ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

September 2025

Published: 17/10/2025

Monthly returns and summary

Index	Portfolio Benchmark Risk Level	30/09/2025	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	217.14	+1.0%	+2.6%	+5.6%	+16.0%	+13.3%
ARC Balanced	Medium Risk	277.63	+1.4%	+4.0%	+6.9%	+22.1%	+23.1%
ARC Steady Growth	Medium High Risk	340.22	+1.9%	+5.1%	+8.0%	+26.7%	+31.0%
ARC Equity Risk	High Risk	407.42	+2.3%	+6.2%	+9.3%	+31.1%	+38.8%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	30/09/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	9350.43	1.8%	6.7%	13.5%	35.6%	59.4%
UK All Share	UK	5061.73	1.8%	6.1%	12.2%	34.5%	54.2%
Dow Jones Ind Avg	US	46397.89	1.9%	5.2%	9.6%	61.5%	67.0%
S&P 500 Index	US	6688.46	3.5%	7.8%	16.1%	86.5%	98.9%
Nikkei 225	Japan	44932.63	5.2%	11.0%	18.5%	73.2%	93.8%
MSCI Europe Ex UK	Europe	221.18	1.7%	2.7%	6.2%	45.7%	52.7%
MSCI Asia Ex Japan	Asia	878.16	6.6%	10.2%	15.2%	57.4%	23.2%
MSCI Emg Mkts (£)	Emg Mkts	812.12	7.5%	12.6%	16.9%	37.0%	34.8%
MSCI World Index (£)	Global	4306.70	3.1%	7.0%	15.7%	81.1%	81.9%
UK Conventional	Gilts	3081.98	0.6%	-0.6%	-1.3%	3.8%	-25.8%
UK Index-linked	Gilts	3631.59	1.6%	-1.3%	-7.8%	-14.7%	-36.4%
UK Real Estate Investment Trusts	Property	1845.46	2.6%	-6.7%	-14.5%	-6.2%	-14.5%
WTI Crude ($/Barrel)	Oil	62.37	-2.6%	-4.2%	-8.5%	-21.5%	55.1%
Gold Spot $/Oz	Commodities	3858.96	11.9%	16.8%	46.5%	132.4%	104.6%
£1 = US$	Currencies	1.3446	-0.4%	-2.1%	0.5%	20.4%	4.1%
£1 = €	Currencies	1.1459	-0.8%	-1.6%	-4.6%	0.6%	3.9%
£1 = Yen	Currencies	198.87	0.1%	0.5%	3.5%	23.1%	45.9%

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

Index	Region / Asset Class	30/09/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	13,666.48	2.9%	6.3%	11.1%	22.0%	22.2%
Latest Weighted Average Discount	-13.9%						
12 Month Weighted Average Discount	-14.8%						

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

General Comments

US equities had a strong month, and this rising tide lifted most boats. US technology stocks had yet another good month as AI mania continued to sweep through markets. The rally was broad, however, with companies from all sectors experiencing sharp share price appreciation over the month.

Gold continued its exceptional run, with new all-time highs being set once again. Investors continue to pour in, as do central banks. Silver also rallied sharply and reached a 14-year high.

Well diversified portfolios had a strong month, with Asian and Emerging Market exposure notably contributing given their exceptionally strong month. The weakening of the dollar and increased investor appetite for non-US securities has provided a strong tailwind for these assets in recent times.

UK Commentary

US President Trump visited the UK on another official state visit and brought with him many promises of investment into the UK. There was a deal to co-operate on nuclear power expansion, and reportedly £150 billion of investment pledged from major US corporates such as Nvidia, Microsoft, and Blackstone.

Encouragingly, UK services providers reported the first uptick in export sales since March, highlighting increasing demand from international partners, specifically the EU and US. Sentiment in this area, the largest contributor to the UK economy, saw a notable uplift as the S&P Global Purchasing Managers' Index (PMI) hit 54.2 in August, marking its highest reading since April 2024 and signalling robust expansion. This forward momentum was driven by renewed domestic business and consumer expenditure.

There were, however, also worries during the month regarding the UK's fiscal position. Long-term borrowing costs hit their highest level since 1998, with the 30-year gilt yield rising sharply. Yields stopped just short of 5.7% and quickly retreated to finish the month around the 5.5% mark. Despite being in better shape than many developed market peers, the current fiscal position and trajectory of the UK are difficult.

It seems the market is waiting with bated breath to find out just how much bad news comes from the budget on the 26th of November. Measures from the previous budget have clearly hurt areas such as employment, which has fallen each month since the change in National Insurance Contributions took effect. However, household savings levels and the output from certain white-collar sectors offer hope for the economy. There is a good argument to be made that a few, small, pro-business choices from the Chancellor could do a lot of good.

North America Commentary

The relentless demand for Artificial Intelligence (AI) infrastructure continues to be a major tailwind and Oracle Corp's shares jumped sharply after securing a massive contract to provide datacentre capacity to OpenAI, resulting in $355 billion in new business bookings. This does, however, highlight the circular nature of some of these deals and the degree to which many of these companies are becoming ever more reliant on each other. While this has obviously boosted returns for many of these businesses, this does arguably increase the level of risk within the market as the correlation of AI-related stocks inevitably increases.

The Federal Reserve (including Lisa Cook, who Donald Trump has attempted to remove from her position several times) cut interest rates by 25 basis points, the first cut since December 2024, citing challenges to the employment side of their dual mandate, while acknowledging some areas of the economy were still running hot and thus pose some risk to the upside on the inflation side of their mandate. The Fed continues to face a mixed picture and is trying to strike a balance between reducing inflation and supporting employment.

While the picture does indeed remain mixed, the US consumer seems to plough on as retail sales rose 0.6% in August, and were 5% higher than a year ago. Consensus expectations were for just 0.2% growth in August, so the growth of retail consumption continues to surprise to the upside.

Alphabet, Google's parent company, reached a new high after shares rose by almost 4%, pushing its value to $3 trillion following a court decision that avoided a mandated break-up of the company. This overhanging risk had been weighing on the valuation of the business, and the clearing of this cloud led to an upward re-rating.

Europe Commentary

The Eurozone witnessed an upswing in industrial momentum, highlighted by the HCOB manufacturing PMI registering 50.7 in August, reaching a 14-month peak. More critically, industry experienced the fastest rise in new orders in three-and-a-half years. This economic health prompted the European Central Bank (ECB) to revise its eurozone growth forecast for the current year upward to 1.25%. Supporting this growth narrative is the labour market, which saw unemployment dip to a record low of 6.2% in July. Furthermore, inflation remains close to target at 2.1% in the 12 months to August.

Finally, the forthcoming Initial Public Offering (IPO) of the Swedish fintech firm Klarna, slated for the New York Stock Exchange with a valuation exceeding $14 billion, highlights the fact that while Europe can produce tech-related companies, they still seem to favour listing in the US rather than locally.

Asia Pacific Commentary

Asia was a major growth engine for global equity investors during September, powered almost entirely by the extraordinary performance of the Chinese market. The MSCI China Index surged 10.1% for the month, positioning the region as the clear global leader. This exceptional rally was generated by significant domestic liquidity, as cash-rich Chinese households, facing low interest rates, increasingly channelled funds into equities, signalling renewed faith in the market's trajectory.

This strong internal capital flow provided a counter-narrative to mixed trade figures. While official data confirmed that exports overall slowed to a six-month low in August, primarily due to a 33% drop in shipments to the US, China successfully mitigated some of this decline by achieving a 22.2% increase in exports to Southeast Asian nations. Some say this demonstrates effective strategic adaptation toward regional trade partners, others simply think that goods are now going through third parties before ending up in the US.

Furthermore, China's geopolitical influence was strongly asserted this month. President Xi Jinping hosted a massive military parade, showcasing advanced weaponry, including hypersonic missiles. Xi declared that the People's Liberation Army (PLA) should evolve into a "world-class military", firmly projecting national power and reiterating the goal to safeguard sovereignty and territorial integrity.

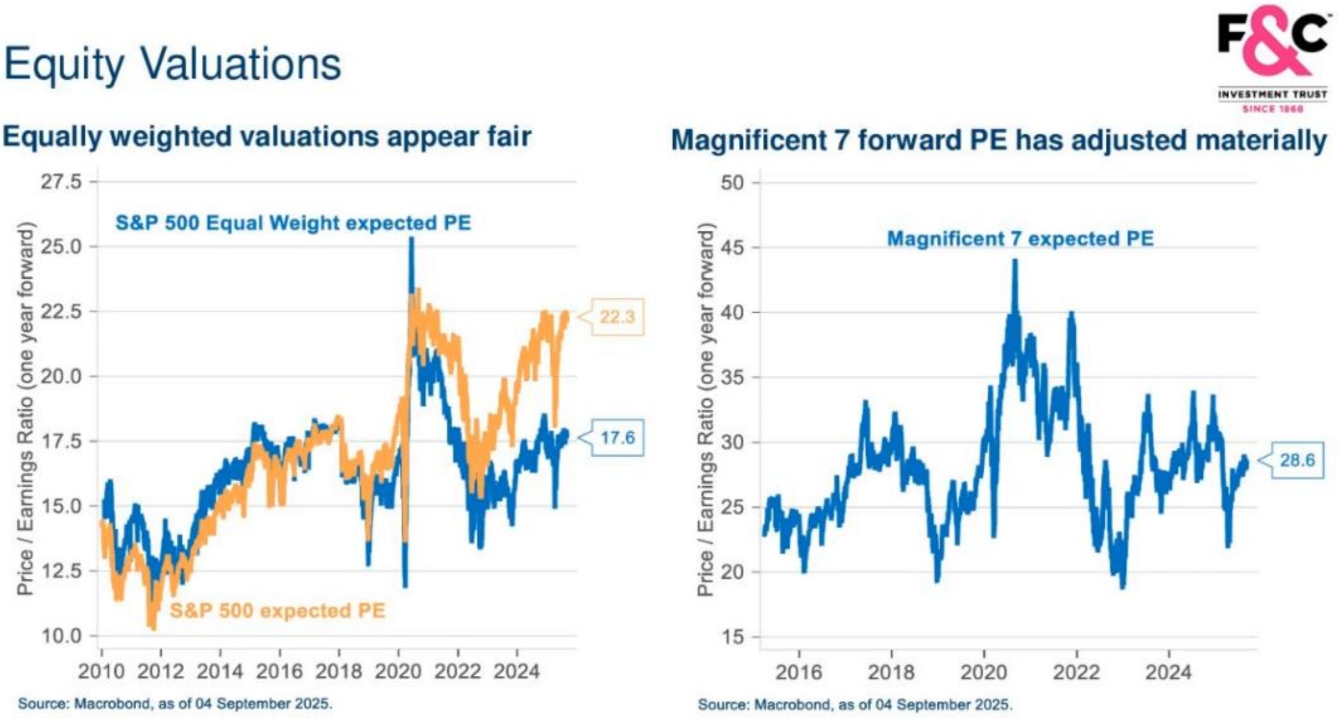
Meanwhile, the Bank of Japan resisted the growing calls to raise interest rates, instead holding at the 0.5% level. They also announced they would gradually reduce their ETF holdings. There is a desire to normalise policy, but also to move slowly and cautiously towards this goal.

Emerging Market Commentary.

The regional strength shown in Asia (which represents the vast majority of emerging markets), coupled with some robust fundamentals across emerging market economies, and some positive currency moves relative to the US dollar supported the continued outperformance of emerging market debt.

Meanwhile, the JLR cyberattack that has been heavily reported here in the UK also had an impact elsewhere as it temporarily halted production lines in both Brazil and India.

Chart(s) of the month – S&P 500 valuations



The above charts from the team managing the world's oldest collective investment vehicle, F&C Investment Trust, highlight the difference between valuations at the top end of the US equity market and the rest of the market. The so-called "Magnificent Seven" (Apple, Microsoft, Amazon, Alphabet, Meta, Nvidia, and Broadcom, with Tesla formerly part of the group) are valued at a significant premium to the wider market, while also being so large that they now make up around 35% of the S&P 500, the premier US stock index.

This means that they drag the valuation of the whole market upwards, while an index assigning an equal weight to each of the 500 stocks is considerably cheaper.

Investment Profile – International Public Partnership Ltd (INPP)

INPP's objective is to deliver stable, long-term, inflation-linked returns through growing dividends and potential capital appreciation via a diversified portfolio of public infrastructure assets. They receive income from governments, quasi-government entities, or from highly regulated assets.

INPP holds interests in over 140 projects across the UK, Europe, North America, Australia and New Zealand, spanning energy transmission, transport, education, health, justice and digital infrastructure. Key investments include the Thames Tideway "Super Sewer", the Cadent gas network, and will soon feature Sizewell-C nuclear plant.

Shares currently trade on a 19% discount to assets and offer a 7% yield. Thanks to contractual protections, they believe they will be able to capture 70 percent of any future inflation in order to maintain the future value of this yield.

Investment Team's thoughts

While we continue to see areas of value within equity markets globally, valuations in the ever-larger share of the pool made up of US technology stocks are raising our eyebrows more than before. The circular nature of the AI story is increasing, with many companies becoming heavily interdependent on each other for revenues and growth.

The managers of investment trust Alliance Witan recently pointed out how the share prices of loss-making companies have dramatically outperformed profitable businesses so far this year, as many investors have become myopically focussed on the AI story and its potential. We do not question whether or not AI is a potentially transformative technology, but whether investing heavily in this theme is wise given the elevated valuations many related businesses now stand on.

We continue to tilt away from these risks and are happy to see that this has worked out for us so far, with strong returns in the UK, Europe, and Asia providing both diversification and upside.