Q3 Market Overview

The third quarter of 2025 marked a turning point for global markets. Inflation pressures continued to ease, central banks shifted to a more supportive stance, and equities advanced steadily without meaningful pullbacks. The turbulence of April now feels distant, and portfolios benefited from a stronger backdrop.

Global equities were broadly positive. The US led with the S&P 500 up 9.7% to new highs, while the UK and Europe gained 5.7% and 4.7%. Emerging markets outperformed, rising 12.6% overall, including a 21% surge in China. The rally broadened beyond large technology companies, with mid caps, small caps, and value stocks contributing, creating a healthier and more balanced environment. Global equities are now up 8% year to date even after April's 13% drawdown.

It was also a quarter where investors looked for protection. Precious metals, held across all risk profiles, continued to strengthen, with gold above $3,900 per ounce and silver near $50. These are all time highs in both metals and signal that despite buoyant equity markets there are many factors at play under the surface.

Portfolio Positioning

> *There were no new trades in the month of September given the current asset allocation is delivering on TAM's macro view. The quarter was one of the strongest in recent years for TAM's Sharia portfolios and we are optimistic of this strength continuing into the end of the year.*

We were positioned to benefit from the current macroeconomic climate. Firstly, allocations to high-quality Sharia-compliant equities performed well. Natural exclusions from conventional banking and highly leveraged sectors enhanced resilience without hindering returns. While emerging markets regained momentum on the view of a structurally weaker dollar and improving growth prospects. Sharia-compliant emerging market funds added valuable diversification and return potential. We were also pleased to see Sukuk bonds outperformed mainstream bonds for the quarter, with our Sukuk managers all contributing strongly to performance. Precious metals were however the standout. Both silver and gold delivered exceptional gains and we participated well in both rallies in across all risk profiles. We maintain high conviction in both as momentum and interest builds in the sector.

Earlier in the year, a weaker dollar reduced gains from US equity exposure because many underlying share classes are priced in US dollars. That headwind eased in the third quarter, adding a further lift.

Overall, portfolios remain balanced between growth and resilience. Equities provide upside participation while real assets add a unique opportunity for capital appreciation, in our view.

Outlook

As we enter the final stretch of 2025, global markets remain resilient. Growth is steady, corporate earnings continue to expand, and consumer spending is healthy, particularly among higher-income groups. Investor enthusiasm for artificial intelligence has driven nearly half a trillion dollars of new investment this year, supporting sentiment.

While US equity valuations are elevated, especially in technology, momentum-driven rallies can extend if earnings hold up. The upcoming reporting season will be important for confidence. We expect leadership to broaden beyond US technology, with opportunities across both developed and emerging economies.

We remain alert to risks. The combination of slowing growth and rising gold prices suggests a cautious undertone. Inflation and employment trends are critical. Any resurgence in inflation could delay expected rate cuts and trigger volatility.

Our strategy is to stay fully invested while maintaining our high conviction in precious metals. In fixed income, we continue to favour corporate Sukuk with shorter maturities and selective exposure to emerging market Sukuk that offer attractive yields within Sharia parameters. Precious metals and other real assets remain important diversifiers, providing protection against inflation, debt concerns, and geopolitical risks.

This disciplined approach allows TAM's Sharia portfolios to participate in ongoing market strength while preserving resilience. As the year draws to a close, we expect contained inflation, steady US leadership, and supportive monetary policy to sustain favourable conditions for investors.

Daniel Babington

Portfolio Manager

Daniel.Babington@tamassetmanagement.com