



Tailored Discretionary Managed Portfolios

Q3 2025 Update



Latest Market Commentary – October 2025

Global markets have experienced a turbulent three months, marked by surging equity optimism, escalating geopolitical tensions, and renewed volatility in bond markets. Investors are looking to the upcoming third-quarter reporting season to provide some reassurance.

In the US, the Federal Reserve (Fed) cut interest rates for the first time this year, responding not to political pressure from the Trump administration but to a weakening labour market. The Fed lowered its benchmark rate by 25 basis points in September, despite persistent inflation, which rose to 2.9% year-on-year in August. Wall Street responded with record highs, as the S&P 500 and Nasdaq rallied on artificial-intelligence-driven tech gains and investor confidence in monetary easing.

Bond markets, however, were rattled by rising yields. Long-dated government debt in the US, UK, and Japan surged to multi-decade highs on concerns about government spending. In the US, Donald Trump's "Big Beautiful Bill" – a sweeping tax-and-spending package – is expected to expand the US deficit by nearly \$3.8 trillion over the next decade. Treasury yields spiked to levels not seen since the 2008 financial crisis, as investors demanded higher returns to offset inflation and fiscal risk.

Further unsettling markets was Donald Trump's escalating battle with the Fed, which has the potential to spark a constitutional and economic crisis. His unprecedented attempt to fire Governor Lisa Cook threatens the central bank's long-standing independence. Mr Trump claims Cook committed mortgage fraud, which she denies, and has petitioned the Supreme Court to allow her removal – despite legal precedent requiring "cause" tied to misconduct during tenure. Critics argue the move is politically motivated, aimed at reshaping the Fed's board with loyalists who would support Trump's push for aggressive interest rate cuts.

If successful, Trump could gain sweeping influence over monetary policy, potentially undermining inflation control and destabilising financial markets. The case, now before the Supreme Court, is being closely watched as it could redefine

the balance of power between the executive branch and America's most critical economic institution.

Mr Trump has also aggressively reshaped US trade policy, deploying a "reciprocal tariff" strategy to pressure trading partners into bilateral deals. While most tariffs settled around 10%–15%, punitive measures were imposed on countries such as India and Brazil, and a 100% tariff on imported pharmaceuticals was announced in late September – though its impact appears muted for now.

In the UK, Chancellor Rachel Reeves faces intensifying budget pressures ahead of her 26 November Autumn Statement. A projected £30bn–£50bn fiscal shortfall, coupled with record borrowing and downgraded productivity forecasts, threatens Labour's economic agenda. Ms Reeves is under pressure to deliver fiscal discipline without breaching her pledge not to raise income tax, value added tax, or national insurance, prompting speculation around stealth taxes, pension reform, and sweeping changes to property levies.

Geopolitical tensions continue to simmer. In a marked shift, President Trump has demanded that European nations, particularly Germany, Hungary, and France, halt all Russian energy imports before the US imposes further penalties on Moscow and its financial backers over the war in Ukraine. Proposals include tariffs of up to 100% on Chinese goods due to Beijing's continued support for Moscow. The president has also floated secondary sanctions on India and Turkey and is considering blacklisting Russia's "shadow fleet" of oil tankers used to evade existing restrictions.

Following a reassuring second-quarter earnings season, investors now turn to the third quarter, where more moderate growth is expected. Technology giants are likely to outperform again as investment in data centres to power the new artificial intelligence applications remain elevated. However, in general, equity valuations are lofty – and the unpredictability of Trump's policy agenda remains a key risk to global market stability.

	TDM 1	TDM 2	TDM 3	TDM 4
Fixed Income	50.8	33.6	20.6	7.0
Government Bond	14.1	10.8	8.4	3.5
Inflation Linked	4.2	3.0	3.1	1.7
Investment Grade Bond	26.7	14.9	4.9	0.0
High Yield	5.8	4.9	4.2	1.8
EMD	0.0	0.0	0.0	0.0
Equity	30.0	48.1	65.7	79.3
North America	16.0	25.5	32.6	42.5
Japan	4.2	5.2	7.3	7.1
Europe	3.7	5.0	5.0	6.7
UK	2.9	4.0	5.8	4.9
Asia Pacific ex-Japan	2.1	5.2	8.6	9.6
GEM	1.1	3.2	6.4	8.5
Global/Thematic Equities	0.0	0.0	0.0	0.0
Alternatives	9.1	11.4	11.9	12.9
Property	2.0	3.0	3.8	4.5
Absolute Return / Multi Asset	0.0	0.0	0.0	0.0
Infrastructure	6.0	6.7	6.2	6.6
Commodities	0.0	0.0	0.0	0.0
Private Equity/Debt	1.1	1.7	1.9	1.9
Cash & Equivalent	10.1	6.9	1.8	0.8

Table 1. Source: Charles Stanley as of 30 September 2025. Figures subject to rounding.

Portfolio Positioning

Changes to portfolios represented a continuation of our rotation back towards our core market cap exposure in the US, as well as exiting our UK mid-cap position. In addition, we also reviewed our Fixed Income positioning to ensure greater balance between sterling-denominated credit and global credit, and also reviewed our EM and Asia holdings.

Key portfolio changes through the quarter were:

Repositioning US Equity Exposure:

We began a phased rotation away from equal-weighted US equity indices back toward market-cap weighted exposure in the prior quarter and completed the switch in August. We exited our position in the L&G S&P500 Equal Weight Index Fund across all risk levels and reallocated to our other passive US holdings.

Emerging Markets and Asia:

We have exited our holding in Stewart Asia Pacific All Cap fund following the exit of the portfolio management team and added to our existing Schroder Asian Total Return exposure as well as new holdings in L&G Pacific and Goldman Sachs India which represents our preference to seek direct exposure to the country.

Within our Emerging Market allocation we have exited our JP Morgan EM fund and consolidated behind the Templeton EM Trust which we prefer for its more balanced, core approach to the region.

UK Mid-Cap:

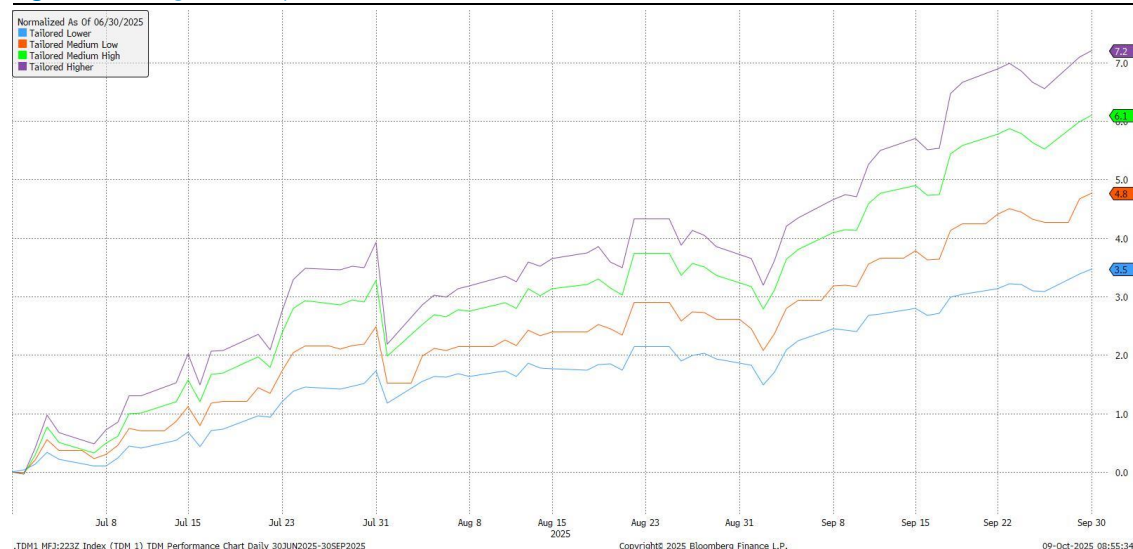
Our conviction in the mid-cap trade has wavered given the weakened macro environment, with earnings not seeing the growth we had expected. We have rotated back to our core UK positioning.

Investment Grade Credit:

Higher credit spreads and similar fundamentals offer a more attractive opportunity than the global alternative.

We have added the AXA Sterling Credit Short Duration Bond fund, trimming our global active managers.

Figure 1: Rolling Quarterly Performance



Source: Bloomberg, gross performance figures. Past Performance is not a reliable indicator of future returns. As at 30 September 2025.

Tailored Lower: 3.5%; Tailored Medium Low: 4.8%; Tailored Medium High: 6.1%; Tailored Higher: 7.2%

Quarterly Performance

Global markets posted strong gains in Q3 2025, navigating a backdrop of policy uncertainty, trade tensions, and geopolitical risks. Despite volatility, investor sentiment remained resilient, supported by robust earnings and signs of economic strength.

Equities led performance, with the S&P 500, Nasdaq and FTSE 100 all reaching record highs. US stocks were buoyed by robust second-quarter earnings, AI-driven optimism, and a better-than-expected Q2 GDP revision. Consumer spending remained firm, and recession fears eased. Emerging markets outperformed, supported by dollar weakness and strength in Asian equities, while Eurozone stocks lagged amid slower growth and political uncertainty.

Fixed income markets were mixed. US Treasuries declined early in the quarter as yields rose on deficit concerns but sentiment stabilised following the Fed's 25bps rate cut in September. This dovish shift responded to labour market softness despite sticky inflation. Long-dated yields in the US, UK, and Japan surged to multi-decade highs amid concerns over fiscal sustainability.

Trade policy remained a key theme, with the US imposing new tariffs on several key partners. These moves added to global uncertainty but had limited immediate inflation impact. Political risks intensified, particularly around central bank independence, as Trump's attempt to dismiss Fed Governor Lisa Cook raised constitutional concerns. In the UK, economic challenges persisted, with rising unemployment and budget pressures ahead of the Autumn Statement.

Overall, Q3 was marked by strong equity performance and resilient macro data, but elevated valuations and policy unpredictability suggest a cautious, diversified approach remains prudent heading into Q4.

Performance Attribution

Table 2 shows the attribution of the medium-high (DT 6) risk portfolio over the last 12 months.

Over the period, the portfolio delivered positive returns, supported by strong performance across most equity regions.

Emerging Markets led the way on a total return basis, with Templeton Emerging Markets Trust the standout (+32.2%) with strong returns across most regions, but with China, South Korea and Taiwan providing the bulk of the return contribution on 30-40% regional returns.

Within equities, North America made the largest positive contribution, given its high allocation, with solid returns from large-cap US names such as Alphabet (+47%), Micron (+62%) offsetting weaker returns from Thermo Fisher (-14%) and Accenture (-29%). Hedged indices have also outperformed their unhedged counterparts given the weakening of the dollar over the year. Japan and Europe have also delivered strong performance, the former benefitting from good domestic growth and a return to inflation alongside market reforms which have buoyed investors. Asia Pacific ex-Japan performance was dampened by Stewart Asia Pacific All Cap which had a large skew towards India.

Fixed income allocations contributed positively overall, led by High Yield which has continued to deliver strong returns despite tight spreads. Investment Grade Credit has continued to perform, in part due to high starting yields, while Inflation Linked bonds have delivered decent returns given the renewed inflation concerns in the US. Government Bonds were steady contributors, helping to cushion volatility during periods of equity market softness, but failing to deliver strong returns due to volatility in the yield curve, with longer dated government bond yields being pushed up in the year on inflation, few central bank cuts and fiscal spending concerns.

Alternatives had a mixed period. Infrastructure and infrastructure debt (private equity/ debt allocation) saw strong returns as discounts narrowed and strong dividend yields were delivered, however this was hampered more recently with longer-dated government bond yields pushing upwards which has hit the asset class. TRIG and SEQI were top contributors with 10% and 6% returns respectively, while yields remain at all-time highs in the sector with the potential for discounts to narrow dramatically. We continue to see strong buy-back activity with wide discounts to NAV compared to the premiums seen historically.

Tailored Discretionary Medium High Risk (DT6)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	21.3	4.0	0.9
Government Bond	8.5	1.3	0.1
Inflation Linked Bond	3.3	5.2	0.2
Investment Grade Bond	6.0	4.3	0.2
High Yield Bond	3.6	9.3	0.3
Emerging Market Bond	0.0	0.0	0.0
Equity	65.5	13.6	8.9
North America	30.7	16.3	4.9
Japan	6.7	16.7	1.1
Europe	5.9	13.7	0.8
UK	6.7	2.7	0.2
Asia Pacific ex-Japan	8.6	2.0	0.2
Global Emerging Market	5.7	26.8	1.5
Global Equity / Thematics	1.1	3.9	0.1
Alternatives	11.3	-1.0	0.1
Property	3.9	-3.1	-0.1
Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	6.2	1.0	0.1
Commodities	0.0	0.0	0.0
Private Equity / Debt	1.2	5.6	0.1
Cash & Equivalent	1.9	1.5	0.0

Table 2. Source: Bloomberg, gross performance figures as of 30 September 2025.
Figures subject to rounding.



Performance Attribution – Other Risk Profiles last 12 months

Tailored Discretionary Lower Risk (DT4)	Average Weight (%)	Total Return (%)	Contribution to Return (%)	Tailored Discretionary Medium Low Risk (DT5)	Average Weight (%)	Total Return (%)	Contribution to Return (%)	Tailored Discretionary Higher Risk (DT7)	Average Weight (%)	Total Return (%)	Contribution to Return (%)
Fixed Income	50.4	3.9	2.1	Fixed Income	34.3	4.1	1.4	Fixed Income	7.8	3.5	0.3
Government Bond	14.1	1.3	0.3	Government Bond	11.2	1.3	0.2	Government Bond	3.9	-0.1	0.0
Inflation Linked Bond	4.3	5.2	0.2	Inflation Linked Bond	3.2	5.2	0.2	Inflation Linked Bond	1.9	5.2	0.1
Investment Grade Bond	26.0	3.8	1.0	Investment Grade Bond	15.0	4.2	0.6	Investment Grade Bond	0.0	0.0	0.0
High Yield Bond	5.9	9.3	0.5	High Yield Bond	4.8	9.3	0.4	High Yield Bond	2.0	9.3	0.2
Emerging Market Bond	0.0	0.0	0.0	Emerging Market Bond	0.0	0.0	0.0	Emerging Market Bond	0.0	0.0	0.0
Equity	30.0	13.7	4.3	Equity	47.8	13.6	6.7	Equity	77.5	13.5	10.6
North America	14.6	15.6	2.4	North America	23.3	15.8	3.8	North America	37.4	16.4	6.0
Japan	4.3	16.9	0.7	Japan	5.2	17.0	0.8	Japan	6.9	16.9	1.2
Europe	4.1	16.1	0.6	Europe	5.7	15.1	0.8	Europe	7.1	12.7	0.9
UK	3.7	3.0	0.1	UK	5.8	2.7	0.2	UK	7.2	2.8	0.3
Asia Pacific ex-Japan	2.4	4.6	0.1	Asia Pacific ex-Japan	4.5	4.3	0.2	Asia Pacific ex-Japan	9.2	1.3	0.1
Global Emerging Market	0.6	17.2	0.2	Global Emerging Market	2.4	21.2	0.6	Global Emerging Market	7.5	26.0	1.9
Global Equity / Thematics	0.4	5.5	0.1	Global Equity / Thematics	0.9	5.2	0.2	Global Equity / Thematics	2.1	4.1	0.3
Alternatives	8.8	1.8	0.2	Alternatives	10.3	-1.2	0.1	Alternatives	13.0	0.8	0.1
Property	2.2	-2.6	-0.1	Property	3.2	-3.4	-0.1	Property	4.7	-3.0	-0.1
Absolute Return / Multi Asset	0.0	0.0	0.0	Absolute Return / Multi Asset	0.0	0.0	0.0	Absolute Return / Multi Asset	0.0	0.0	0.0
Infrastructure	5.9	4.0	0.2	Infrastructure	6.0	0.3	0.1	Infrastructure	7.0	4.0	0.1
Commodities	0.0	0.0	0.0	Commodities	0.0	0.0	0.0	Commodities	0.0	0.0	0.0
Private Equity / Debt	0.7	5.6	0.1	Private Equity / Debt	1.1	5.6	0.1	Private Equity / Debt	1.3	5.6	0.1
Cash & Equivalent	10.8	4.2	0.5	Cash & Equivalent	7.6	3.9	0.3	Cash & Equivalent	1.7	0.8	0.0

Source: Bloomberg, gross performance figures as of 30 September 2025. Figures subject to rounding.

Top and Bottom Contributors – 12 months to 30 June 2025

Tailored Lower Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Man GLG High Yield	5.9	9.3	0.5	Novo Nordisk	0.4	-52.8	-0.3
	Siemens	0.9	22.6	0.4	HICL Infrastructure	0.4	-14.1	-0.2
	M&G Japan	2.9	17.8	0.4	Stewart Asia Pacific	1.1	-7.3	-0.1
Tailored Medium Low Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	iShares Core S&P500 GBP Hedged	2.3	9.8	0.5	Novo Nordisk	0.6	-52.8	-0.4
	Siemens	0.9	22.6	0.5	HICL Infrastructure	0.7	-14.1	-0.3
	M&G Japan	2.9	17.8	0.5	Stewart Asia Pacific	2.4	-7.3	-0.2
Tailored Medium High Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Templeton Emerging Markets	3.3	32.2	1.2	Novo Nordisk	0.7	-52.8	-0.5
	iShares Core S&P500 GBP Hedged	3.0	9.8	0.7	Stewart Asia Pacific	5.1	-7.3	-0.5
	Alphabet	1.6	46.7	0.7	HICL Infrastructure	0.8	-14.1	-0.3
Tailored Higher Risk	Positive Contributors				Negative Contributors			
	Description	Avg. Weight (%)	Return (%)	CTR (%)	Description	Avg. Weight (%)	Return (%)	CTR (%)
	Templeton Emerging Markets	3.8	32.2	1.4	Novo Nordisk	0.9	-52.8	-0.6
	iShares Core S&P500 GBP Hedged	4.2	9.8	1.0	Stewart Asia Pacific	5.5	-7.3	-0.5
	Alphabet	1.8	46.7	0.7	HICL Infrastructure	0.8	-14.1	-0.3

Source: Bloomberg, gross performance figures as of 30 September 2025. Figures subject to rounding.



**CHARLES
STANLEY**
Wealth Managers



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