominal and inflation linked bonds five years forward. Both have been rangebound in recent months.

One of the critical things to watch in coming weeks will be to see if the finalisation of tariff levels does anything to these measures of expected inflation.

5-year inflation swap rate (%)



Long-term US inflation expectations



Source: Bloomberg, W1M. As at 08.08.25

The broad commodity complex has been weak

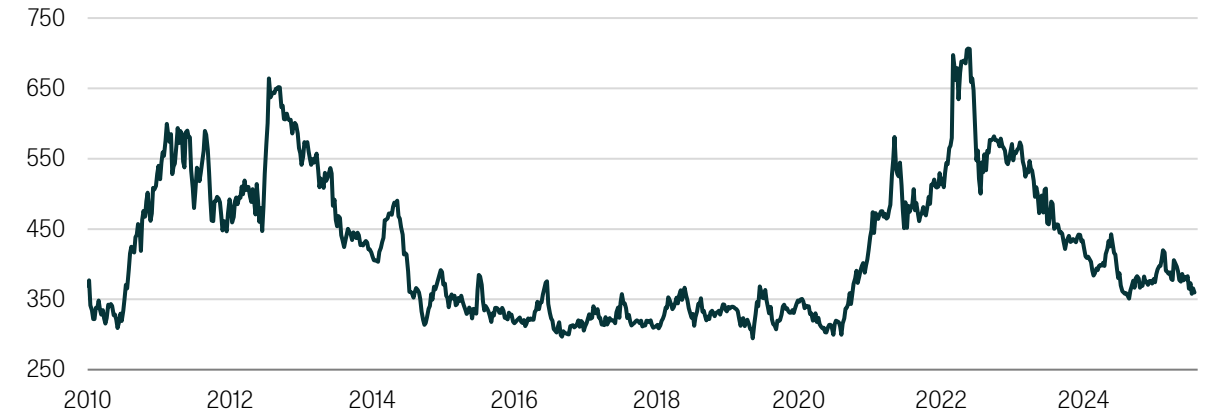
The broad commodity complex is in the doldrums.

Grain prices have been falling as fears of supply disruption from Ukraine, the bread basket of Europe, and Russia, have not materialised sufficiently to support prices.

The Industrial Metals index (bottom chart) has been range bound for the last eighteen months.

Demand from the People's Republic of China (PRC) is an important driver of industrial metals prices. There is little to suggest that recent efforts at stimulus are having much impact. Meanwhile the imposition of significant US tariffs could further pressure the economy in a negative way.

S&P GSCI grains index



S&P GSCI industrial metals index



Source: W1M, Bloomberg. As at 29.07.25

Dollar weak this year

The top chart shows a trade weighted dollar index. It has been weakening this year and has consolidated its weakening since the 2 April tariff announcements.

Some of that is possibly due to the market expecting there to be pressure on countries with a trade surplus to allow a strengthening of their currencies against the dollar.

Some of it may reflect some generic nervousness about US dollar assets, although such a thing is very difficult to model with any confidence.

The bottom chart shows that an index of emerging market currencies. This index is weighted by the weighting of each country in the MSCI Emerging Market equity index, so China is the biggest component.

The US dollar is down against EM currencies this year.

This could certainly be tariff related. It is also interesting that the dollar has not been appreciating meaningfully against the Renminbi which is the largest component of the EM currency index in the bottom chart.

Trade weighted US dollar (BBDXY)



MSCI emerging market currency index



Source: WIM, Bloomberg, MSCI. As at 29.07.25

Sterling still rangebound against the Euro, but weaker of late

Sterling has been weaker against the euro of late. It is down from 1.21 euros as recently as March to 1.15.

We continue to think that the exchange rate versus the euro is a better measure of the market view of UK specific risks than the sterling/dollar rate. The chart shows the number of euros per pound since 1 July 2016. The average exchange rate since then is shown as the teal line and we show a range 6% either side of that average.

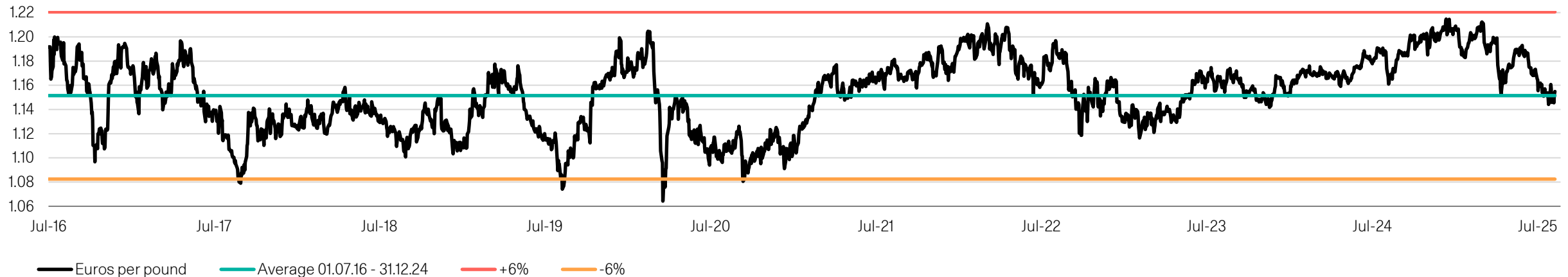
We use 6% as that was the range sterling was allowed to trade against its DM2.90 central rate when it was in the Exchange Rate Mechanism (ERM). Famously sterling was forced out of the ERM in September 1992 when it was unable to hold within that range.

We note that over the period shown (over 2,200 trading days), sterling has only been out of a 6%

trading range for ten days.

For now, there is little sign of an elevated UK sovereign risk premium on this measure at least. The recent weakness of sterling is a marginal positive for the UK economy which exports 80% more to the EU than it does to the US.

Euros per pound (01.07.2016 – current)



Source: Bloomberg, W1M. As at 08.08.25

Gold at a record high

As of the end of July 2025, gold was at a record high in US dollars and in sterling terms.

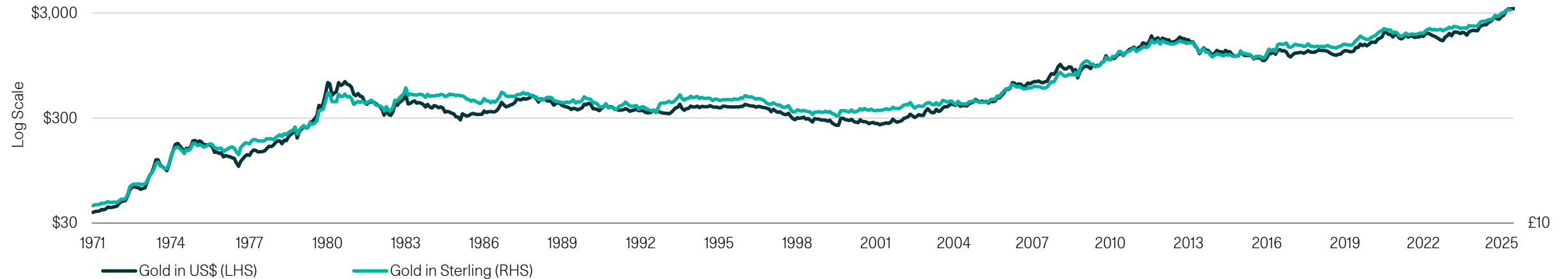
With all the uncertainty highlighted on previous pages of this presentation, we are of the view that gold has a role to play in diversified portfolios.

Gold benefitted from the exceptional monetary policy in evidence from 2008 to arguably 2021. With zero or even negative nominal interest rates the opportunity cost of owning gold had never been lower.

In recent months, the rally in gold appears to be based on buying by central banks around the world, including in China. It is also possible that gold has benefitted as a hedge against any reappearance of inflation.

We continue to recommend that investors have exposure to gold bullion in portfolios.

Gold price per troy ounce in US dollars and in sterling - 1971 - current



Source: Bloomberg, W1M. As at 31.07.25

Equities & Credit

2025 Earnings Growth Estimate

+10% globally and +9% for the US

For 2025 the consensus numbers have come down from earlier in the year when 14% growth was expected in the US and 13% in the World index but the 9.0% and 9.6% expected for 2025 is still robust and there remains confidence about strong growth in the out-years too.

Despite the good earnings reports that we have generally seen in Q2 reports there remains great uncertainty about the impact of tariffs.

It remains the case that there are valuation excesses in some of the leading companies in the US but valuations in the rest of the US market, and in the rest of the world, are not stretched as the first and second columns of numbers in the table on the right show.

Earnings per share calendar year growth rate

| Region | Pe Ntm | Relative | 2025 | 2026 | 2027 |
|-------------------|--------|----------|--------|--------|--------|
| World | 18.9 | | +9.6% | +12.9% | +11.6% |
| US | 22.8 | 121% | +9.0% | +14.1% | +12.6% |
| Europe ex UK | 14.8 | 78% | +12.6% | +11.9% | +11.3% |
| UK | 12.8 | 68% | +2.9% | +11.8% | +11.6% |
| Japan | 15.3 | 81% | +3.7% | +9.6% | +9.8% |
| Asia Pac ex Japan | 14.1 | 74% | +10.9% | +12.8% | +12.5% |
| Latin America | 9.2 | 49% | +38.0% | +8.6% | +12.0% |
| Emerging markets | 14.2 | 75% | +13.6% | +12.4% | +11.6% |
| World ex USA | 14.3 | 76% | +10.1% | +11.4% | +11.0% |

Source: MSCI, FactSet, W1M. Data as at 31.07.25

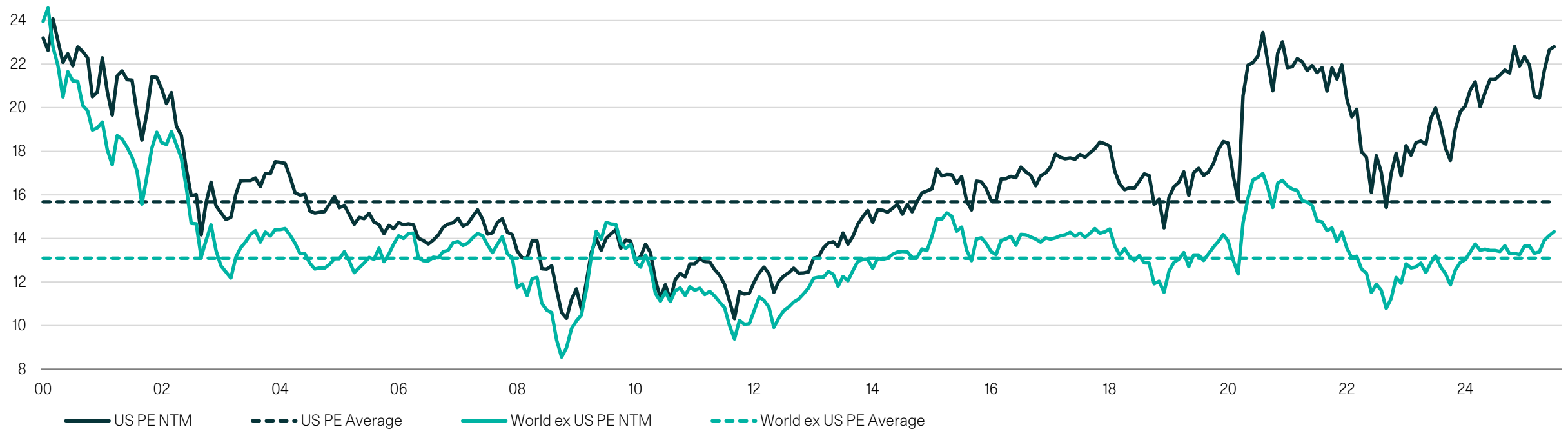
Stock market valuation lower

The PE ratio for the US market (solid green line) is 22.8 times (as at the end of July). It is again above its 20-year average of 15.7 times (the dark horizontal line).

The World outside the US now trades at 14.3 times earnings, a little above its 20-year average of 13.1.

There is always uncertainty about the EPS these valuations are predicated on, and even greater uncertainty at the moment given the conundrum of working out who is paying the tariffs being imposed. But outside the US, valuations are not a hindrance and within the US market there are many high quality businesses trading at reasonable multiples.

MSCI US and MSCI Global ex US price-earnings ratio based on next 12 months earnings



Source: MSCI, FactSet, W1M. As at 31.07.25

US market not as expensive as headline valuation suggests

Although the valuation of the US market is elevated in absolute terms and relative to its own history, a small number of large companies in the index are the cause of that. The narrowness of the leadership in the market in the last two years has exacerbated that.

This chart looks at the price/earnings ratio of the index (dark line) and the PE of an equally weighted version of the S&P500 index, both on forward earnings.

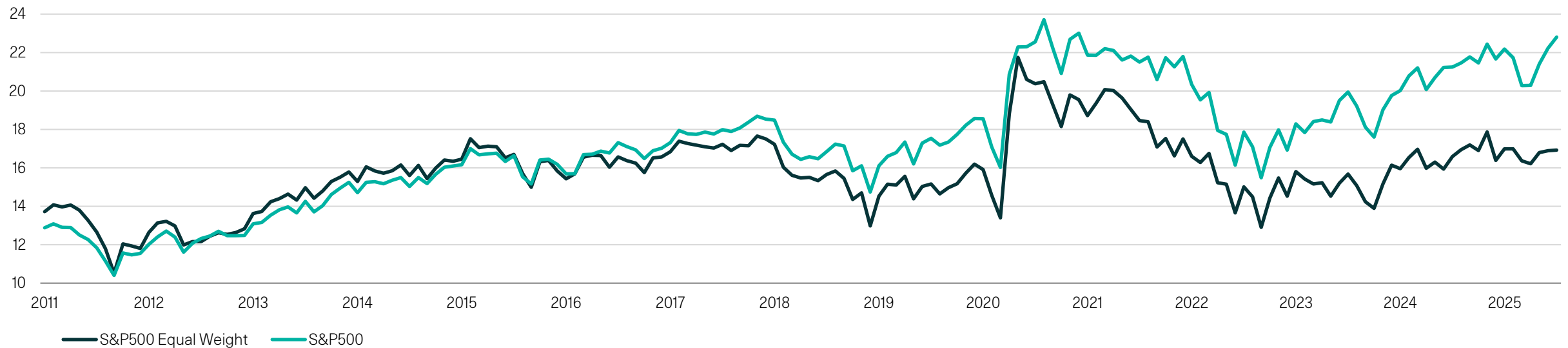
The former is at 23 times, the latter is at 17 times (as July 31st).

The discount has widened out again having narrowed with the market correction in early April.

We have still been able to find value in the US market and have added US stocks to our Global Recommended Portfolio in recent months.

It is important to bear this in mind as it suggests that while elevated valuations pose risks to a few of the largest stocks in the index, the rest of the market is trading at reasonable levels.

S&P500 Index and S&P500 Equal Weighted Index, price earnings ratio 2011 - current



Source: Factset, WIM. As at 31.07.25

Magnificent Seven at a record 32% of S&P500 Market Capitalisation

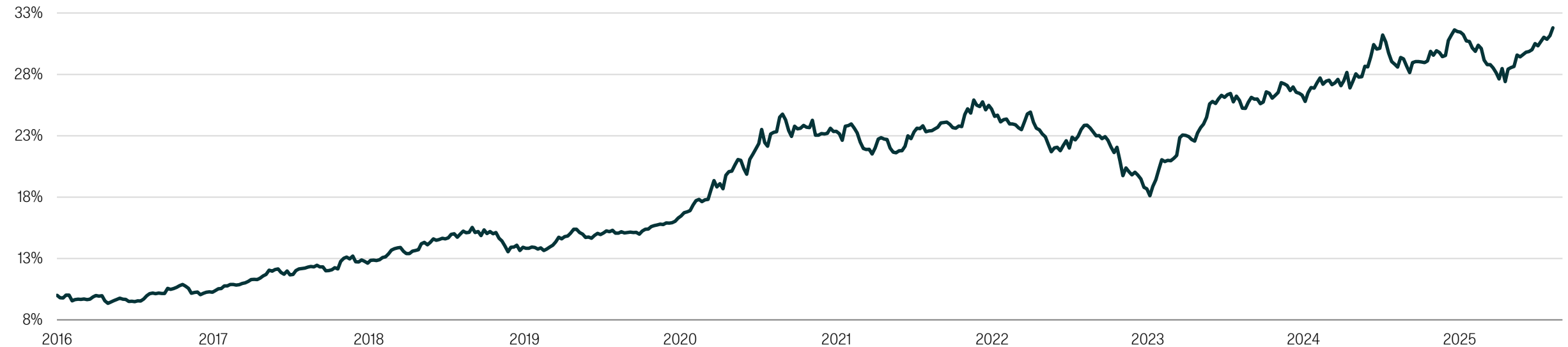
For a period from December 2024 and April 2025 it looked like the leadership of the US market was finally broadening away from the so-called “Magnificent 7” technology and AI related companies (Alphabet (Google), Amazon, Apple, Meta Platforms (Facebook), Microsoft, NVIDIA and Tesla).

But those companies have again been outperforming and on August 8th they hit an all-time high representation of 32% of the S&P500 Index.

The Magnificent 7 index trades at 36 times earnings and is largely responsible for the premium valuation accorded to the US market (as we saw in the previous slide).

It would be healthier if the leadership of the US market broadened out again. Alphabet, Amazon and Microsoft are all in our Global Recommended Portfolio but there are challenges, in our view, to owning the others.

Magnificent Seven Index as % of Market Capitalisation of S&P500 Index 2016 – current, weekly



Source: Bloomberg, W1M. As at 08.08.25

US profits as % of GDP remain close to record high in Q1 2025

This chart shows pre-tax profits of corporate America relative to GDP through Q1 2025, the most recent data available. This profit series shows aggregate profits across the whole economy and shows them in US dollars, not as earnings per share.

Consequently, this series is not susceptible to financial engineering via such things as share buybacks to boost earnings per share. It is a proxy for profit margins.

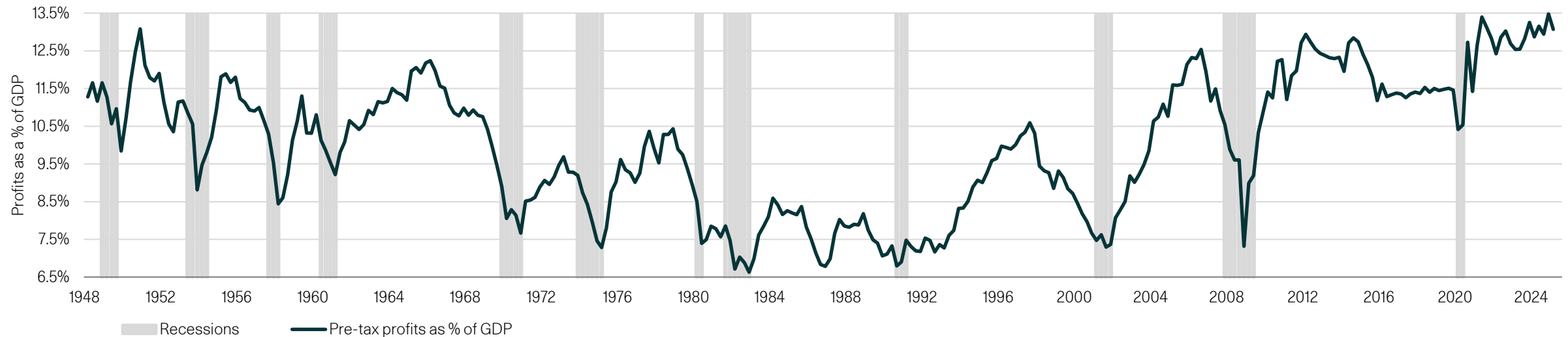
In every recession except 1982, profits were falling as a % of GDP before it.

But on this measure profits have been resilient in recent quarters. Profits were at a record high of 13.5% of GDP in Q4 2024 and are 13.1% in Q1 2025.

However, the tariff policy will be a hit to profits in some sectors of the economy. Indeed, if anything, it is likely to be a bigger problem for small and medium size businesses than it is for the giant multinationals.

So although at the moment this is an indicator suggesting the corporate sector is in good health that could change quite quickly.

US profit cycles and recessions (%)



Source: MSCI, FactSet, W1M. As at 31.03.25

UK market has been a disappointing one for many years

The UK stock market has significantly underperformed the World index in recent years.

Between 2001 and 2014 there was not a lot of difference between the two.

But from May 2014 to October 2020, the UK market underperformed by 49%.

It outperformed in the first four months of 2025 but it has resumed underperformance in the last three months.

One of the issues for the UK is that it has few technology or communication service companies that have been the market leaders in recent years. They are a combined 4% of the UK market.

Another issue is that recently the weakest sectors in terms of earnings growth have been energy, healthcare, materials and financials. They are a combined 52% of the UK market.

It will take another period of rotation out of technology related sectors to produce a better performance from the UK.

MSCI UK relative performance to MSCI All-Country World, both in sterling



Source: MSCI, Bloomberg, W1M. As at 08.08.25

Japanese market has several tailwinds

The Japanese stock market has been aided by a number of tailwinds in recent years. The market first hit new all-time highs in March 2024 when it finally (as measured by the Nikkei 225 Index) closed above its 29 December 1989 previous high.

Macro factors have played a role. The Bank of Japan has bucked the trend of other developed world central banks by, coincidentally, only ending negative policy rates in March 2024. The policy rate is now at +0.5% having been raised again in January 2025. The apparent ending of deflation enabled this to happen although policy rates obviously remain very negative in real terms.

But there have also been significant changes to corporate governance including a sharp increase in the number of independent directors.

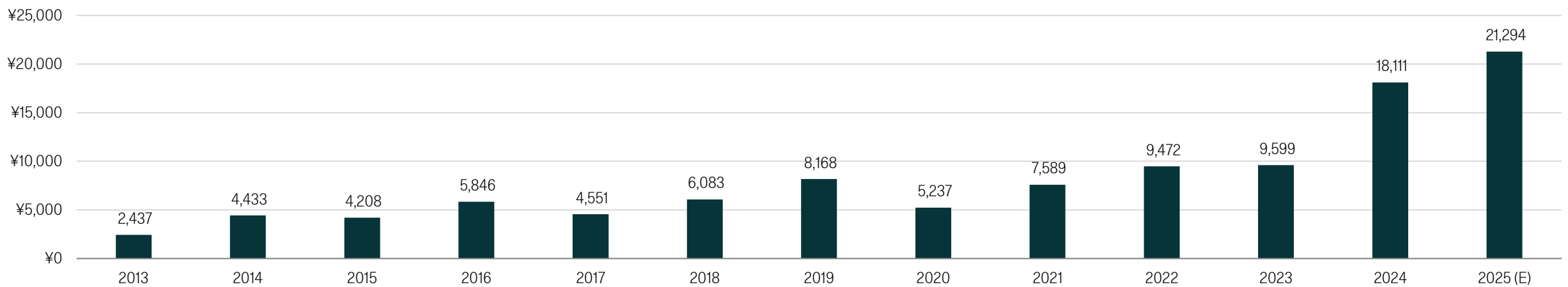
Shareholders have benefitted directly from a significant pick-up in the number of buybacks done by Japanese corporates.

This chart shows that buybacks were at a record level in 2024, 89% above the level of 2023. They are expected, according to Mizuho, to rise another 18% in 2025 to 21.3 billion yes, or \$146 billion at the current exchange rate.

On top of that, foreign investors have been more bullish and have also been buying the market. We continue to like a number of Japanese companies and are overweight in aggregate in our global equity portfolios.

These secular tailwinds make us confident that select Japanese equities have an important role to play in equity portfolios.

Japanese corporate share buybacks 2013 – current in billions of Japanese Yen



Source: Mizuho, Tokyo Stock Exchange. As at 03.04.25

US investor sentiment bearish

This is the weekly survey of its members done by the American Association of Individual Investors. The chart shows the % of respondents who are bullish among those that express a view (so it is Bulls as a % of Bulls plus Bears).

This could not be a simpler sentiment measure, but it is worth knowing about.

The two horizontal lines are showing one standard deviation above (teal line) the average level and one standard deviation below (coral line).

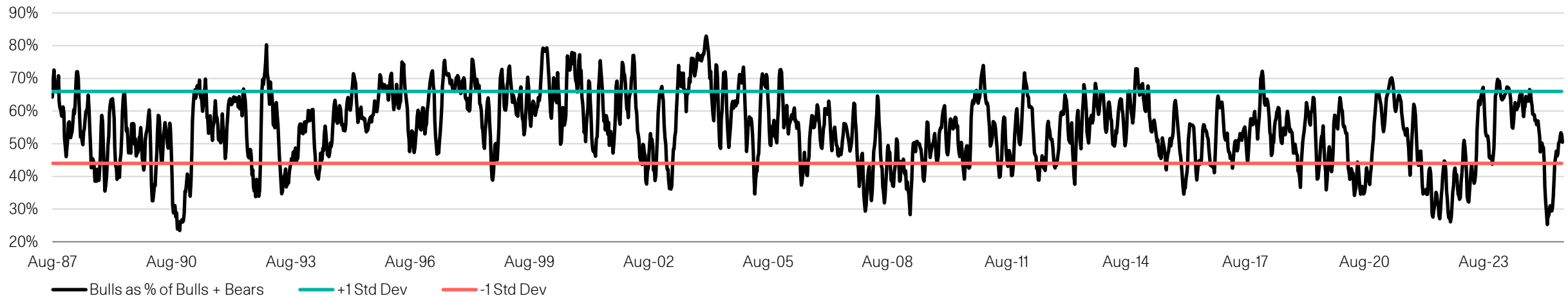
If you buy the market when the black line is below the coral line your average return in the next year is +15%.

If you buy the market when the black line is above the green line your average 12-month return is +6%.

This sentiment measure followed the market down in March and April. It has recovered as the market has rebounded but sentiment is a long way from being euphoric.

One of the bits of good news for the market is that by this measure at least, investors are still quite gloomy.

American Association of Individual Investors survey, Bulls as % of Bulls plus Bears



Source: AAII, Bloomberg, W1M. As at 07.08.25

Corporate balance sheets yet to show real stress

The top chart is a quarterly series showing the number of US corporate bankruptcies (officially called “Chapter 11” filings).

It hit its lowest level for 18 years in Q3 2021. It has moved up since then but there is no sign of corporate stress in this indicator.

The Bloomberg Index in the bottom chart is of economy wide US bankruptcies and takes into account the size of the bankruptcy as well as the number of them. Hence there were more big bankruptcies in 2009-10 than in 2003-04. That index is at historically very low levels.

It remains the case that up to now, corporate balance sheets are holding up well. There has to be a risk that widespread tariffs change this benign picture.

US bankruptcy filings (2000 to current, quarterly)



Bloomberg US Corporate Bankruptcy Index (2000 – current, weekly)



Source: Bloomberg, W1M. As at 08.08.25

Corporate credit markets trading at historically narrow spreads

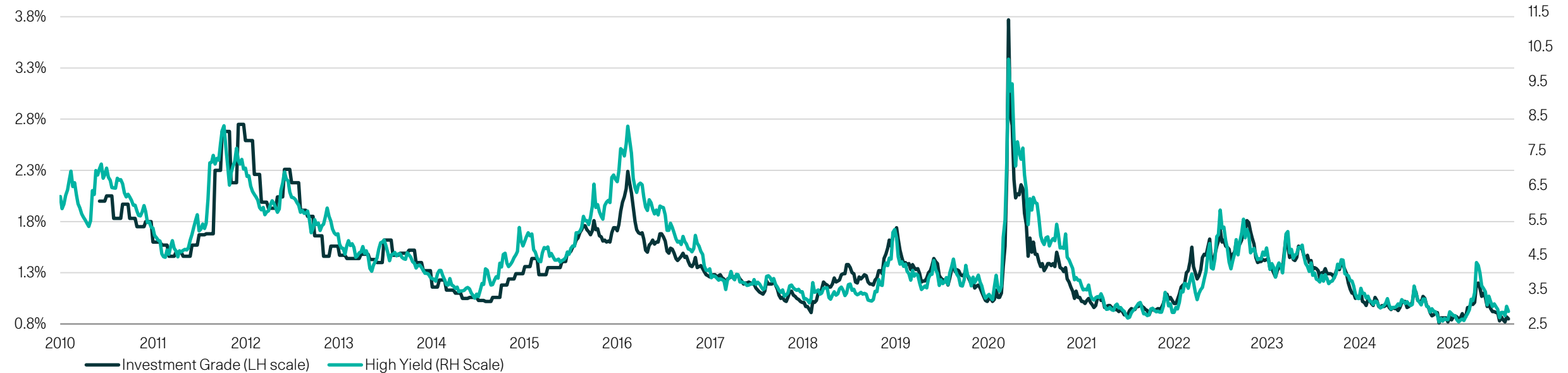
Credit spreads widened in the wake of the tariff announcements on 2 April. But they have quickly narrowed again as markets rallied.

Spreads will widen again if there is a risk of slower growth and higher inflation.

We remain of the view that credit spreads have further to widen to better reflect the risks.

Hence our lowest allocation to credit in our bond funds since their inception.

US corporate bond spreads (%)



Source: Markit, Bloomberg W1M. As at 08.08.25

Corporate Bonds, S&P500 earnings yield & T-bills have similar yields

The Moody's Baa yield (a benchmark for the investment grade market) has been above the earnings yield of the S&P500 Index at end of each month since January 2023. At the end of July 2025, the numbers were 6.1% versus 4.5%.

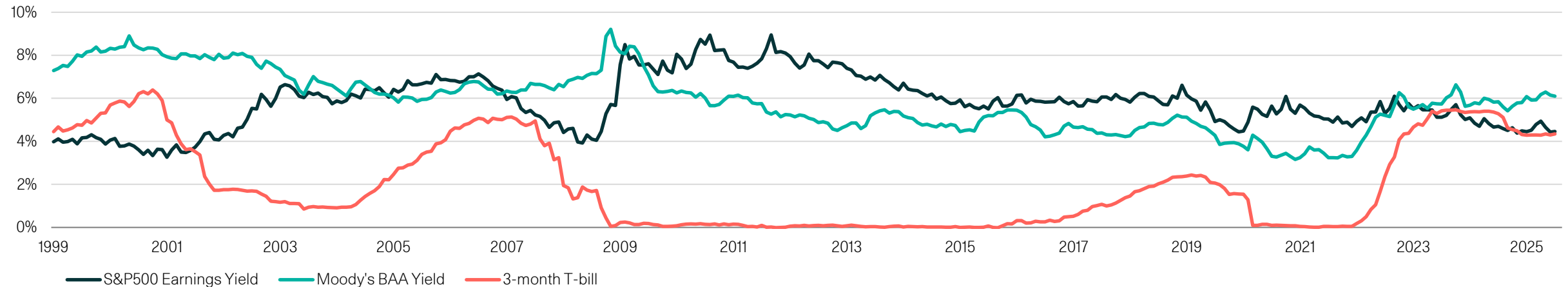
The last two periods when this was the case were the run up to the Dotcom peak in 2000 and its unwind. Then this happened again during the Global Financial Crisis of 2007-09.

Normally it would be perceived that equities had some valuation challenge from corporate bonds when this is the case but in 2023 and 2024 both gave good returns.

The coral line is the 3-month Treasury bill rate which is currently 4.3%, only slightly below the S&P500 earnings yield. Cash remains the most competitive it has been to equities since 2001.

This chart also suggests it is rational for investors to be more favourably disposed toward cash today than has been the case since pre the GFC.

Moody's current BAA Corporate yield, S&P500 forward earnings yield, 3-month treasury bill yield (%)



Source: Moody's, Bloomberg W1M. As at 31.07.25

Weakness of Chinese currency needs to be watched

The Rmb has been relatively weak since the US Presidential election in early November. The uncertainty of the US tariffs is not helping matters.

The sluggishness of the Chinese economy is also an issue with retail sales and manufacturing Purchasing Managers' indices being the latest datapoints to reflect that.

There has been an appreciation of the Taiwanese dollar since April.

A number of factors seem to be at play.

One is that there is speculation that the US will want currency appreciation of surplus countries against the US dollar.

The Taiwanese central bank did not intervene when the Taiwan dollar appreciated particularly sharply between May 2nd and May 5th which also led to speculation along the same lines. The TWD is normally a heavily managed floating currency which the Central bank has regularly intervened to impact trading.

As we saw on page 15, the global emerging market country currency index has been strong against the US dollar since January 2025. We suspect this reflects the presumption that EM countries that have trade surpluses with the US will be expected to allow their currencies to appreciate.

Renminbi per US dollar



Taiwan dollar per US dollar



Source: Bloomberg, WIM. As at 08.08.25

Overview of Responsible Investment

Overview Of Responsible Investment At W1M

Integrated approach to ESG

Signatory of:



W1M research process

- Integration of ESG factors into fundamental analysis and decision-making
- Incorporated into research process across all asset classes
- Specialist thematic, sustainable and impact fund research

Engagement and voting

- Direct engagement with company management
- Collaborative engagement activities
- Proxy voting by Glass Lewis
- Undertaken by the Investment team as part of our genuinely integrated approach

Ethical restrictions

Client-specific ethical exclusions can be applied at the portfolio or fund level



Responsible Stewardship Of Clients Capital

We aim to identify responsible allocators of capital ensuring business resilience and long term financial sustainability

How we incorporate ESG

- Integrated approach to the assessment of ESG factors
- Detailed fundamental analysis avoids greenwashing
- Mitigates poor data quality and inconsistent third-party ESG ratings
- Focus on engagement over an exclusion/divestment strategy
- Identify those successfully adapting to ESG opportunities/risks
- Acknowledge when ESG risks are integral to transition solutions
- Pragmatic approach focussed on high or improving ESG standards

The advantages of our investment approach

- Global: largest universe of investment opportunities
- Direct: greater transparency around ownership
- Active: flexibility to avoid areas at risk of capital loss
- Concentrated: in-depth identification / monitoring of risks
- Experienced team: library of knowledge is an advantage
- Engaged: long-term relationships create a two-way dialogue
- Strong ESG outcomes: natural result of our approach

Signatory of:



Risk Warnings

Past performance is no guarantee of future results and the value and income from such investments and their strategies may fall as well as rise. You may not get back your initial investment. Capital security is not guaranteed.

The opinions expressed are based on current market conditions and are subject to change. The portfolio may invest in assets which are not readily realisable or where there is counterparty risk. Changes in rates of exchange may have an adverse effect on the value, price or income of an investment.

The information contained within this document relating to 'yield' is for indicative purposes only. Clients should note that yields on investments may fall or rise dependent on the performance of the underlying investment and more specifically the performance of the financial markets. As such, no warranty can be given that the expressed yields will consistently attain such levels over any given period.

There is no guarantee of a return on Absolute Return Funds held. The returns for structured products may fluctuate according to different market conditions; you may get back less than you originally invested. The value of your investment is also at risk in the event that the counterparty should fail.

Fixed income securities which the portfolio may invest in are sensitive to interest rate risk (duration) and will increase and decrease in value as interest rates change.

The Protection Strategy includes the use of derivative instruments. Using derivatives can involve a higher level of risk. For example, a small movement in the price of the underlying instrument may result in a disproportionately large movement in the price of the derivative instrument.

The portfolio may hold funds or vehicles which invest in derivative products such as futures, options, and contracts for differences. Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products may be unsuitable for investors. Different instruments involve different levels of exposure to risk.

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Important Information

For further information on these funds please refer to the Prospectus "offering memorandum" available on our website.

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Currency conversions for the performance displayed in this document are based on Morningstar daily exchange rates.

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We will not, without your consent, supply personal identifiable information about you to any third party except where (1) such a transfer is a necessary part of the activities that we undertake, or (2) we are required to do so by the operation of the law. As an individual, you have a right under the GDPR to obtain information from us, including a description of the data that we hold on you. For further information on your rights under the GDPR, please refer to the GDPR Privacy Policy under the Legal and Regulatory section on the W1M website. Should you have any queries concerning this right, please contact W1M on 0207 484 7452 or by emailing compliance@W1M.co.uk.

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