Q3 2025

ASTUTE
INVESTMENT MANAGEMENT

Quarterly Commentary.

www.astuteprivatewealth.co.uk

Introduction.

Thank you for taking the time to read our Q3 commentary. Markets have so far fared much better than most would have anticipated, even in the face of a slower labour market and Trump's continuous antics. Many potential risks, however, still lurk under the surface; that's why we remain focused on our long-term objectives, reacting to change as it happens, but always with a view to achieving the goals that really matter to our investors and their financial plans.

Our CIO letter this quarter focuses on diversification. Given the high degree of market uncertainty and the existence of competing, plausible-sounding narratives about the global economy, diversification is essential for investors to position themselves to weather any potential outcome—whether good or bad—and maintain the flexibility to make sound financial choices in the future.

In our Astute Observations section, we question whether foreign exporters are truly paying for US tariffs, and how advantageous it is for a political party to possess a large majority.

Our regular Astute Perspective shows our current conviction views, while Astute Positioning covers how those views translate into the portfolios, and what changes we have made in the past three months.

Putting the financial plan at the heart of our process means our investment philosophy is built intentionally to deliver on your long-term objectives, providing a truly integrated approach between advice and investments.

As always, we take a long-term approach to investing our clients' assets, but success is a journey, not a destination, and the short-term views expressed herein are aimed at managing risk and making your investment journey as smooth as possible. By taking a risk-adjusted approach to your investments, we aim to deliver reliable growth in line with our stated risk profiles and provide you and your financial planner with the consistency and security to plan for your long-term financial future.

Thank you for your continued support. If you have any further questions or require any additional information, please do not hesitate to contact your usual financial planner.

Scott Osborne
Chief Investment Officer

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Markets Maths.

Uncertainty + Diversification = Good Choices

What do you get if you take the UK's budget black hole, multiplied by the neutral rate of interest in the US, subtract OpenAI's data centre spending over the next 10 years and divide that by the number of wars ended by Donald Trump?

The answer is whatever you want. Every single one of those numbers is subjective; they are empirical data points and can be presented as hard facts, but at best, they are guesses, and at worst, they are total fabrications. The Office of Budget Responsibility will take a very good guess at how UK government taxes and spending will look over the coming years, but it's still a guess. When President Trump claims he ended a war between "Aberbaijan & Albania" (sic), some people are going to believe him, but even if you don't, it probably still matters that Trump believes it himself.

This variety of beliefs and opinions, from credible forecasts to total fantasy, is what makes a market, and sometimes it's only hindsight that distinguishes one from the other (just ask the Bank of England about their 2% inflation target). The conflict in these views, however, can create an uncomfortable environment for investors. There are compelling but competing narratives about the direction of the global economy, and views are becoming more entrenched. You can spin the state of the world pretty much however you like and make it sound plausible, even if the actual outcomes are very different. Let's look at two competing narratives for the US economy.

Over the summer, we saw a huge downward revision to US job creation numbers. A clear sign of a slowing labour market and the principal reason the US Federal Reserve resumed cutting interest rates in September. Combined with fewer working hours and higher prices into year-end, as companies finally start to pass tariff costs onto customers (see Astute Observations), an almighty economic squeeze is coming, and it could spell trouble… maybe.

The US unemployment rate remained relatively low this year as a rapid decline in new jobs was matched by fewer people looking for work, in part due to falling immigration. Despite much slower job growth than expected, overall GDP remains robust. This suggests productivity per worker is rising sharply as generative AI begins to deliver on its potential economic miracle… maybe.

Same world, different views. There's always a counterargument. If US growth does collapse, won't the Fed slash rates much quicker than expected, and could that be good for markets?

Or if we're already in the middle of a productivity miracle, do we really need another $1trillion of investment in AI that's propping up lofty valuations?

The murkiness in official data only adds to the entrenchment of views, as cherry picking and confirmation bias run rampant. With response rates to surveys at all-time lows, mistakes and bigger revisions to initial data releases are becoming more common, and it's easier than ever to ignore or emphasise what you need to in order to convince yourself you're right. Add in the messy global trade picture (tariff front running, product substitution, trans shipping, etc) and the fragile political picture (see Astute Observations), the world has never seemed so uncertain.

Of course, from an investment perspective, the answer is to have a foot in all camps, where possible, and remain sufficiently diversified to weather any outcome. Sure, some people will go "all in" and look like geniuses in hindsight, but our mandate is to preserve and build wealth, not shoot for the moon. If we're in the middle of an economic miracle, great, there's still plenty of upside in this market and we don't need to go chasing the shiniest idea. If it's a bubble and it pops, well that won't feel great, but we'd have enough defensive assets to give ourselves good choices, if and when the market loses its head.

In essence, that is what the purpose of investing really is: giving your future self good choices. Careful cashflow planning, in concert with your adviser, provides security and flexibility to respond to changes in your life or objectives. Our investment process should guide us in the same way, giving us good choices to make whatever happens in the world. We can't avoid volatility in markets and we can't ignore the factors driving that, but by diversifying our risks, staying disciplined in our processes and remaining focused on our long-term objectives, we will always give ourselves and our investors a path through the unpredictability of markets.

S Osborne, PhD CFA
Chief Investment Officer

Astute Observations.

Tariffs - Who's really paying?

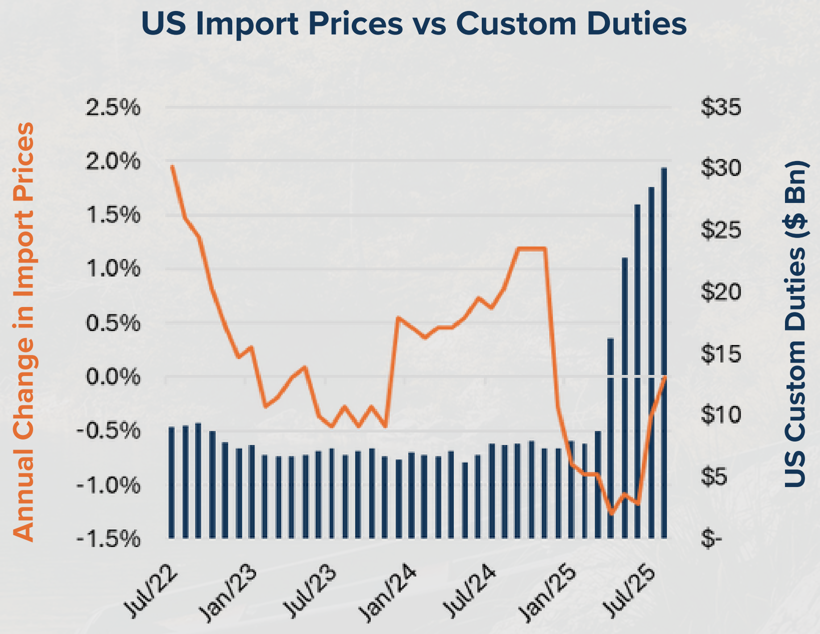
A large part of this year has been dominated by President Trump's imposition of global trading tariffs. The full impact of the trade war is still unknown, and the haphazard nature of tariffs being imposed (dates, levels, countries, industries, carve-outs, exemptions, legal challenges etc etc) means that even when the dust settles, it will be difficult to unpick the cause and effect.

There are however, some very tangible and observable impacts. The most striking being the large increase in tariff revenue being collected by the US government, as evidenced by the growing blue bars on the right. Assuming this continues, it will help offset the significant spending increases (mostly tax cuts elsewhere) presented in the One Big Beautiful Bill, albeit the amounts are nowhere near enough to shrink the existing deficit.

This substantial increase in tax revenue (because tariffs are just a tax on goods at the border) begs the question: Who is paying all that extra tax? Well, so far it seems clear it's NOT the people selling the goods. The orange line on the chart shows the annual change in consumer goods prices at the border, and this has barely changed at all. If foreign companies were paying the tariff by discounting their prices, we should see a drop closer to the average tariff rate, somewhere between 15-20%.

This means the cost is currently being borne by the US companies importing the goods, as they are ultimately the ones who write the cheque to the Customs & Border Protection Agency. Whether those costs are absorbed in margins along the supply chain or passed onto consumers remains an open question, but they are being felt somewhere in America.

Nobody likes tax rises, just ask Rachael Reeves, but the Trump administration has so far managed to get away with a big tax rise on consumers or businesses without really owning up to it. While tariffs on foreign countries sounds like a great way to increase taxes without hurting your average voter, the data suggest there may be plenty of tariff chickens (chlorinated or otherwise) still to come home to roost.



Sources: Federal Reserve Economic Data, Fiscal Data Treasury as at 31st August 2025.

Astute Observations.

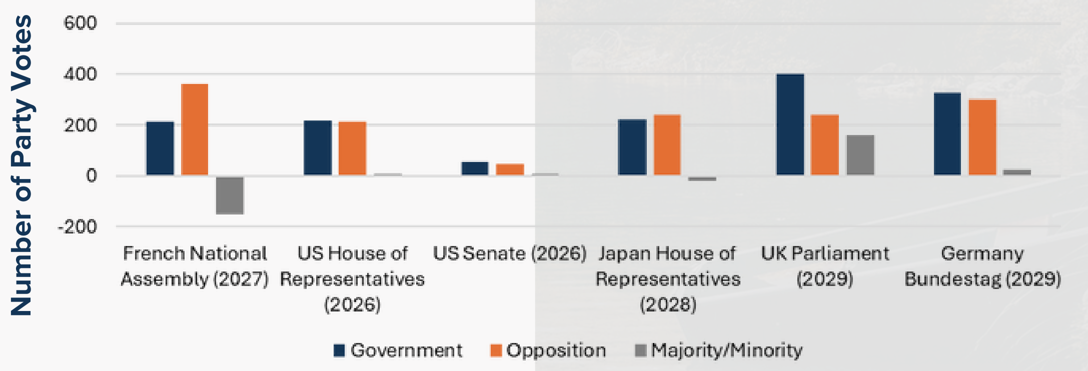
Chaos Coalitions vs Strong & Stable

As we go to press on this edition of our Quarterly Commentary, France has just lost another Prime Minister. The role, appointed by the President, is crucial in forming a functioning government and passing a budget, without which, France will struggle to tackle its deteriorating public finances. The challenge for the PMs, of course, is that they are attempting to govern by minority. That's to say the PM's party and coalition partners can be easily outvoted by the opposition.

Part of the crisis in French politics is due to the system; there is no clear majority in the legislature. The current crisis was exacerbated by snap legislative elections earlier this year, and with the country so bitterly divided, it's not clear that more elections would deliver a different outcome. With no Presidential elections until 2027 (in which Macron can't stand anyway), it's not clear where the compromise will arise.

In the US, the very slim majority in the legislature will almost certainly be challenged in the 2026 midterm election. However, in the meantime, President Trump is doing his level best to consolidate as much power as possible in the executive, and has racked up an enormous list of legal challenges. As investors, it's not clear to us if either of these situations is better than the other, but markets are certainly more forgiving of executive overreach than political inertia.

PM and Coalition Partner's Party Votes



Japan will also shortly have a new Prime Minister, something that has happened on average every other year for the past two decades, so political inertia there is nothing new and minority rule in the house is par for the course. The striking exception to that trend however, is Shinzo Abe, who governed from 2012 to 2020. It is telling that much of Japan's recent strong company performance is considered a direct result of Abe's Three Arrows reforms.

Finally, we have the UK and Germany. On paper, a stonking great majority for Labour and a narrow one for the CDU should make things easy for Starmer and hard for Merz. Yet it is in the UK where public opinion and party politics have forced U-turns on spending cuts (winter fuel and welfare) and absurd fiscal acrobatics on taxes. While in Germany, parties reached across traditional divides to deliver meaningful reform to spending limits.

While politics remains crucial to macro-economic growth, relying on politicians to make decisions beyond their own careers is rarely a good investment strategy.

Sources: Bundestag.de, Sugiin.go.jp, Congress.gov, Members.parliament.uk, assemblee-national.fr. Data as of 30/09/2025. (YYYY) represents the year of the upcoming election.

Astute Perspective.

Asset Class Views

A key pillar of our investment process is driven by our asset class views, something which we keep under review. The scale below shows how we currently feel about each asset class, which is reflected in our underlying investments.

Alternatives

Fixed Income

Sovereign Bonds

Corporate Bonds

High-yield bonds

EM Debt

Equites

UK

Europe

Asia & Emerging

Japan

USA

Astute Positioning.

Markets maintained a relatively positive tone going into July, with equities advancing due to favourable developments in trade negotiations and a softening in recessionary concerns. While investors were seemingly looking past the political rhetoric coming from Trump's constant tweets, tariff uncertainty remained a significant concern given the extension applied until early August. Even with certain trade agreements in place, companies are finding it difficult to commit to any long-term strategic plans, and this is weighing heavily on business confidence and constraining investment. Given this context, we decided to make no changes, preferring to maintain our current positioning and instead, constantly re-evaluating our strategy as the summer progresses.

August was relatively quiet for global markets. With trade uncertainty easing as further trade deals were completed, the broader economy seemed to be in better shape than most economists had forecasted. The signs of a broader slowdown however, were hard to ignore with the labour market continuing to weaken, benign inflation prints, and the ultimate question of who is going to be absorbing the tariffs, all tilting towards downside risk. Whilst we don't think that we are heading towards a recession, the outside risk of Trump successfully exerting influence over the Fed, alongside political uncertainty across Europe and the UK, meant we felt comfortable dialling back our equity risk.

With this in mind, we trimmed our passive exposure to both Europe and the US, as well as some active managers, to introduce passive minimum volatility products. These products are structured to overweight the least volatile companies, providing further protection should any of the above risks materialise. This shift also means we will inherently be buying into the large, quality, and stable businesses that have been overlooked in favour of higher-growth, AI-themed names, thus offering a superior risk-to-reward profile. We also took this opportunity to sell down our active UK Mid-Cap manager, who struggled to keep pace with the sector at times, to buy a passive tracker to retain the style factor while simultaneously reducing our overall market risk.

During September, UK government bonds continued to underperform as the ongoing policy indecision heading into the budget weighed on sentiment. The latest forecasts from the Office for Budget Responsibility highlighted just how big the potential "Black Hole" is likely to be and the difficult job the Chancellor has, even if she is willing to break manifesto pledges. The persistent threat of strikes by workers/unions and the reluctance from companies to list in the UK really solidifies the negative narrative that has plagued the UK both economically and politically since Brexit.

Considering the outlook for similar budget pressures across other regions, we decided to purchase a newly issued 30 year Gilt with a 5.375% nominal coupon. This bond locks in a highly attractive income source while offering the potential for positive real returns over the next 30 years. It also increases the portfolio's sensitivity to interest rates, providing a defensive buffer if more signs of economic fragility lead to further rate cuts. We do acknowledge the potential for volatility around the upcoming budget, particularly if there is a repeat of the dynamics during the mini-budget. However, we are confident that this Gilt will provide us reliable income regardless of market conditions and remain prepared to increase this position if yields were to spike following any announcements.

As we head into the end of the year, it's stark how many investors like us are exercising caution in their asset allocations. Although our investment process aims to stay objective and not conform to peers, we feel this move is justified. Sure, the markets could well continue to drift higher with a bullish mindset supported by AI optimism, and bar any nasty surprises, further rate cuts could well cement this as the base case for many. However, the sense that significant risks are brewing under the surface leaves us very sceptical that markets can simply continue to ignore the negative signs.

Fund Activity

New Purchase

iShares Edge MSCI Eurp Mini Vol	Con / Bal / Gro
iShares Edge S&P 500 Min Vol	Bal / Gro
UK GILT 5.375% 31/01/2056	Con / Bal

Top Up

L&G UK Mid Cap Index	Con / Bal / Gro

Trim

Xtrackers S&P Europe Ex UK	Con / Bal / Gro
Baillie Gifford American	Bal / Gro
L&G S&P 500 US Equal Weight Idx	Bal / Gro
Lazard US Small Cap Equity	Bal / Gro
L&G US Equity	Gro
iShares Core UK Gilts ETF	Con / Bal

Sold

Abrdn UK Mid-Cap Equity	Con / Bal / Gro

Con = Conservative, Bal = Balanced, Gro = Growth

Sources: Astute Investment Management as at 30/09/2025. Past performance is not a reliable indicator of future results.

VT Astute Conservative.

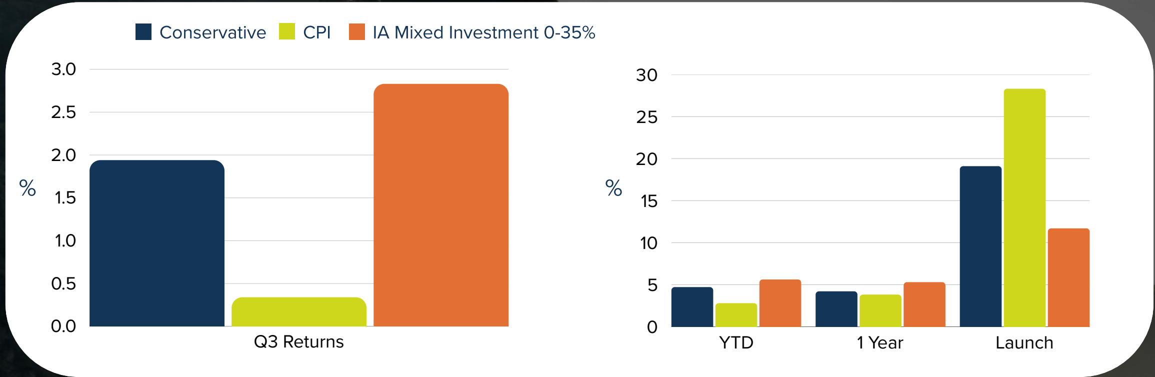
While the Conservative fund slightly underperformed its benchmark this quarter, it outpaced inflation comfortably. This marginal underperformance stemmed primarily from our overweight to longer duration UK government bonds, i.e. those with a higher sensitivity to interest rates, which experienced volatility due to pressures on UK finances.

Markets edged higher over the quarter, driven by strong equity performance thanks to progress in trade talks and overall reduced recession fears. Our portfolio especially benefitted from the weaker US dollar that results, boosting our returns from Asia and EM. Our Japanese funds also did well, continuing to benefit from corporate government reforms. The one area that dragged on performance was UK Gilts. Sentiment remained low due to the tough financial decisions the Chancellor faces ahead of the Autumn budget, even if she breaks manifesto pledges.

Equities were the primary drivers of performance during this period. The Invesco S&P 500 and L&G US Equity funds continued to deliver strong gains, benefiting from optimism around AI growth. The S&P Equal Weight fund also contributed solid returns, though slightly less than the others. Elsewhere, both the M&G Global Emerging Markets and Polar Capital EM Market Stars funds achieved high double-digit returns, boosted by a weaker US dollar and a rebound in the Chinese economy and, thus, equity prices.

ASTUTE INVESTMENT MANAGEMENT

Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	3.76%	1.02%	+0.04%
Government	28.26%	-2.00%	-0.61%
Credit	28.82%	2.04%	+0.52%
UK	4.02%	2.71%	+0.10%
N. America	12.35%	8.31%	+0.94%
Europe	2.98%	2.14%	+0.04%
Japan	2.01%	11.42%	+0.21%
Asia & Emerging	4.19%	14.34%	+0.58%
Thematic	0.98%	3.13%	+0.03%
Alternatives	12.64%	0.14%	+0.00%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
Invesco S&P 500 ETF GBP Hdg	5.64%	+7.19%	+0.38%
L&G US Equity ETF	3.65%	+9.94%	+0.34%
M&G Global Emerging Markets	2.10%	+15.02%	+0.28%
Polar Capital EM Market Stars	2.09%	+14.26%	+0.25%
L&G S&P 500 US Equal Weight	3.06%	+6.69%	+0.19%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 30/09/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 30/09/2025. 1 year data is for the period 30/09/2024 to the 30/09/2025. Contribution to return may not sum to the total return due to rounding and averaging.

VT Astute Balanced.

The Balanced fund had a strong performance this period, beating both its inflation and market benchmarks. This success was mainly due to our strategic overweight position in Asia & EM, and Japan, which delivered significant returns. However, the gains were slightly reduced by our holdings in Gilts, which are highly sensitive to interest rate changes.

Good progress in trade talks and reduced recession risk led to a strong equity performance this quarter. Our portfolio's returns were specifically boosted by the weaker US dollar, which benefitted our Asia & EM holdings. Our Japanese funds also performed well, leveraging ongoing corporate governance reforms. UK Gilts were the only detractor as low investor confidence persisted due to the tough financial choices the Chancellor must make for the Autumn budget, potentially including breaking manifesto promises.

The best performers for the period were exclusively from our equity funds. Strong gains continued from the Invesco S&P 500 and L&G US Equity, driven by the ongoing trend in AI-fuelled growth. Meanwhile, M&G Global Emerging Markets and Polar Capital EM Market Stars delivered exceptionally high double-digit returns, aided by a weaker US dollar and a rebound in Chinese stocks. Our core Lazard Japan fund also added value, supported by ongoing corporate reforms and further monetary policy normalisation.

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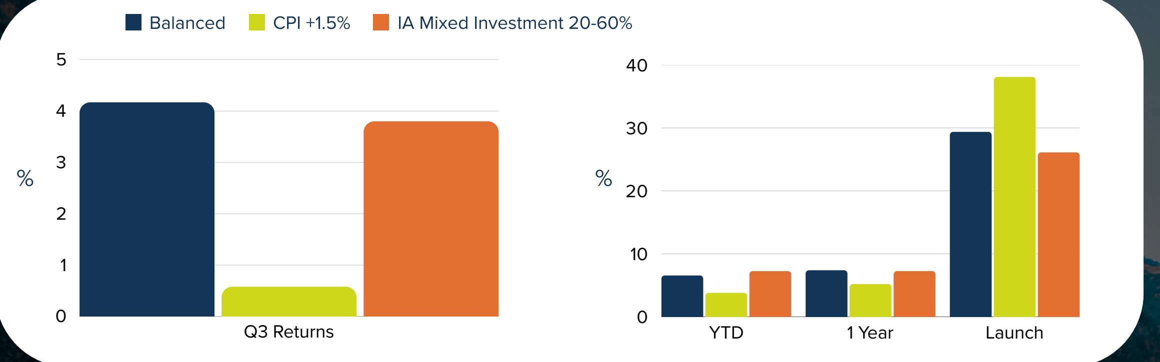
Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	2.81%	1.02%	+0.03%
Government	16.80%	-2.10%	-0.37%
Credit	18.65%	2.35%	+0.42%
UK	7.47%	3.45%	+0.25%
N. America	23.01%	8.74%	+1.89%
Europe	5.53%	-0.04%	-0.04%
Japan	5.14%	11.49%	+0.55%
Asia & Emerging	8.77%	13.68%	+1.19%
Thematic	1.48%	3.13%	+0.04%
Alternatives	10.36%	0.42%	+0.06%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
L&G US Equity ETF	7.75%	+9.94%	+0.71%
Invesco S&P 500 ETF GBP Hdg	8.19%	+7.19%	+0.55%
Polar Capital EM Market Stars	4.10%	+14.26%	+0.50%
Lazard Japanese Strategic Equity	3.59%	+9.96%	+0.42%
M&G Global Emerging Markets	3.13%	+15.02%	+0.42%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 30/09/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 30/09/2025. 1 year data is for the period 30/09/2024 to the 30/09/2025. Contribution to return may not sum to the total return due to rounding and averaging.

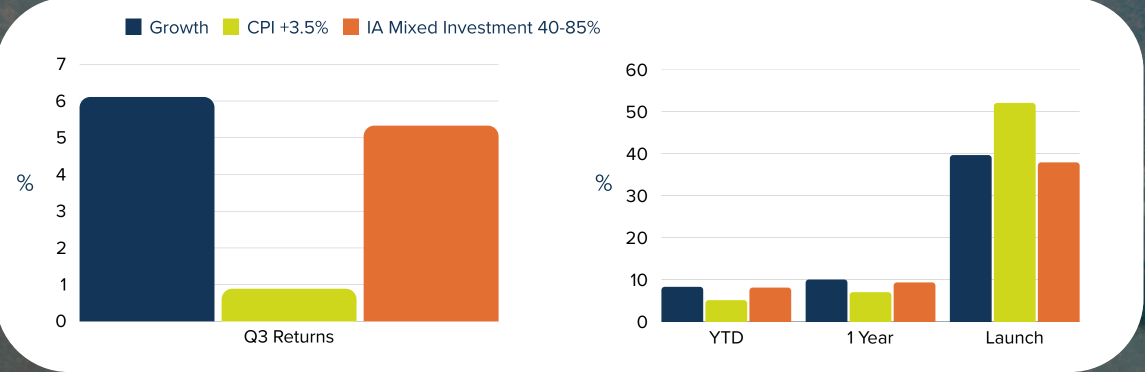
VT Astute Growth.

The Growth fund had another strong quarter, outperforming both its inflation and market benchmarks. This success was primarily due to our strategic decision to hold an overweight position in both Asia & EM and Japan, which delivered significant gains. However, returns were slightly reduced by disappointing returns from our growth manager in Europe.

This quarter saw strong equity performance, driven by progress in trade talks and reduced recession risk. Our returns were significantly boosted by the weaker US dollar, which benefited our Asia & EM holdings. Japanese funds also added value, supported by corporate governance reforms. Europe was a particularly tough region. Performance was affected both by political concerns in France and a difficult earnings season for our active growth manager.

This period's success was driven entirely by our equity holdings. We saw continued strong performance from our US funds, including Invesco S&P 500 and L&G US Equity, fuelled by the current trend of AI-driven growth. Internationally, the M&G Global Emerging Markets and Polar Capital EM Market Stars funds were standout performers, achieving exceptionally high double-digit returns. This was aided by a weaker US dollar and the recovery in Chinese equities. Finally, our core Lazard Japan fund added value, backed by corporate reforms and the continued normalisation of monetary policy.

Performance



Asset Classes

Asset Classes	Avg Weight	Return	Contribution to Portfolio Return
Cash & Equivalents	2.74%	1.02%	+0.03%
Government	5.95%	-3.05%	-0.19%
Credit	4.62%	3.10%	+0.14%
UK	11.95%	2.74%	+0.32%
N. America	36.20%	8.46%	+2.96%
Europe	9.97%	-0.47%	-0.11%
Japan	7.08%	11.54%	+0.77%
Asia & Emerging	13.34%	13.18%	+1.78%
Thematic	3.49%	3.13%	+0.10%
Alternatives	4.65%	0.97%	+0.09%

Top Funds

Fund Name	Avg Weight	Return	Contribution to Portfolio Return
Invesco S&P 500 ETF GBP Hdg	15.60%	+7.19%	+0.82%
Polar Capital EM Market Stars	6.17%	+14.26%	+0.75%
L&G US Equity ETF	9.25%	+9.94%	+0.72%
Lazard Japanese Strategic Equity	4.56%	+9.96%	+0.60%
M&G Global Emerging Markets	3.09%	+15.02%	+0.42%

Sources: Refinitiv Lipper for Investment Management & Astute Investment Management as at 30/09/2025. Past performance is not a reliable indicator of future results. All performance is shown net of ongoing charges. Launch data is for the period 20/07/2020 to 30/09/2025. 1 year data is for the period 30/09/2024 to the 30/09/2025. Contribution to return may not sum to the total return due to rounding and averaging.

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