



Global Outlook

October 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

Asset class returns – Should we worry about equity markets?

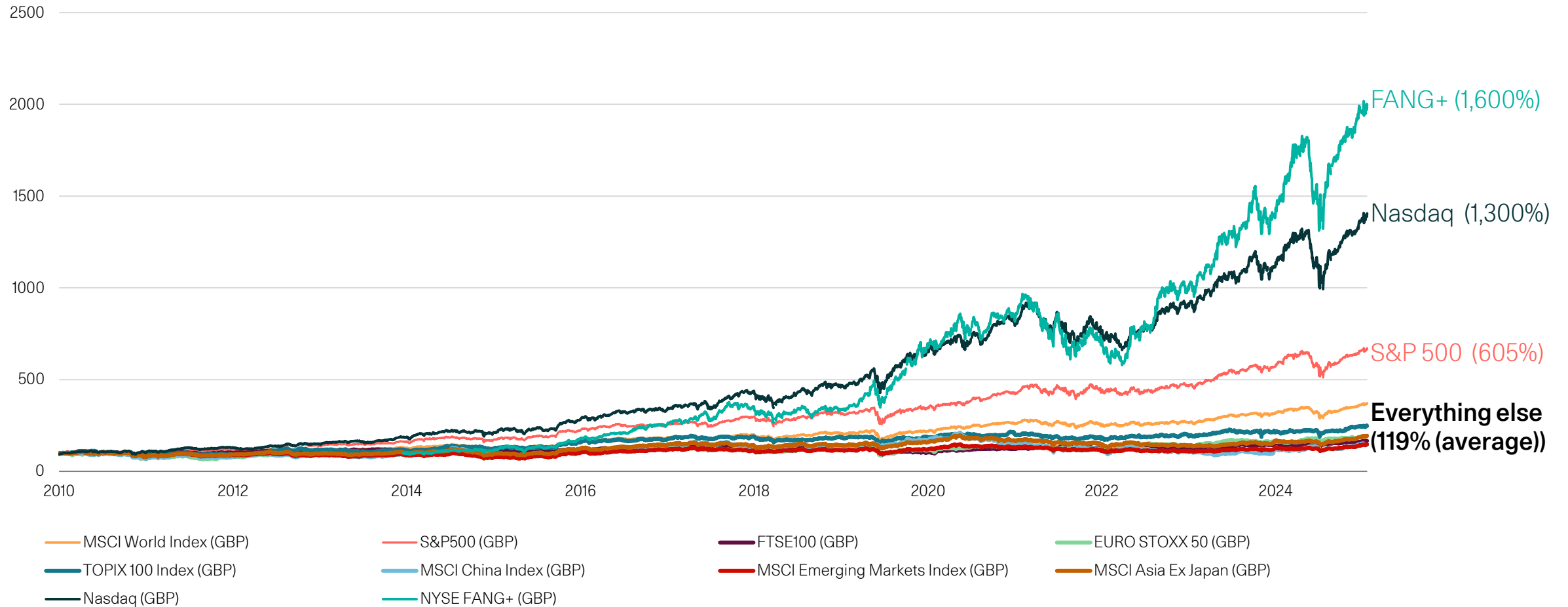
Market performance

(in Local Currency)	Index	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	Q3
Emerging Markets	MSCI Emerging Markets	-5.8%	9.7%	30.6%	-10.1%	18.0%	19.1%	-0.2%	-15.5%	9.9%	13.1%	24.3%	12.2%
US (NASDAQ)	NASDAQ	7.0%	8.9%	29.6%	-2.8%	36.7%	44.9%	22.2%	-32.5%	44.6%	29.6%	17.9%	11.4%
Asia Pacific ex Japan	MSCI Asia Pacific ex Japan	-4.1%	7.4%	30.2%	-10.6%	19.0%	18.8%	-0.6%	-12.8%	7.7%	15.5%	22.2%	11.2%
Japan	MSCI Japan	9.9%	-0.7%	19.7%	-15.1%	18.5%	8.8%	13.4%	-4.5%	28.6%	20.7%	13.4%	10.4%
Developed Market Growth	MSCI World Growth	6.1%	4.0%	24.0%	-5.4%	33.4%	31.1%	23.6%	-27.5%	36.2%	28.4%	15.1%	8.8%
US (S&P 500)	S&P 500	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%	-18.1%	26.3%	25.0%	14.8%	8.1%
United Kingdom	MSCI United Kingdom	0.1%	17.3%	13.1%	-9.8%	18.3%	-11.3%	18.8%	1.1%	7.8%	9.0%	16.7%	6.8%
Developed Market Value	MSCI World Value	-1.9%	14.2%	13.2%	-9.4%	21.4%	-3.3%	24.2%	-4.0%	11.0%	13.7%	13.9%	6.1%
REITs	S&P Global REIT	2.7%	6.6%	4.6%	-4.4%	22.7%	-10.5%	33.9%	-22.5%	10.3%	4.9%	6.6%	4.4%
Commodities	S&P GSCI Commodity	-24.5%	17.6%	29.1%	-18.0%	2.6%	14.8%	29.6%	-7.6%	-4.5%	2.8%	11.7%	3.8%
Europe ex UK	MSCI Europe ex UK	8.3%	2.3%	13.6%	-11.3%	26.4%	1.4%	23.5%	-12.9%	16.4%	7.2%	12.6%	2.8%
US 10 Year Gilts	ICE BofA 7-10 Year US Treasuries	1.2%	3.3%	4.0%	0.1%	10.6%	9.6%	-2.7%	-13.8%	5.1%	0.7%	7.1%	2.5%
High Yield Bonds	ICE BofA Global High Yield Index (Hedged)	-2.1%	15.9%	7.6%	-2.4%	14.0%	6.3%	2.9%	-11.8%	12.4%	8.9%	6.8%	2.5%
Investment Grade Bonds	ICE BofA Global Broad Market Index (Hedged)	0.9%	3.3%	2.3%	0.4%	6.8%	5.4%	-1.8%	-13.3%	5.2%	1.3%	3.5%	1.1%
UK 10 Year Gilts	ICE BofA 7-10 Yr UK Gilts	1.0%	8.6%	3.1%	0.3%	6.5%	6.0%	-4.2%	-17.9%	6.7%	-1.9%	3.6%	-0.1%

Source: W1M, Bloomberg, MSCI As at 30th September 2025

Longer term perspective on equity market performance

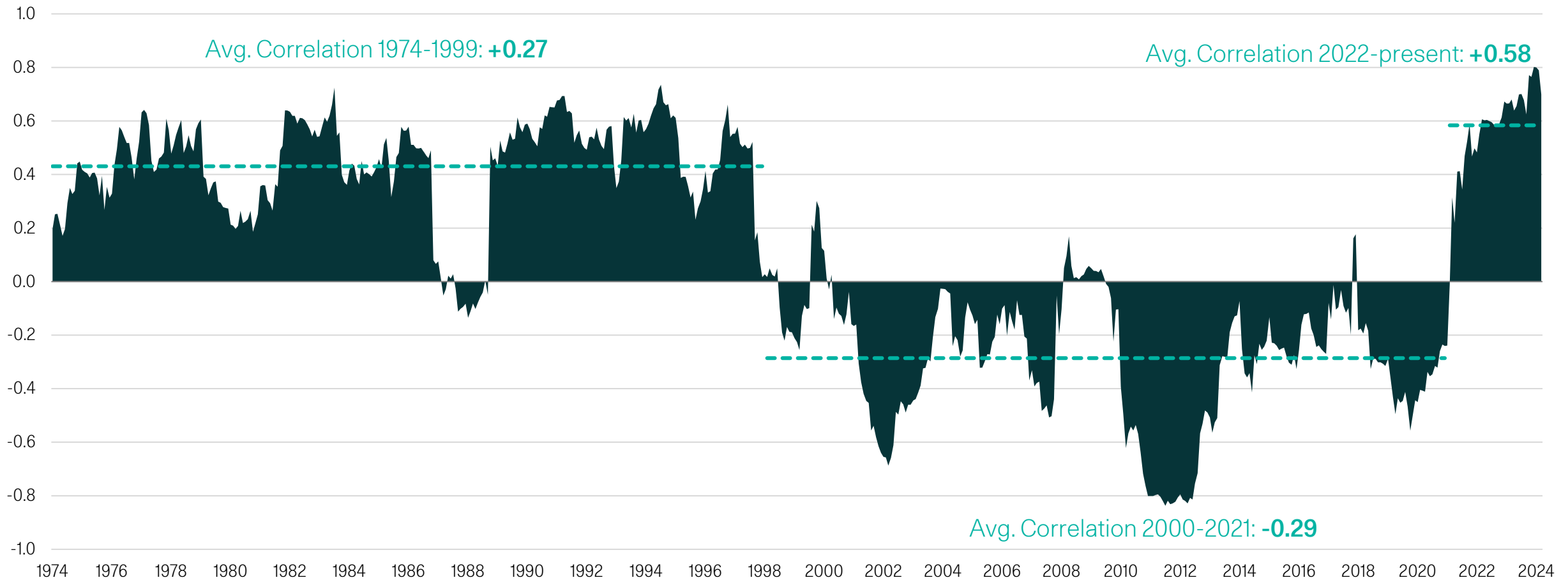
Equity index returns



Source: Bloomberg, WIM. Data as at 24.10.25

Historical perspective on equity bond correlation

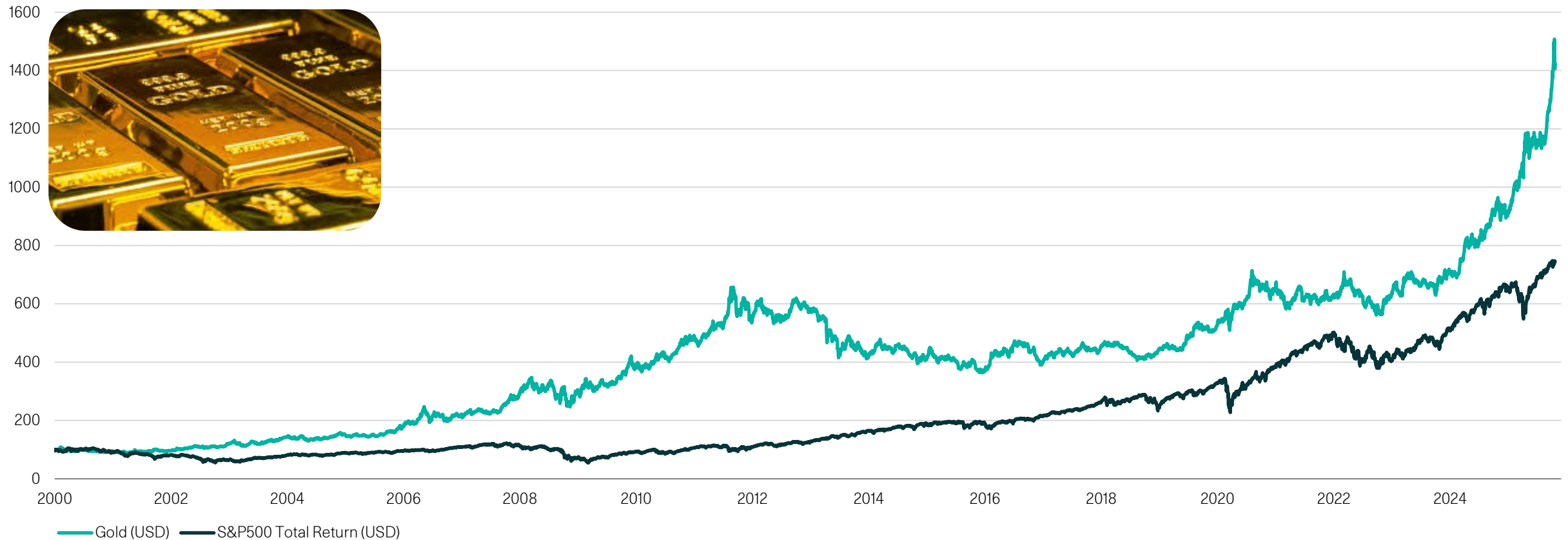
A traditional 60/40 portfolio is not offering the 'natural' diversification it once did



Source: Bloomberg, WIM. Data as at 30th June 2025.

Real Assets and Absolute Return strategies can provide uncorrelated protection against equity risks

Gold has recovered strongly in the 21st Century



Source: Bloomberg, Waverton. Data as of 24.10.25

Risk warning: The information above is for example purposes only and should not be considered a solicitation to buy or an offer to sell a security. It is based on our current view of markets and is subject to change. 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.

Long term commodity cycle showing signs of recovery

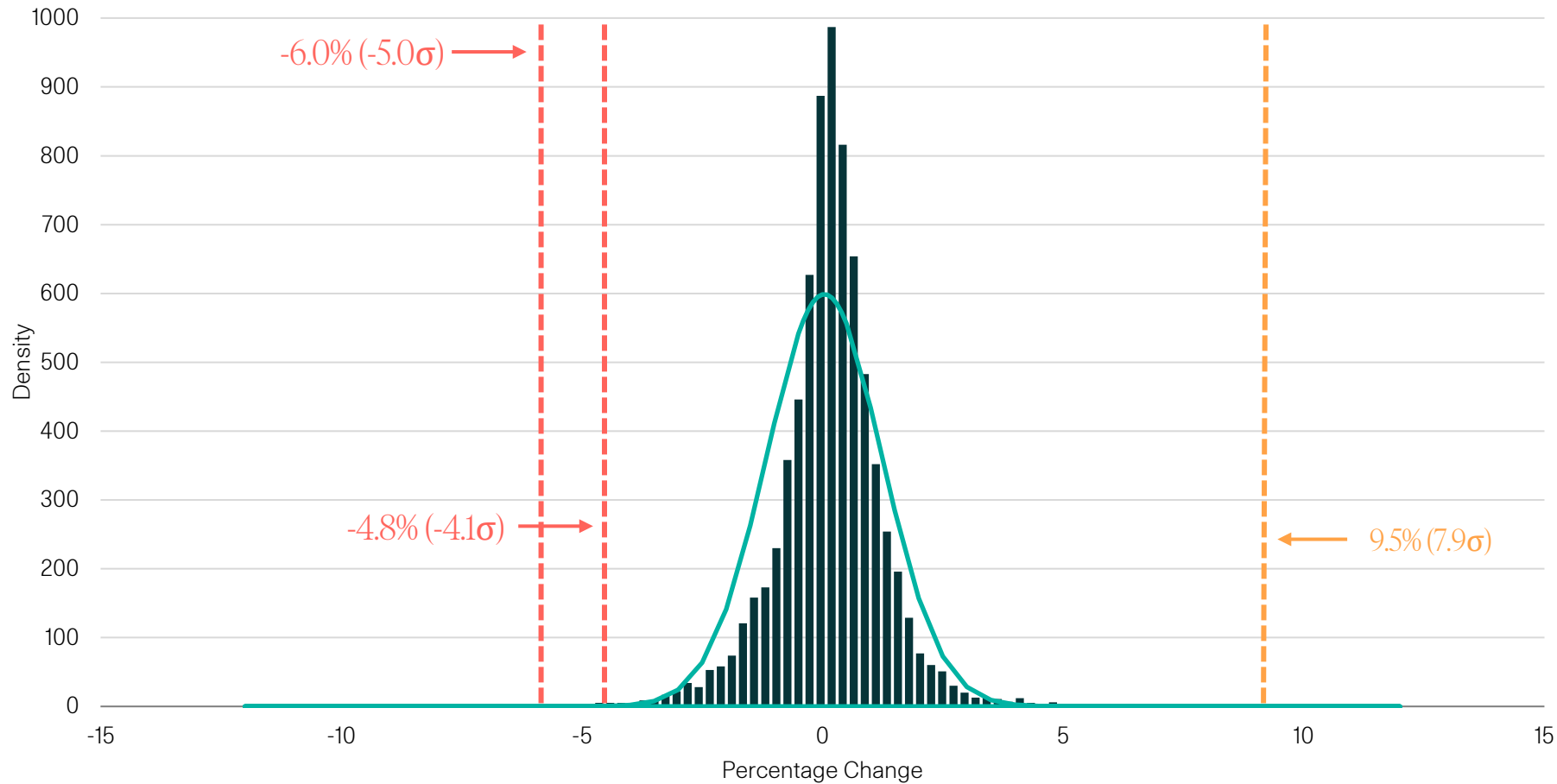
U.S. Commodity Price Index (Data 1795 to Present) with Major Inflation Peaks (Red Dots) & Major Inflation Troughs (Orange Dots)



Source: Stifel, W1M, Bloomberg. As at 30.09.25.

Geopolitics – trade wars over? be prepared for volatility

30-year S&P 500 Historical daily return distribution (April 1995 – April 2025)



Source: Bloomberg, Broadgate

April 3rd was a 4σ move
→ Expected once every ~193 years

April 4th was a 5σ move
→ Expected once every ~13,800 years

April 9th was a 7.9σ move
→ Expected once every ~2.8 trillion years

Summary of our views

October 2025 Asset Allocation Positioning

	Underweight		Neutral		Overweight
Equities					
Fixed Income*					
Government					
Credit					
Alternatives					
Real Assets					
Absolute Return					
Cash					
Hedging					

Positively positioned:

- Global growth resilient to challenges so far;
- Inflation expectations remain anchored;
- 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 are a significant tax increase which could dampen demand.
- If / when the tariffs are passed on to end consumers they could alter the inflation narrative negatively;

Risk warning: The above should be used as a guide only. It is based on our current view of markets and is subject to change. As at 22.10.25

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 17.9%, its highest level since 1933.

We have to say “estimated” because tariff policy is changing on a regular basis. This estimate is as of September 26, 2025. But 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.

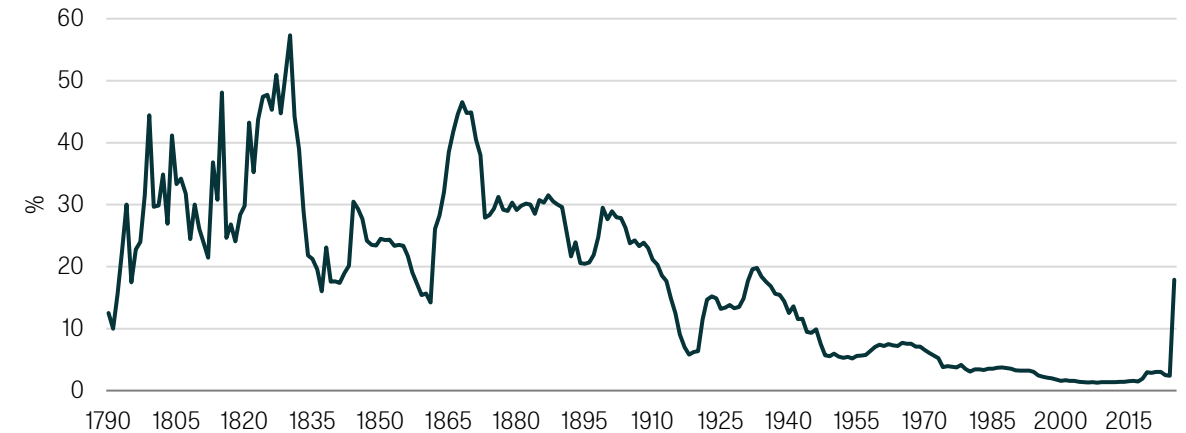
In Fiscal 2025 the US is likely to raise at least \$340 billion from tariffs based on annualising the revenue from the months of June to September (see bottom chart). Overall Federal Government revenue is estimated to be \$5,235 billion in this fiscal year. So, the tariffs are increasing Federal government revenues by 6.5%.

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.

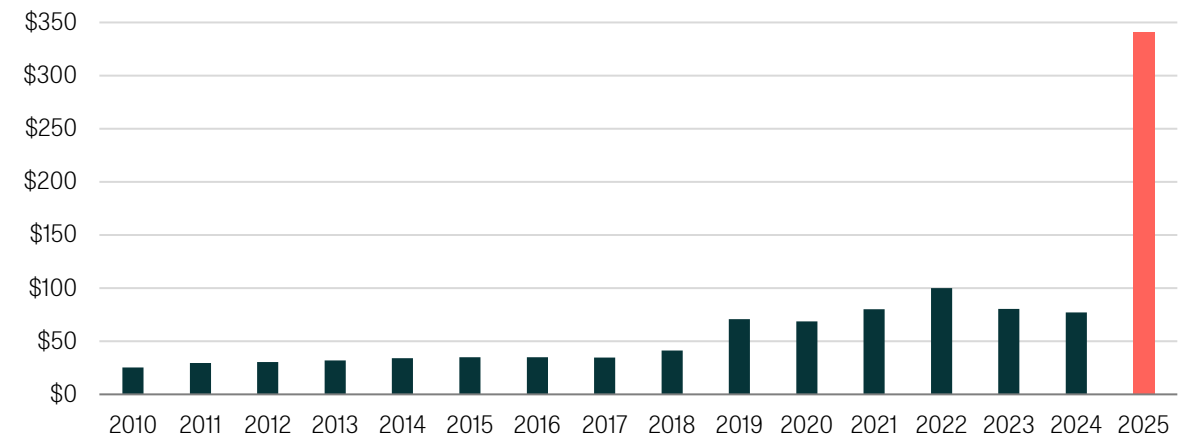
All this creates massive uncertainty and could have implications for inflationary expectations, growth in the economy and geopolitical risks. So far, financial markets are not pricing in either a material change in the outlook for inflation or for growth. But history tells us that tariffs are a lose-lose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

We also 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.

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



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



Source: US Treasury, [State of U.S. Tariffs: September 26, 2025](#) | The Budget Lab at Yale | WIM. As at 30.09.25

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).

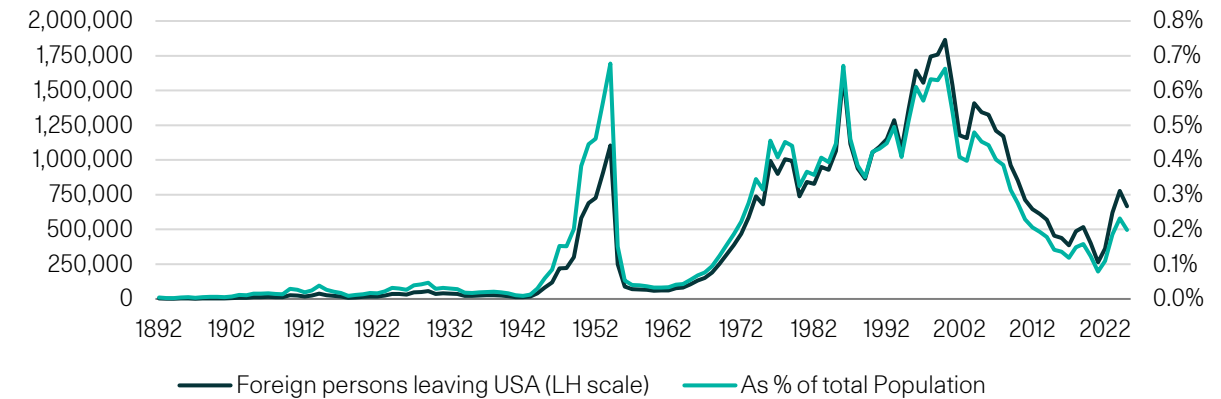
Trump is starting at a low base relative to history so it may well be that he increases the number. But more people left by this measure in the Biden administration (2.0 million) than did in Trump 1.0 (1.8 million).

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.

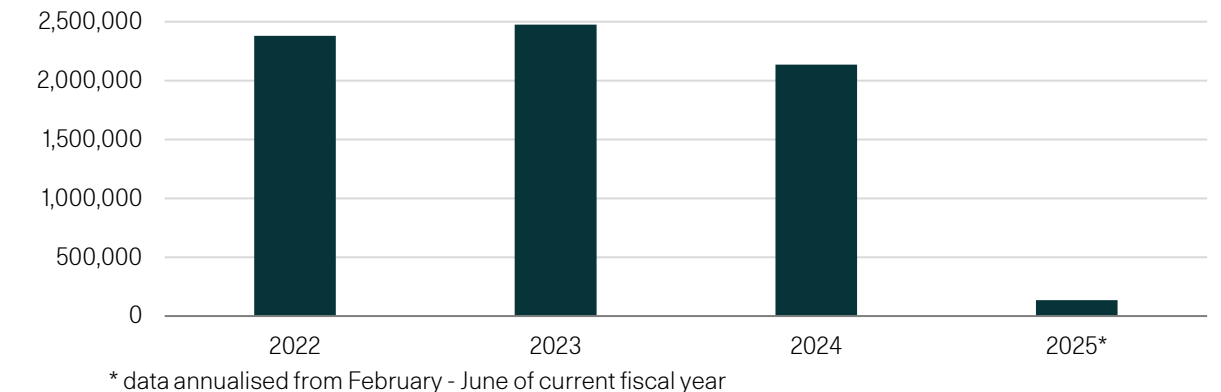
Trump has made migrants think twice about crossing the border. The bottom chart shows the number of people encountered at the south-west border by US Customs & Border Protection officers. In the last five months, a cumulative 56,508 have been encountered. That is 136,000 at an annualised basis. That 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 5.8% and for the UK which is 5.4% of UK GDP.

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 budget passed earlier this year (the One Big Beautiful Bill) 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 US Treasury bond market has been relaxed in recent weeks, partly because the market is convinced the Federal Reserve will be cutting interest rates this year and next.

But the size of the US deficit does raise the possibility that at some point the “bond vigilantes” will come out of hibernation and demand a higher yield to buy more US government debt.

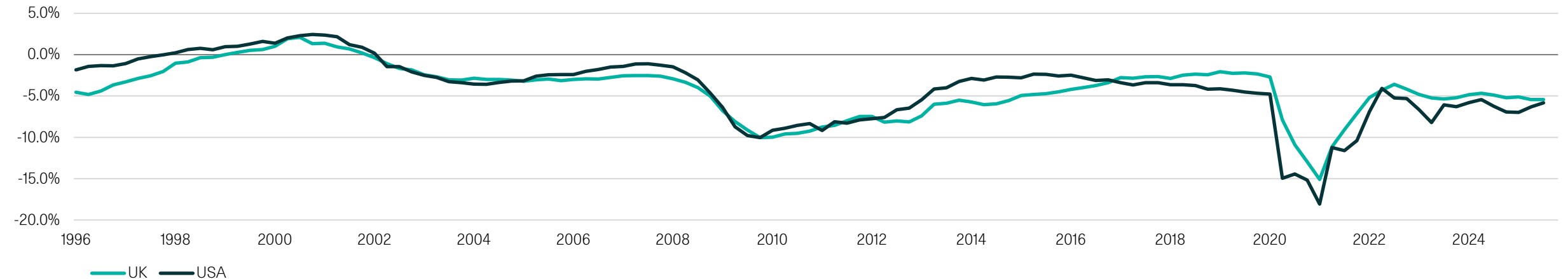
In the UK the gilt market has been underperforming Treasuries over the summer on fears about the persistence of higher UK Inflation and concerns about what the November 26th Budget will involve.

Ironically, the future path for the UK deficit looks reasonably encouraging as just with the measures we already know about, the deficit is projected to decline in coming years.

There is clearly a question mark about the growth outlook in the UK if even higher taxes are imposed in November, but the fiscal position may not be quite as bad as many seem to think.

Our conclusion remains that the gilt market has a lot of bad news already priced in.

US budget balance as % of GDP 1970 - current



Source: Bloomberg, W1M. As at 30.09.25

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 two more 0.25% reductions by the end of the year.

Trump has 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.

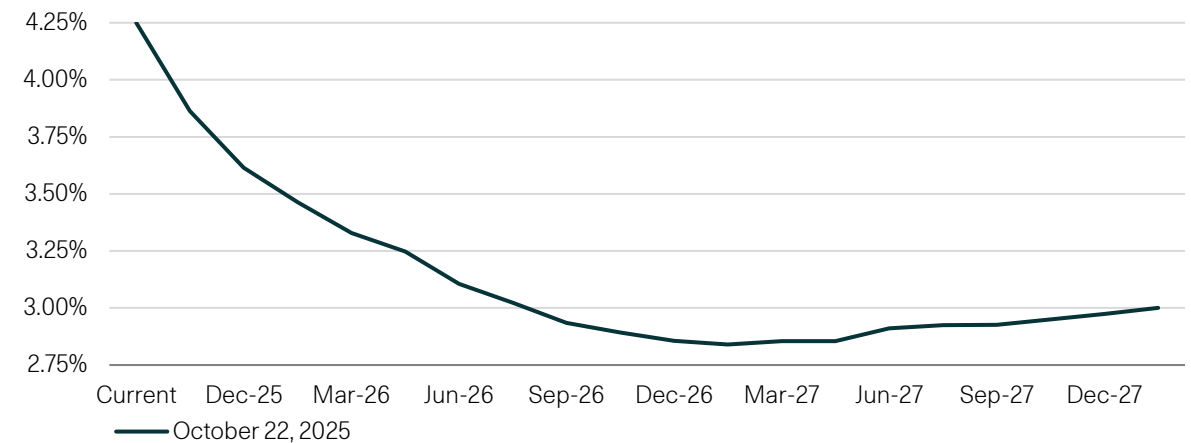
Presidents have often had public disputes with the Federal Reserve but it does add a layer of complexity to proceedings.

Whether we really will get to a 3.0% Fed Funds rate by the end of 2026 will depend on a number of factors of which the most important will be actual inflation and market expectations for future inflation. Should the latter remain anchored then it is possible we will see more rate cuts next year.

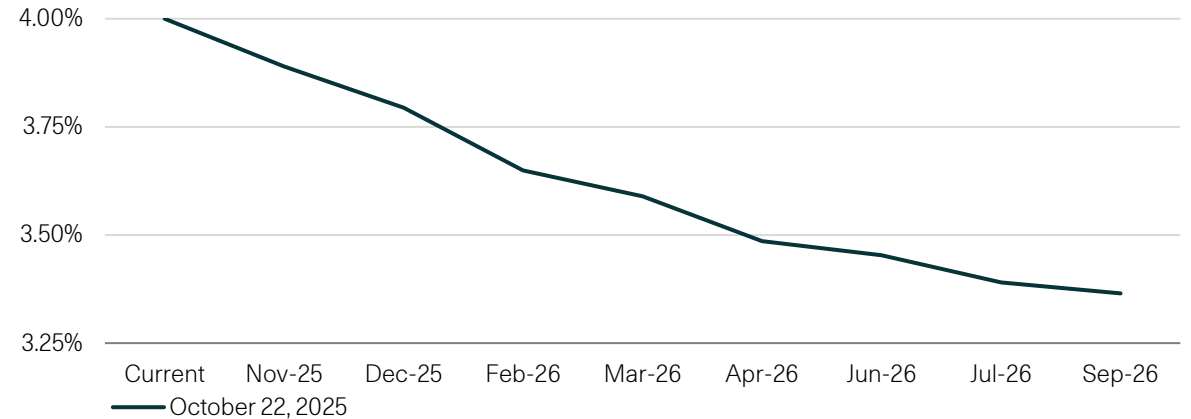
In the UK expectations for the base rate did change after the September inflation data was released on October 22nd. The market now sees it possible that the Bank cuts rates in December and possibly another one in April 2026.

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, WIM. As at 22.10.25

Treasuries have outperformed gilts until very recently

The top chart shows how the yield on 10-year gilts and 10-year US Treasuries has evolved since the beginning of 2023.

US Treasuries have been rallying since March, some of which is because of the increased confidence that the Federal Reserve will continue to cut interest rates in this year and next.

The gilt market has rallied this month after lagging badly and we think there is more to go for given our belief that the Bank of England can cut interest rates more than the market currently expects in coming months.

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.

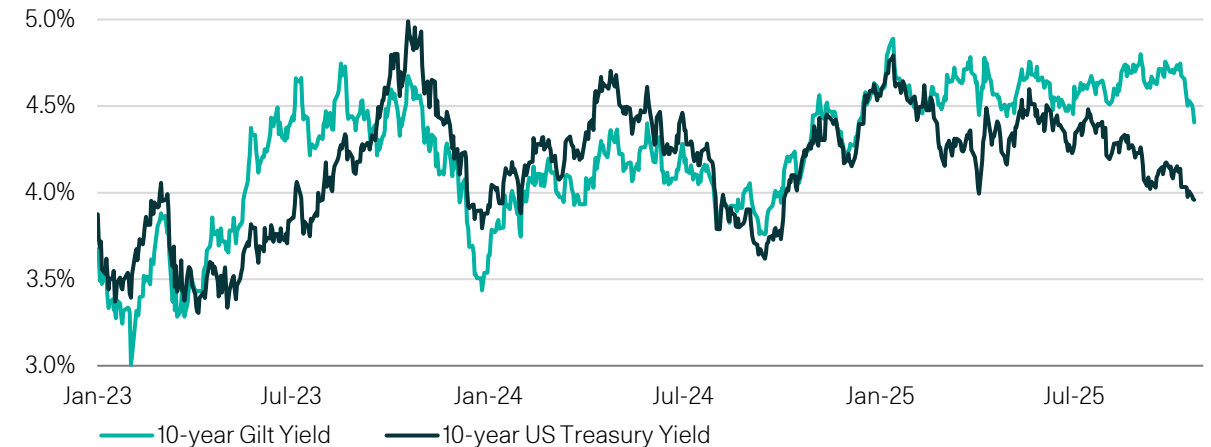
As the chart shows, both markets continue to offer, on this measure, a positive real yield.

The inflation linked bond market is saying something similar. The US Treasury Inflation Protected Securities market is giving a positive real yield. The January 2035 TIPS yields 1.7%.

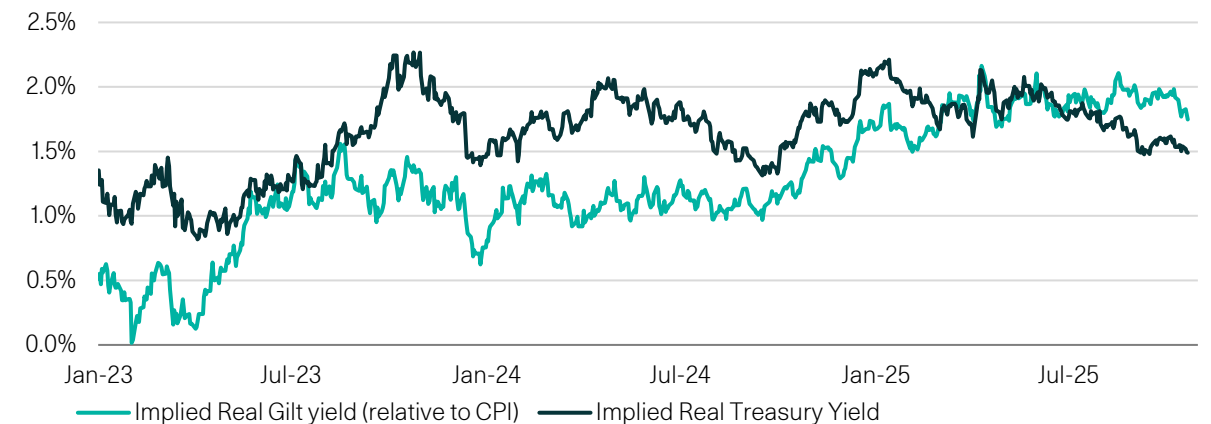
The UK linker market is also offering an attractive real yield (the September 2035 linker yields 1.5%) but as this is based on RPI, the total return (thanks to RPI being higher than CPI) is similar between UK and US linker markets.

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 22.10.25

Inflation rates are stable around the world but have so far stopped falling

The peak for US inflation was in June 2022 at 9.1%. It is now 3.0%. The euro area peaked in October 2022 at 10.6% (now 2.2%) and the UK also peaked in October 2022 when RPI was 14.2%, and CPI 11.1%. RPI is now 4.5% and CPI is 3.8%.

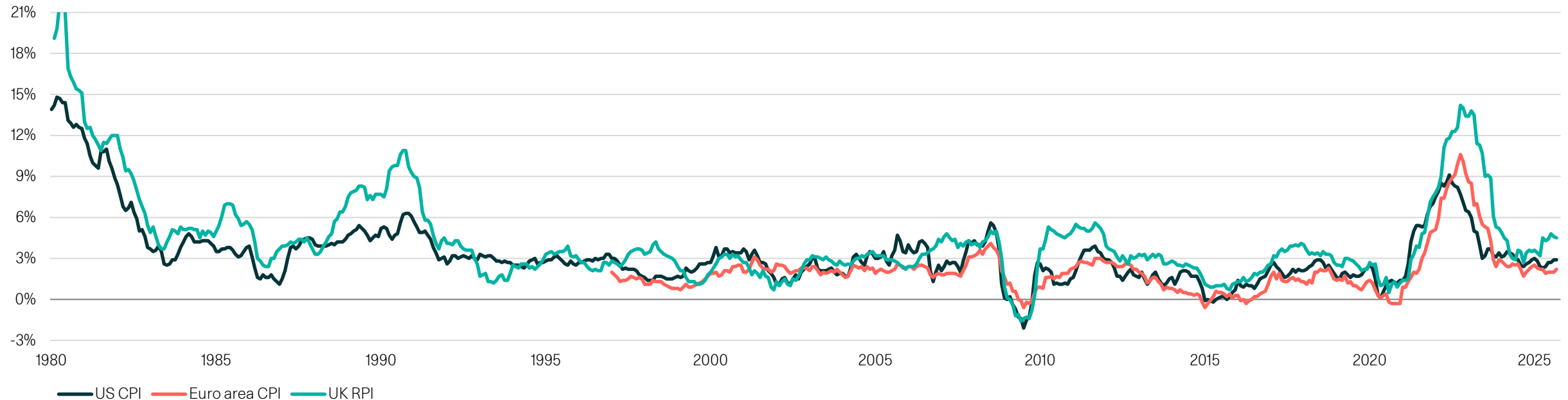
US core inflation (excluding food and energy) peaked at 6.6% in September 2022. It is now 3.0%.

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.

There remain concerns about the inflationary impulse across the developed world. Current inflation rates are well above the presumed 2% central bank target in each major economy.

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



Source: Bloomberg, W1M. As at 30.09.25

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 any uptick in the US (dark line in top chart) would be of concern.

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 3.05% expected in January to just 2.40% now.

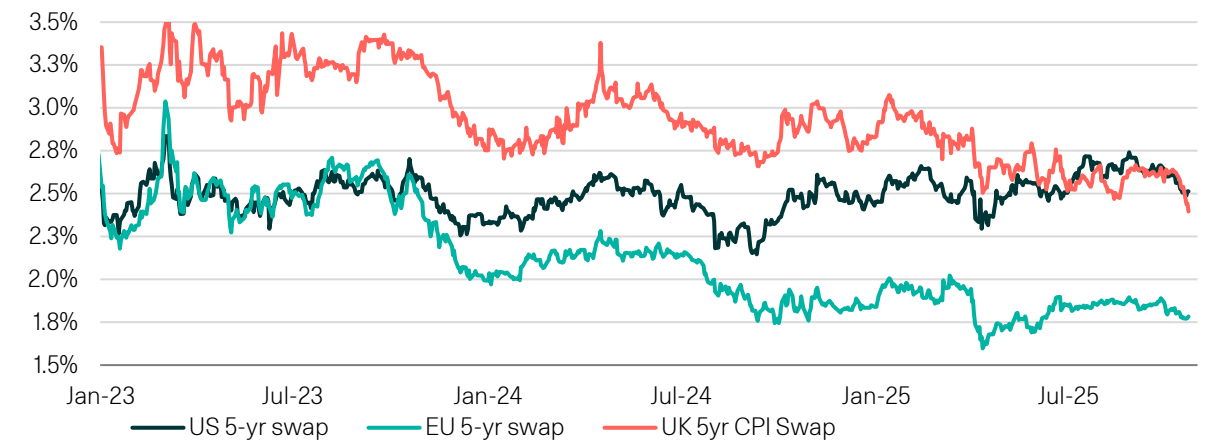
UK inflation is expected to average less than US inflation (2.51%) over the next five years. Not a lot of people seem to be aware of that, including, up to now the Bank of England. Perhaps the Monetary Policy Committee will now wake up and smell the coffee.

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

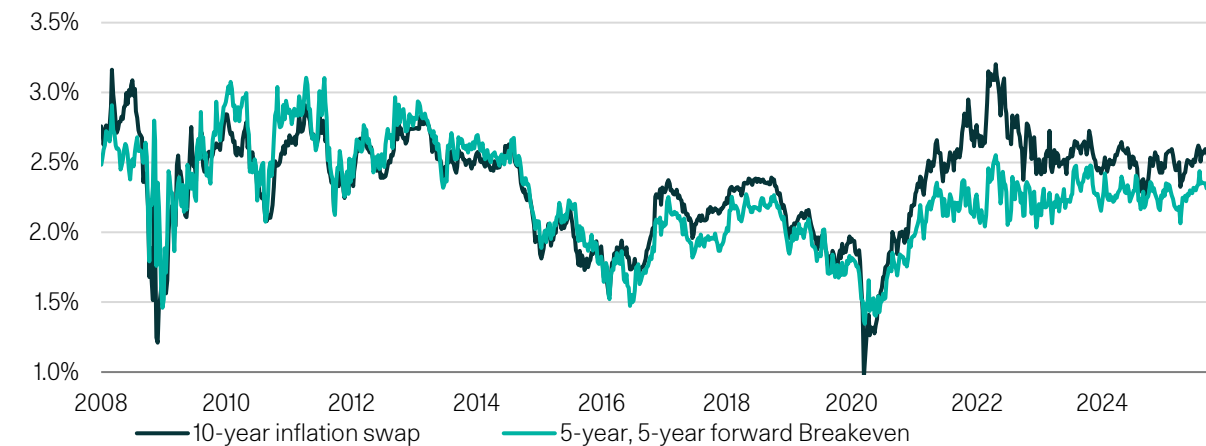
The green line is the 10-year US inflation swap and the teal line is the inflation rate calculated from the spread between five-year nominal and inflation linked bonds five years forward. Both have been rangebound in recent months.

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, WIM. As at 22.10.25

The broad commodity complex has been weak

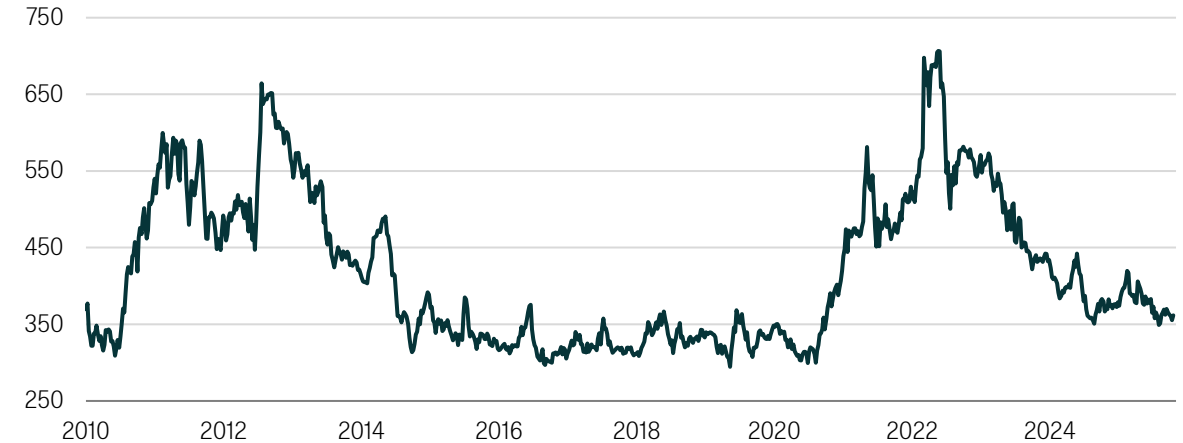
The broad commodity complex is in the doldrums.

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 17.10.25

Dollar weak earlier this year

The top chart shows a trade weighted dollar index. It has been weakening this year and consolidated its weakening after 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. In the last three months the trade weighted dollar has been going sideways.

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 but again the trend has been sideways in the last three months.

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 17.10.25

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.

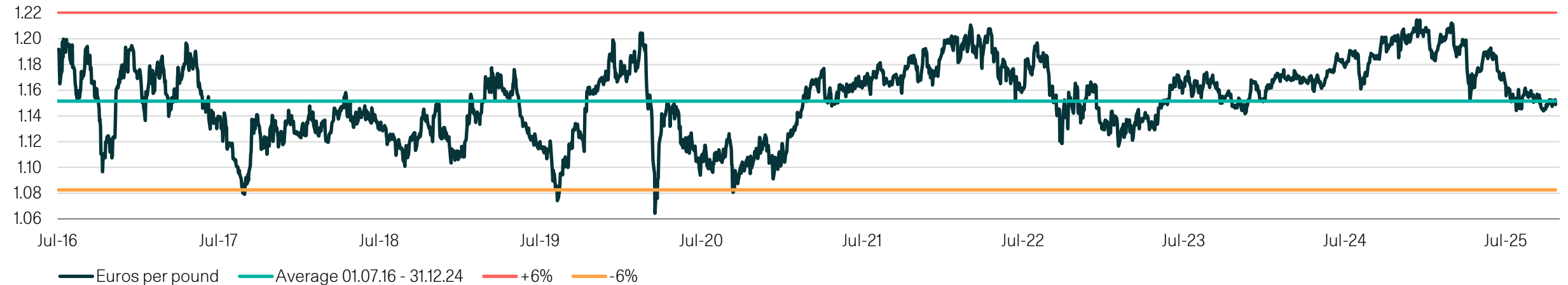
We continue to think that the exchange rate versus the euro is a better measure of the market view of UK specific risks than the sterling/dollar rate. The chart shows the number of euros per pound since 1 July 2016. The average exchange rate since then is shown as the teal line and we show a range 6% 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 2,400 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 21.10.25

Gold at a record high

On October 20, gold closed at a record high of \$4,356.30.

It then fell 5.3% on October 21. This could represent a short-term headwind. But with all the uncertainty highlighted on previous pages of this presentation, there are good reasons to think gold continues to deserve a place in diversified portfolios.

In recent months, the rally in gold appears to be based on buying by central banks around the world, including China.

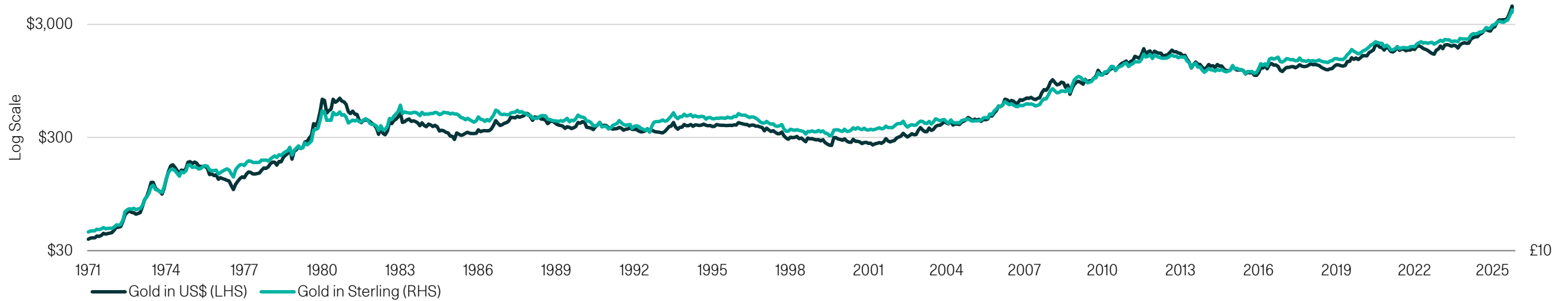
But there has been a speculative element to the surge of 59% between the end of 2024 and October 21.

We continue to recommend that investors have exposure to gold bullion in portfolios. The things that have supported its price in the last couple of years are still likely to be present in the months ahead.

These include concerns about currency debasement around the world given the very high levels of government debt on both sides of the Atlantic. In particular there would be a fear that the US dollar could weaken further. When the global reserve currency is weak that can be stimulatory for global growth, but it can also encourage looking for other stores of value.

Gold is also seen as a hedge against inflation and that very likely will be a hedge that investors will want on in case the current benign outlook for inflation turns out to be mistaken.

Gold price per troy ounce in US dollars and in sterling - 1971 – current (log scale)



Source: Bloomberg, W1M. As at 22.10.25

Equities & Credit

2025 earnings growth estimate +11%

+11% globally and +11% 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 11% and 11% 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 early Q3 reporting 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	19.4		+10.9%	+12.9%	+12.4%
US	23.2	120%	+10.9%	+13.4%	+13.7%
Europe ex UK	15.2	78%	+13.5%	+12.1%	+11.6%
UK	13.0	67%	+5.4%	+10.9%	+11.6%
Japan	15.9	82%	+3.6%	+10.0%	+9.9%
Asia Pac ex Japan	15.1	78%	+8.7%	+16.0%	+14.3%
Latin America	10.2	52%	+43.0%	+7.0%	+12.2%
Emerging markets	14.6	75%	+13.3%	+14.3%	+12.0%
World ex USA	15.0	77%	+10.6%	+12.3%	+11.4%

Source: MSCI, FactSet, W1M. Data as at 30.09.25

Stock market valuation rising

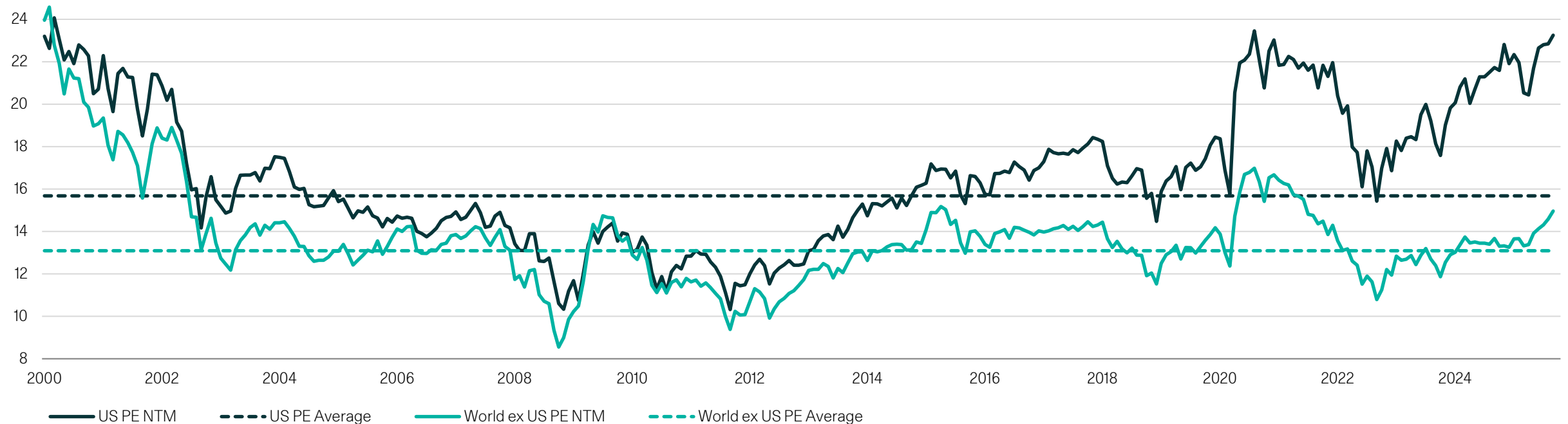
The PE ratio for the US market (solid black line) is 23.3 times as at the end of September.

It is again above its 20-year average of 15.7 times (the dark horizontal line).

The World outside the US now trades at 15.0 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, WIM. As at 30.09.25

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.

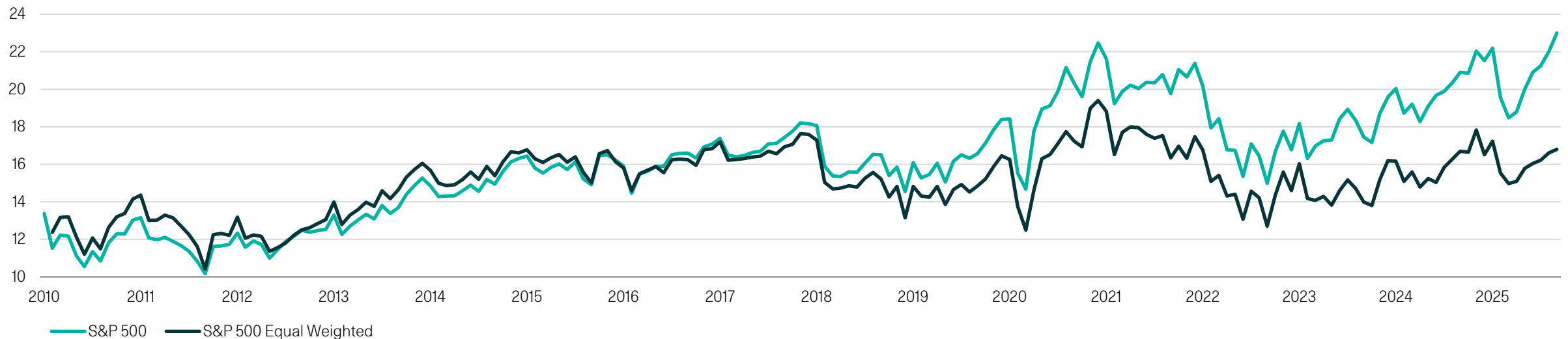
The former is at 23 times the latter is at 17 times (as September 30th).

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 2010 - current



Source: Bloomberg, W1M. As at 30.09.25

Magnificent Seven at a record 32% of S&P500 market capitalisation

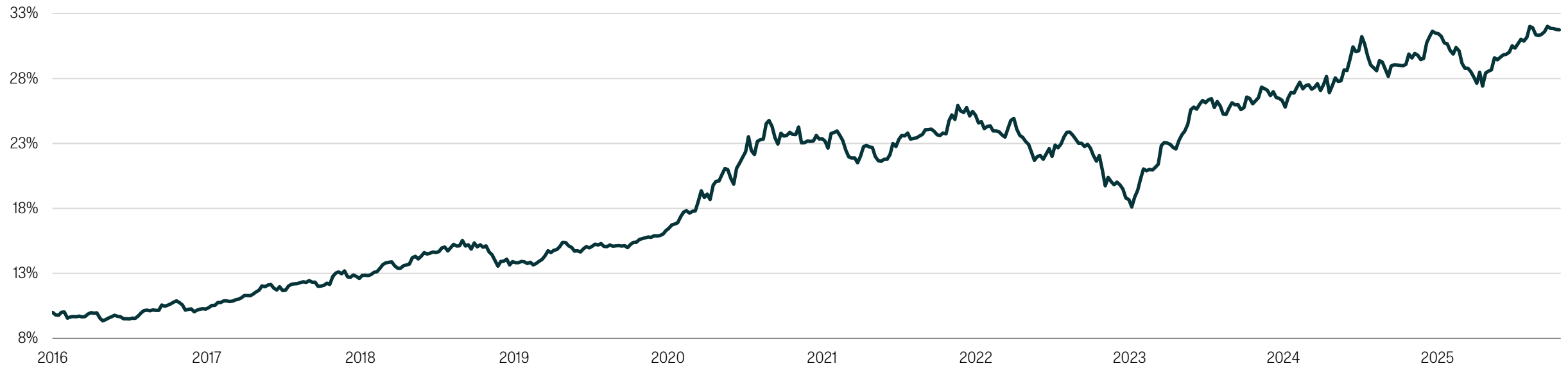
For a period from December 2024 and April 2025 it looked like the leadership of the US market was finally broadening away from the so-called “Magnificent 7” technology and AI related companies (Alphabet (Google), Amazon, Apple, Meta Platforms (Facebook), Microsoft, NVIDIA and Tesla).

But those companies have again been outperforming and are at an all-time high representation of 32% of the S&P500 Index.

The Magnificent 7 index trades at 38 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 17.10.25

US profits as % of GDP remained close to record high in Q2 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.

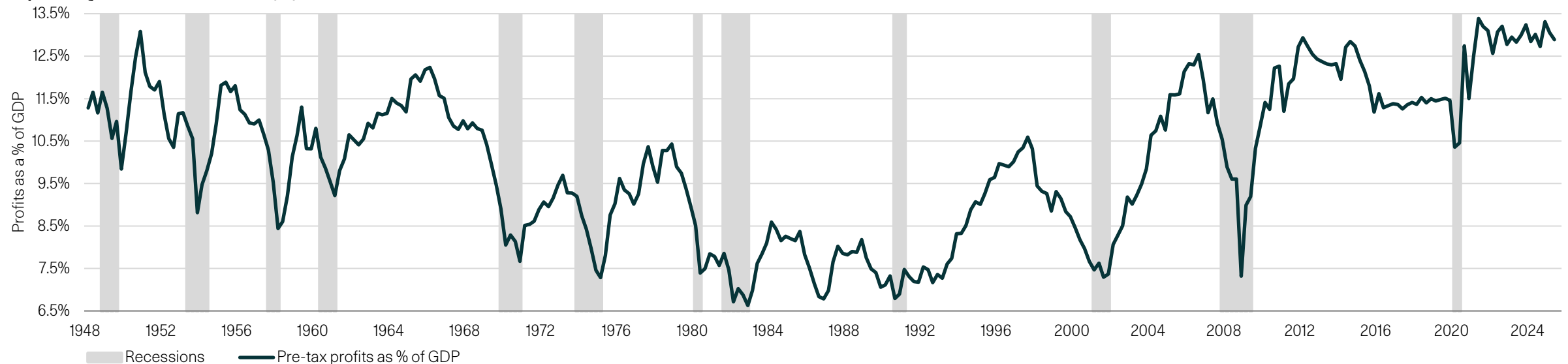
In every recession except 1982, profits were falling as a % of GDP before it.

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 12.9% in Q2 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 30.06.25

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 six 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, WIM. As at 17.10.25

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.

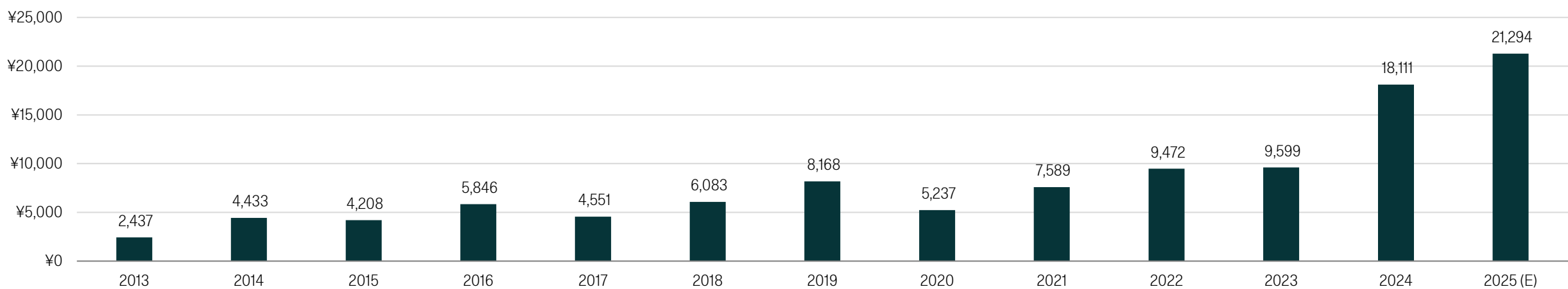
Shareholders have benefitted directly from a significant pick-up in the number of buybacks done by Japanese corporates.

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 not bullish

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).

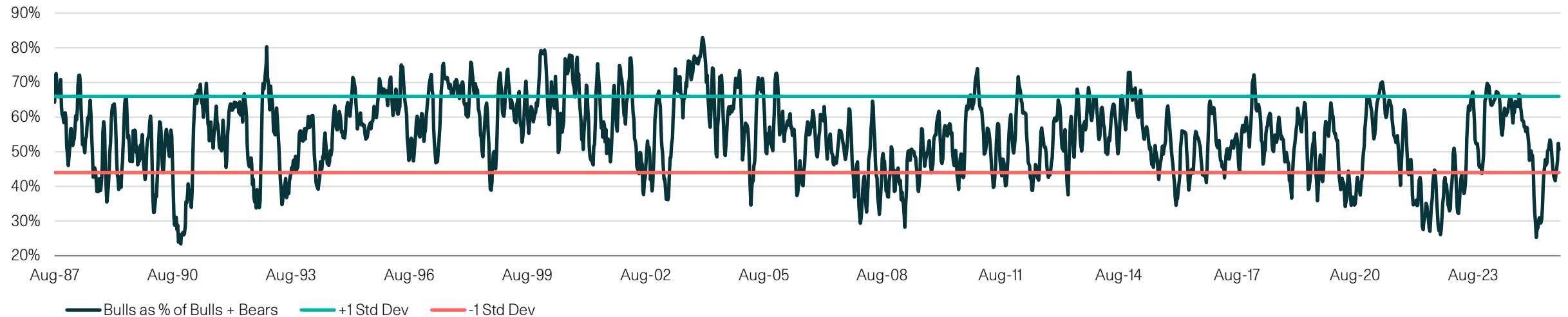
If you buy the market when the black line is below the coral line your average return in the next year is +15%.

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 15.10.25

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, WIM. As at 17.10.25

Corporate credit markets trading at historically narrow spreads

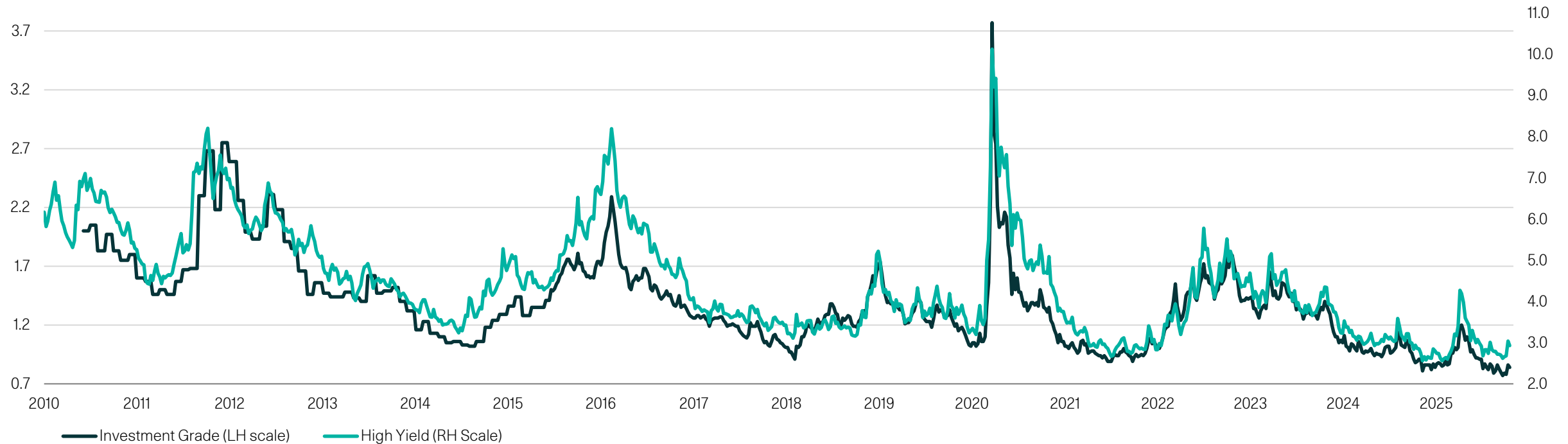
Credit spreads are at the low end of historic ranges with investment grade in particular very narrow.

Spreads will widen again if there is a risk of slower growth and/or 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 17.10.25

Corporate bonds yield more than S&P500 earnings yield & T-bills

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 September 2025, the numbers were 5.8% versus 4.2%.

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.

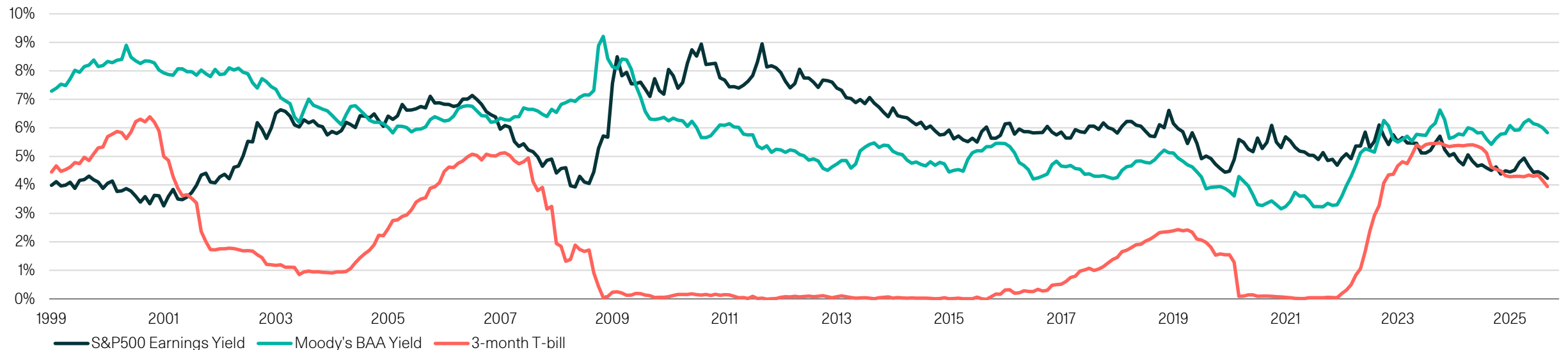
Normally it would be perceived that equities had some valuation challenge from corporate bonds when this is the case but in the last three years both have given good returns.

The coral line is the 3-month Treasury bill rate which is currently 3.9%, only slightly below the S&P500 earnings yield. Cash remains the most competitive it has been to equities since 2001.

This chart is one reason perhaps why credit has continued to attract investor interest.

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 30.09.25

Any weakness of Chinese currency needs to be watched

The Rmb has been strengthening this year but is still at the weaker end of its range against the US dollar since 2008. 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 earlier, 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 17.10.25

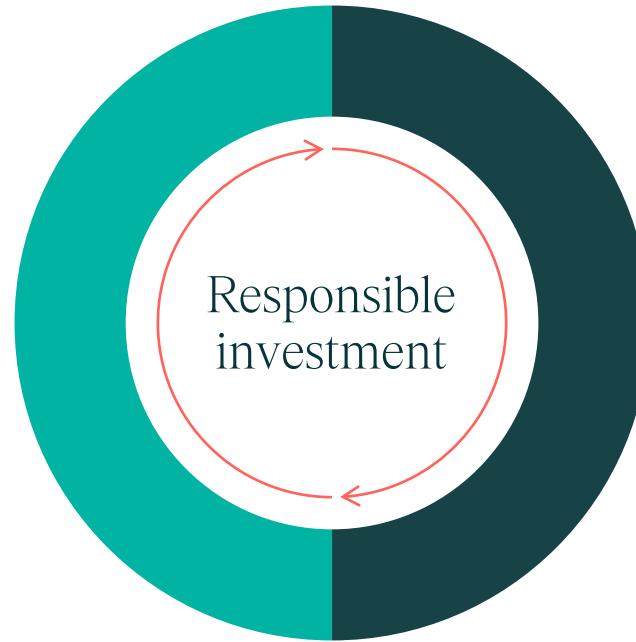
Overview of Responsible Investment

Overview of responsible investment at W1M

We aim to create long term value for our clients/investors while also contributing to better corporate behaviours and positive outcomes over time

ESG integration

We assess material ESG factors (both risks & opportunities) as a natural part of our fundamental analysis and security selection process



Engagement and voting

We engage with companies directly and collaboratively, preferring constructive dialogue over blanket exclusions as a more effective way to encourage better behaviours and positive outcomes

We vote on your behalf to help drive higher corporate standards and enhance shareholder value

Ethical restrictions

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

Signatory of:



W1M Investment Management Ltd (formerly, Waverton Investment Management Ltd) is a signatory to the UK Stewardship Code and PRI. Our other W1M group companies will seek signatory status in 2026.

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.

The opinions expressed are based on current market conditions and are subject to change. The information provided does not constitute investment advice and it should not be relied on as such. The companies listed are for example purposes only and should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon.

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.

The fund is available only in jurisdictions where its promotion and sale is permitted. This document is issued in the UK by W1M Investment Management, registered office, 16 Babmaes Street, London SW1Y 6AH. For more information, a copy of the prospectus or the KIID, please contact:

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www.w1m.co.uk

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Such data will be used by W1M to administer our relationship with you and to perform any administrative, dealing, custodial and ancillary services required to enable W1M to perform its services under this Agreement. Data may also be used by W1M to update your records and to advise you of other products and services, unless you have indicated otherwise.

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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