September Market Overview

The third quarter of 2025 marked a real turning point for global markets. Inflation pressures are easing, central banks have shifted to a more supportive stance, and equity markets have enjoyed a long, steady run without meaningful pullbacks. The turbulence of April now feels distant, and portfolios have benefited from this stronger backdrop. Global equities were broadly positive, with the US leading the way—S&P 500 up 9.7% to new highs—while UK and European markets gained 5.7% and 4.7%. Emerging markets were the standout performers, climbing 12.6% overall and an impressive 21% in China. Importantly, the rally has broadened beyond the big tech names, with mid-caps, small-caps, and value stocks starting to play a role, creating a healthier and more balanced investment environment. Overall, global equities are now up 8% year-to-date—a remarkable recovery from April's 13% drawdown.

Elsewhere, bond markets delivered modest gains of 2.4% as investors favoured high-quality corporate bonds over government debt amid growing fiscal concerns, particularly in the US. Precious metals were star performers, with gold up 18% and silver up 33%, reinforcing their role as portfolio diversifiers during geopolitical uncertainty. Emerging markets also regained momentum thanks to a weaker dollar and better economic prospects, opening up new diversification opportunities. In the US, growth is slowing but steady, and the Fed's first rate cut in September has boosted hopes of a "soft landing," supporting market optimism. TAM portfolios have been well positioned to capture these trends, with allocations to global equities, smaller companies, and precious metals driving performance. Exposure to select bonds and alternative assets like gold, silver, commodities, and equity long/short strategies has added further resilience, helping portfolios perform in both rising and more challenging markets.

Portfolio Commentary

Over the quarter TAM's Active portfolios have been well positioned to capture the positivity in the stock market via allocations to the US equity market but also a strong cohort of global investments capitalising on rallies in Europe, UK and Emerging markets which have all been positive contributors in Q3. Bond positioning has remained largely invested in high quality corporate bonds and emerging markets bonds which we believe still offer attractive risk reward symmetry in a bond market which remains overly challenged. TAM's investments into alternative asset classes such as gold has also helped to deliver value over the quarter.

As we move into the final quarter movements expected within the portfolios will see the inclusion of a TAM run multi asset fund into the models to assist in broadening our diversification for risk purposes without altering cost. Likewise portfolios will see a greater emphasis on enhanced investments as well as increases in alternative investments.

Outlook

As we enter the final stretch of 2025, global markets are powering ahead with impressive momentum. Economic conditions remain broadly supportive: growth is positive, corporate earnings are expanding, and consumers—especially higher earners—continue to spend. Investor enthusiasm around artificial intelligence has also been a major tailwind, with nearly half a trillion dollars invested into the sector this year, keeping sentiment buoyant. While U.S. equity valuations are looking stretched, particularly in the technology sector, rallies driven by strong momentum can often run further than expected, and this strength could continue into 2026. The upcoming earnings season will be key to sustaining this optimism. TAM expects the rally to broaden beyond U.S. tech, with opportunities emerging in areas like smaller global companies, selected U.K. stocks, and emerging markets. Throughout the year, we've positioned portfolios accordingly, allocating to high-quality global and U.S. ex-tech funds managed by skilled stock pickers to capture this shift.

That said, we're mindful that markets are rising even as growth slows and gold prices climb—an unusual combination that signals a need for caution. Inflation and employment remain the key risks to watch: markets currently expect further interest rate cuts, but a surprise rise in inflation could change that narrative quickly and increase volatility. Our strategy is to stay fully invested to benefit from the rally, while layering in sensible protection. In fixed income, we favour corporate bonds—especially in shorter maturities—as well as select emerging market and high-yield bonds. We maintain government bonds and inflation-linked securities as defensive anchors. In alternatives, we hold broad commodities, precious metals, and diversified hedge strategies to protect against inflation, debt risks, and market swings. This balanced approach allows us to participate in the powerful rally while keeping portfolios resilient, ensuring clients are well positioned to capture opportunities and navigate potential turbulence as the year draws to a close.

> ***Looking ahead, global markets are powering ahead with impressive momentum. Economic conditions remain broadly supportive: growth is positive, corporate earnings are expanding, and consumers—especially higher earners—continue to spend.***

Francis Banzon, CFA
Portfolio Manager
francis.banzon@tamassetmanagement.com