

The third quarter of 2025 delivered another strong period of performance for investors, marking a clear turning point for global markets. After a challenging start to the year, inflation pressures have begun to ease, central banks are adopting a more supportive stance, and equity markets have now enjoyed over 114 days without a meaningful pullback. The turbulence we experienced back in April feels like a distant memory and portfolio performance to date stand testament to that.

Global equity markets were broadly positive over the quarter. In the United States, the S&P 500 rose by 9.7% and reached new all-time highs. UK and European markets also delivered healthy gains, rising by 5.7% and 4.7% respectively. Emerging markets were the standout performers, climbing 12.6%, with China's CSI 300 index up an impressive 21%. What made this quarter particularly encouraging was the rally broadened beyond the large technology companies that had previously dominated. Mid-cap, small-cap, and value stocks began, tentatively to contribute, creating a healthier and more balanced investment environment. As a result, global equities are now up 8% for the year to date, a remarkable turnaround considering the market was down some 13% in April.



Bond markets were more subdued, delivering gains of 2.4% over the quarter as investors remained focused on the positivity in stocks whilst losing trust in governments debt sustainability path which has driven longer term debt continually higher as the discounts demanded by investors to lend the government money for longer periods increase. Investors this quarter continue to favour high-quality corporate bonds over government debt again amid concerns about fiscal sustainability and political uncertainty, particularly in the US which in turn makes the debt profile of highly rated companies look more reliable. Precious metals, by contrast, performed exceptionally well. Gold rose by 18% and silver soared by 33% as investors

increasingly turned to alternative safe havens amidst a multitude of geopolitical and economic concerns. This has reinforced TAM's long-held view that precious metals can play an important structural role in diversified portfolios. Emerging markets also regained momentum, benefiting from investors re allocating capital out of the US, a weaker dollar, and improving economic prospects. After several years of underperformance, many investors now see the potential for a new structural cycle in which emerging markets could outperform their developed market peers, offering fresh opportunities for diversification and growth in client portfolios.

In the US, economic growth has been cooling but remains in positive territory. Job creation slowed significantly, with just 22,000 new jobs added in August compared with 142,000 in the same month last year, and unemployment has risen above 4%. Ordinarily, these developments might have unsettled markets, but this time investors have responded positively. The Federal Reserve delivered its first 0.25% interest rate cut in September, and markets now expect further cuts into 2026 which is a chief reason the market has been rallying despite the slowing economic trajectory. This in turn has strengthened hopes of a soft economic landing rather than a recession further buoying sentiment. The main risk to this outlook remains inflation; if it begins to rise meaningfully towards 3–4%, the Federal Reserve may find itself in a more difficult position, having to balance the need for rate cuts with the risk of reigniting inflation.

Throughout the quarter, TAM portfolios were well positioned to capture these positive trends. Allocations to US, UK, European, and Emerging Market equities have been key drivers of performance as have our allocations to smaller companies and gold and silver miners. Bond exposure has remained relatively low, with a focus on high-quality corporate and select emerging market bonds both hedged back to sterling. Investments in alternative assets, including gold, silver, commodities, and equity long/short strategies, have provided additional diversification and resilience, helping portfolios perform in both rising and more challenging markets.

As we move into the final quarter of the year, global markets are showing remarkable strength, rallying with impressive momentum and setting the stage for what could be a strong finish to 2025. The economic backdrop remains broadly supportive: growth is still positive, corporate earnings continue to expand, and consumers remain in relatively good health, supported by healthy levels of savings in the middle to upper classes which continue to be the major spending cohorts. At the same time, enthusiasm surrounding artificial intelligence remains intense, with nearly half a trillion dollars having been invested into the sector this year alone. This excitement has helped keep investor sentiment buoyant and markets on a strong upward trajectory.

However, it's important to acknowledge that valuations—particularly in the U.S.—are beginning to look stretched. Over the long term, the U.S. equity market has typically traded at around 16 to 17 times price-to-earnings. Today, that figure has climbed closer to 30 times, largely driven by the technology sector. If technology is excluded, valuations look more reasonable but U.S. tech itself is trading at roughly 39 times earnings. Despite these elevated levels, investor sentiment remains exceptionally strong. Historically, rallies built on such momentum can be surprisingly resilient, and it's entirely possible that this strength will continue to carry markets through the festive season and into 2026. The upcoming third-quarter earnings season will play a critical role in sustaining this optimism.



Looking ahead, we expect the rally to broaden out beyond U.S. technology. Areas such as emerging markets, smaller global companies, and selected U.K. stocks are likely to attract greater investor interest as investor appetite goes in search of higher returning investments. Even within the U.S., there are many high-quality businesses outside of the tech spotlight that are trading at more attractive valuations. TAM has been positioning for this shift throughout the year by investing in high-quality global funds, US (ex-tech) funds all managed by top-tier stock pickers who can identify these opportunities.



At the same time, we must acknowledge the increasingly exuberant tone of the current market environment. Markets are rising despite clear signs of slowing economic growth, and gold prices are climbing which is an unusual combination that typically signals a need for caution as the drivers of gold and stocks are usually contradict one another. Historically, when markets rally in the face of deteriorating economic data, it can be a warning sign that sentiment has become overly optimistic, and this remains the major flashpoint for concern in Q4. Behind this catch all statement, two factors dominate our risk analysis in this environment, inflation and employment. Markets currently expect further interest rate cuts, based on the assumption that inflation will remain contained and growth will moderate slowly. Investors see softer economic data with managed inflation as a catalyst for central banks to provide support through lower interest rates and thus drive stocks higher. However, if inflation surprises to the upside, that narrative could change quickly. A higher inflation environment would limit the ability of central banks to cut rates, which in turn could expose the economy to a harder landing. This remains one of the key risks we are watching.

If the rally continues into year-end, it's likely that bouts of volatility will increase alongside each new market high. If the rally continues into year-end, it's likely that bouts of volatility will increase alongside each new market high as investors sitting on large gains become increasingly skittish about protecting those gains. Our strategy is to keep clients fully invested so they can benefit from the strength of the current rally, while at the same time building in sensible layers of protection which do well when the tide turns. In fixed income, we currently favour corporate bonds over government debt, particularly in the two-year maturity range, which we believe stands to benefit most from expected rate cuts. We also maintain exposure to emerging market debt and selected high-yield bonds through experienced active managers. Government bonds in the U.S. and U.K. remain an important part of portfolios as a defensive cushion against any sharp deterioration in economic growth, and we've added some inflation-protected securities to hedge against the possibility of inflation reaccelerating unexpectedly.

In alternative investments, we continue to view broad commodities, including precious metals as well as conventional commodities as a core part of our portfolios. These assets serve as valuable protection against inflation, high government debt levels, and volatility in major currencies such as the U.S. dollar. We also hold a selection of funds invested into alternative investments such as shorting stocks, hedge funds, infrastructure designed to deliver positive returns in a variety of market conditions, particularly during periods when traditional equity markets come under pressure. This diversified approach allows us to keep equity exposure at full strength to capture more of this momentum driven market, while also ensuring portfolios are resilient should conditions shift unexpectedly.

In summary, today's market is being driven by a unique mix of interest rate cutting expectations and supercharged by enthusiasm around the prospects for Artificial Intelligence. While we are constructive and fully engaged in this enthusiasm, we remain mindful of the risks that come with record-high markets set against a backdrop of slower economic growth. TAM's approach is to balance participation in this powerful rally with disciplined risk management as we are renown for, ensuring that client portfolios are positioned to benefit from opportunities while remaining prepared for any turbulence that may lie ahead as we approach the end of 2025.