



# ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

August 2025

Published: 19/09/2025



**Monthly returns and summary**

Index	Portfolio Benchmark Risk Level	31/08/2025	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	214.99	+0.2%	+2.6%	+5.0%	+10.7%	+12.3%
ARC Balanced	Medium Risk	273.80	+0.3%	+4.0%	+5.8%	+15.1%	+21.5%
ARC Steady Growth	Medium High Risk	333.88	+0.3%	+4.7%	+6.3%	+18.2%	+28.6%
ARC Equity Risk	High Risk	398.26	+0.3%	+5.7%	+7.0%	+21.3%	+35.5%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/08/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	9187.34	0.6%	4.7%	9.7%	26.1%	54.1%
UK All Share	UK	4972.79	0.3%	4.5%	8.7%	24.1%	48.8%
Dow Jones Ind Avg	US	45544.88	3.2%	7.7%	9.6%	44.5%	60.2%
S&P 500 Index	US	6460.26	1.9%	9.3%	14.4%	63.3%	84.6%
Nikkei 225	Japan	42718.47	4.0%	12.5%	10.5%	52.1%	84.6%
MSCI Europe Ex UK	Europe	217.38	1.0%	-0.3%	3.9%	34.2%	48.6%
MSCI Asia Ex Japan	Asia	823.65	1.1%	9.3%	16.9%	28.5%	13.7%
MSCI Emg Mkts (£)	Emg Mkts	755.21	-0.8%	9.3%	13.6%	17.2%	27.7%
MSCI World Index (£)	Global	4177.72	2.5%	8.1%	14.1%	59.0%	70.1%
UK Conventional	Gilts	3062.67	-0.9%	0.2%	-1.9%	-5.1%	-25.1%
UK Index-linked	Gilts	3573.12	-2.5%	-0.3%	-9.5%	-22.0%	-36.4%
UK Real Estate Investment Trusts	Property	1799.20	-4.3%	-8.5%	-15.0%	-24.8%	-21.6%
WTI Crude (\$/Barrel)	Oil	64.01	-7.6%	5.3%	-13.0%	-28.5%	50.2%
Gold Spot \$/Oz	Commodities	3447.95	4.8%	4.8%	37.7%	101.5%	75.2%
£1 = US\$	Currencies	1.3504	2.2%	0.3%	2.9%	16.2%	1.0%
£1 = €	Currencies	1.1555	-0.1%	-2.6%	-2.8%	-0.1%	3.2%
£1 = Yen	Currencies	198.57	-0.3%	2.4%	3.5%	23.0%	40.2%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	31/08/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	13,278.33	-0.7%	6.9%	8.1%	10.9%	18.7%
Latest Weighted Average Discount			-14.1%				
12 Month Weighted Average Discount			-14.9%				

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

**General Comments**

Various asset classes faced differing fortunes over the month as equity returns were once again strong, while interest rate increases hurt bond markets and assets which are sometimes viewed as bond proxies, such as real estate.

Commodity markets were also mixed, with gold and silver bullion appreciating strongly with continued central bank purchases, while the oil price dropped sharply in response to possible increases in output from major producers.

This painted a mixed but overall positive picture for multi-asset strategies over the month, with equities driving returns to be ultimately positive but negative correlations between asset classes proving the value of diversification once more.

## UK Commentary

The UK economy has shown areas of resilience and positive momentum recently, with business activity reaching a 12-month high in August, driven by an upturn in services. This marks the fourth consecutive month of expansion, with new business volumes rising at their fastest rate since October 2024.

This positive data perhaps contributed to the FTSE 100 index closing at a new record high above 9,300. Once again, this was led by aerospace and engineering giant Rolls Royce who continued to attract upgrades from analysts and whose buyback programme continued to support their share price.

On the other hand, while the economy expanded faster than expected (+0.3%) in the second quarter, the Chancellor seems to still be struggling to find ways to meaningfully boost growth (or rather to raise further tax revenues without harming growth too much). The labour market is experiencing some cooling, with a fall in payroll employment and job vacancies (arguably as a result of the Chancellor increasing taxes on employment), yet wage growth has held steady, and business leaders' confidence levels are improving.

The UK investment management industry experienced robust growth, reportedly reaching a new peak of £10tn in assets under management in 2024, a 10 percent increase, benefiting from strong equity returns and increasing international assets managed from the UK.

Furthermore, the UK has secured its largest warship export deal, with Norway purchasing at least five British Type-26 frigates, a contract valued at £10bn for the British economy, underscoring a deepening defence partnership.

## North America Commentary

President Donald Trump has extended a trade war truce with China for another 90 days, aiming to address perceived trade imbalances without reigniting conflict. Despite earlier punitive tariffs on India, some positive shifts are emerging, such as the exemption of gold from tariffs, following an executive order to clarify the US stance on gold bar levies.

While Canada's economy initially shrank due to US tariffs, there seems to be a proactive effort to ease tensions, with the Canadian Prime Minister planning to lift billions of dollars' worth of retaliatory tariffs on US goods. Though an appeals court declared most of President Trump's global tariffs illegal, the levies remain in place as litigation proceeds, signalling ongoing legal and economic adjustments.

The US government has taken an unusual step by becoming a major shareholder in Intel Corp. with a 10% stake, converting billions in federal grants into direct equity to support domestic manufacturing. Apple also tried to ingratiate themselves with the current administration by pledging a further \$100bn for manufacturing in the United States. Meanwhile, Nvidia successfully navigated geopolitical tensions by agreeing to another unusual arrangement whereby they will share 15% of their chip sales revenue in China with the US government to secure export licenses.

Meanwhile, US inflation held steady in July, confounding expectations of an acceleration despite tariffs, and there are reports that the Federal Reserve is considering a rate cut due to "shifting" economic risks and a cooling labour market.

## Europe Commentary

Eurozone inflation held steady at 2 percent in July. However, French borrowing costs have jumped to their highest since March, and stocks sold off amid the prospect of a government confidence vote over deficit-cutting budget proposals. The finance minister has warned of a risk of IMF intervention if the government were to fall, highlighting financial instability.

Similarly, yields across Europe continued their rise, with 30-year yields in Germany and France reaching their highest levels since July and November 2011, respectively. Germany's economy, Europe's largest, shrank by 0.3 percent in the second quarter, a sharper contraction than initially estimated, reflecting a deeper slump in manufacturing and investment. Chancellor Friedrich Merz has promised a €1tn debt-funded investment spree in an attempt to address this and to boost their defence capabilities, with positive growth effects anticipated next year.

While the continent faces headwinds, the Europe's Stoxx 600 index has seen a 19 percent gain since its lows in April, indicating some market resilience. The prospects of increased defence spending has no doubt supported this, but the market rally has been broad and by no means restricted to the defence sector alone.

## Asia Pacific Commentary

Asia's economic narrative is currently dominated by the exceptional performance of Japan's equity market, which has been driven to record highs by a (amusingly named by some commentators) "ninja stealth rally". Foreign investors have reportedly injected \$35.7bn into the Japanese stock market this year, with near-continuous net foreign buying since April. This surge is also supported by Japanese households increasing their investments through expanded tax-protected schemes. Furthermore, Japan's economy grew much faster than expected in the second quarter, with a 1.0% annualised increase in GDP, marking the fifth consecutive quarter of expansion.

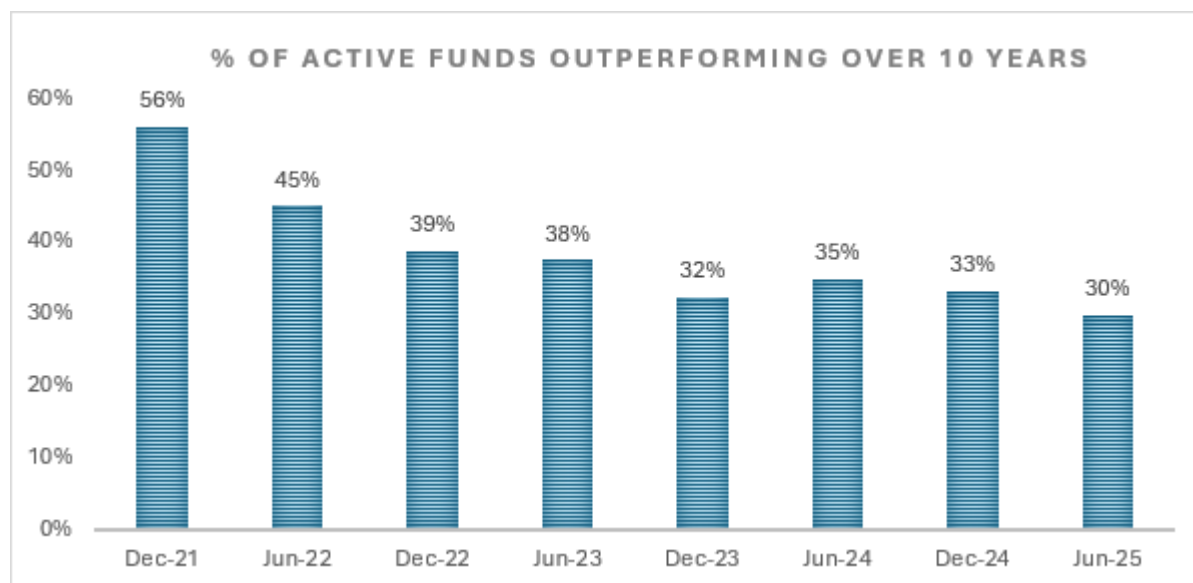
India, however, faced challenges as US tariffs on its purchases of discounted Russian oil hit 50%, impacting the world's fastest-growing large economy and deepening a rift with Washington.

## Emerging Market Commentary.

Emerging markets outside China are demonstrating strong financial health, with corporates selling international bonds at the fastest rate since 2021. It was revealed that between January and July, these borrowers issued at least \$250bn in bonds, putting them on track to match the record volumes seen during the Covid-19 pandemic.

Investors are showing increased confidence, as the premium they demand to own emerging market debt over US Treasuries has fallen to its lowest level since 2007. This reflects a growing belief that US President Donald Trump's tariffs will cause less damage than initially feared to the global economy, and that US interest rates are likely to fall in the coming months (emerging markets often borrow in US dollars).

In a separate development, Rwanda received its first group of migrants deported from the US as part of a controversial deal, with the East African nation providing them with training, healthcare, and accommodation.

**Chart(s) of the month – Active Manager Outperformance**

Source: AJ Bell Manager versus Machine reports 2021 through to 2025

The above chart highlights a recent report from AJ Bell focussing on the performance of active managers against passive peers over the previous decade. AJ Bell also note that recent performance has been much better for active managers, with 42% of them, on average, beating passive alternatives in the first half of 2025.

These figures speak to the fact that the market has become more and more concentrated in recent times, and thus has been driven by fewer and fewer individual stocks. This has made active managers' jobs much harder and has contributed to greater underperformance. The fact that the market broadened out in the first half of this year helped active managers, and those who believe in reversion towards the mean will likely predict further improved performance from active managers.

**Investment Profile – ICG Enterprise Trust**

Headed up by Colm Walsh and Oliver Gardey at ICG, the trust focusses on the larger and more defensive end of the private equity market, calling their approach "defensive growth." The strategy aims to generate long-term capital growth as well as to produce a decent level of income.

ICGT focuses exclusively on established, profitable private companies that have been acquired by private equity managers in North America and Europe. The trust currently has exposure to over 500 underlying companies across various sectors.

ICG has had success investing in companies such as major pet food manufacturer Chewy, which is now listed in the US, and Häagen-Dazs ice cream manufacturer Froneri. The trust has compounded at nearly 13% per annum since May 1989, offering a total return of nearly 8,000% to investors, and currently sits on a 30% discount to assets, which some commentators believe is an exceptional opportunity.

## *Investment Team's thoughts*

Equity markets had another strong month, but once again the leadership of this trend was not from the S&P 500, which had such a good run in previous years, but from the more attractively valued Dow Jones Industrial Average in the US and from the even more lowly priced Japanese market.

Meanwhile, increasing borrowing costs seem to be a pattern for governments across the developed world, as mounting deficits, interest costs, and debt levels continue to play on creditors' minds. We spend many hours despairing at our own fiscal position in the UK, but there are plenty of arguments to be made that the likes of France, Japan, and even the US are in worse positions than us in this respect. The situation in France will be particularly interesting to watch over the coming weeks as we expect further political developments.