

Monthly Investment Update

September 2025

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Performance Update

Global stock markets had a mixed month in sterling terms, with the S&P 500, emerging markets and FTSE 250 falling 0.06%, 0.61% and 1.22% respectively. However, the Euro Stoxx, FTSE 100 and Nikkei 225 gained 0.49%, 1.23% and 3.40%. Our portfolios produced positive gains of between 0.10% and 1.10%, except for the Income Generating portfolio, which fell 0.07%.

Stock markets continue their advance higher, with the S&P 500 advancing 2.03%. However, sterling appreciated significantly against the dollar, meaning that the investment gain turned into a loss of 0.06%. The main reason for this is that the US Fed indicated that interest rates in the US should start falling this month. This caused the dollar to weaken. However, the expectation of lower interest rates helped boost the value of the US stock market, and other economic factors, such as business earnings coming in higher than expected, also helped. We continue to be on a positive trend for most equity markets.

Japanese equities benefited from the new US-Japan trade deal as well as robust economic data. Over the last 5 years, the Japanese Nikkei 225 has underperformed the S&P 500 by just over 7% per annum. This could be the time that it catches up. Chinese stock markets also rose significantly, buoyed by its trade truce with the US and plans to triple chip supply by 2026.

In contrast, government bond markets saw declines in August, with UK Gilts falling 0.79% and UK inflation-linked Gilts dropping 2.89%. The Retail Price Index in the United Kingdom climbed by 4.8% year-on-year in July 2025, exceeding market estimates of a 4.5% rise and the previous month's 4.4% increase. While headline inflation is expected to fall to 2% in 2027, the Bank of England remains cautious about cutting rates too soon.

Gold advanced 1.79% and is now up 32.21% over the last year. It remains a safe haven from geopolitical tensions and benefits from falling interest rates. It is experiencing strong demand from central banks, especially in emerging markets, as they continue to add to their reserves.

The performance of the portfolios over the last month, six months and one year is shown below:

Portfolio	Performance % 1 month	Performance % 6 months	Performance % 1 year
Foundation	0.10	1.25	4.99
Cautious	0.31	1.94	5.94
Balanced	0.47	2.09	7.04
Adventurous	1.10	3.49	9.03
Dynamic Equity	1.10	4.43	10.84
Income Generating	-0.07	2.89	4.93
Fourth Industrial Revolution	0.49	5.32	11.54
Retirement Investment Solution 1	0.56	2.47	6.55
Retirement Investment Solution 2	0.65	2.77	7.17
Retirement Investment Solution 3	0.73	3.04	7.73

Trend Following Signals

The table below shows whether the asset class has a positive trend (✓) or a negative trend (x). A positive trend occurs when the market price exceeds the average price over the previous 200 days. The portfolios will have more exposure to those asset classes in a positive trend and less (if any) to those in a negative trend. These are the main asset classes we monitor:

Asset Class	Trend Signal		Trend Signal
Global Equity	✓	Emerging Market Equity	✓
UK Equity	✓	Commodities	x
Europe ex UK Equity	✓	UK Corporate Bonds	✓
US Equity	✓	UK Corporate Bonds (Short dated)	✓
Japan Equity	✓	UK Index-Linked Bonds	x
Pacific Equity	✓	Global Bonds	✓
Gold	✓	UK Gilts	x
Global Property	✓	Emerging Market Bonds	✓
Global Infrastructure	x	Overseas Corporate Bonds	✓

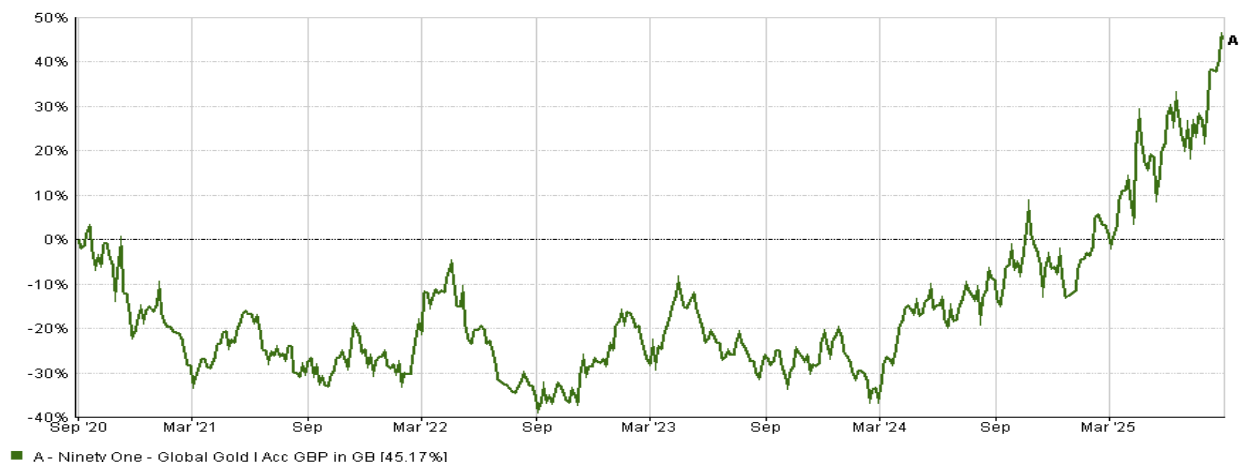
Of the leading 23 markets we monitor, 19 are above trend.

Cautious, Balanced and Adventurous portfolios

The portfolios have produced some strong returns over the last year, ranging from 5.94% to 9.03%. The Cautious and Balanced portfolios are nearly fully invested with UK Gilts, Inflation Linked Gilts and Infrastructure below trend and thus have no allocation. The Adventurous portfolio is now fully invested and has increased its holding in Japanese Smaller Companies, which replaced UK equities on the momentum chart.

Dynamic Equity portfolio

We have recently experienced a change in momentum of the underlying assets within the Portfolio. The UK has lost momentum, and the holding in UK equities was replaced by Japanese Smaller Companies, which have started to rally after 5 years of underperformance. We are hoping that they can perform similarly to our Gold Miners holding, which, after years of underperforming, has risen significantly. The chart below shows the performance of the gold mining fund that the portfolio initiated an investment in October 2024. As you can see, we have seen it increase significantly since. At some stage, it will fall down the momentum scale and be replaced, but for now, we are enjoying the returns.



Foundation portfolio

The Portfolio benefited from its exposure to most equity markets as well as gold. However, it also invests a significant amount in bonds, which fell as well as US equities, which suffered from a rising sterling. Exposure to UK gilts was reduced as they dropped below trend and remain a volatile asset class.

[Income Generating portfolio](#)

Inflation in the UK came in much higher than forecast, casting a shadow over when the Bank of England will next lower interest rates. This, in turn, caused UK bonds and UK companies that pay higher dividends to fall. The Portfolio fell 0.10%.

The underlying yield within the portfolio is 3.52% which is enticing, especially if held within a tax-free product such as an ISA or pension. With the Chancellor expected to announce a reduction in the amount of money that can be put into cash ISAs, we anticipate more money being invested in other income-producing assets in the UK, which could, in turn, benefit some of the underlying holdings.

[Fourth Industrial Revolution portfolio](#)

The Portfolio advanced by 0.49% with a weaker dollar proving to be a headwind for the portfolio. The Portfolio currently holds 10 underlying funds, ensuring it remains diverse by investing in over 2500 global companies linked to some of the world's fastest-growing sectors. Within the 10 holdings, there continues to be a large range of individual returns, with the L&G Battery Value-Chain fund rising 8.43% and the Herald Investment Trust falling 4.27% in August.

[Retirement Investment Solutions](#)

The Retirement Investment Solutions invests in three portfolios: the Foundation, Dynamic Equity and Multi-Asset Trend Following. The Portfolios benefited from the excellent performance of the Dynamic Equity portfolio, but returns were more muted from the other two portfolios.

[Summary of Portfolios](#)

President Trump continues to affect investment markets. His tactic is first to threaten steep tariffs (often 30–60%), then offer countries the opportunity to negotiate them down – but only if they make concessions, such as reducing their tariffs or increasing imports of U.S. goods. Further details of the Japanese trade deal came out, and this helped boost Japanese stocks. In addition, Trump announced a 90-day trade truce with China, which helped boost Chinese equities.

The primary headwind to our portfolios was the effect of the Federal Reserve Chair Jerome Powell hinting that policy may soon shift towards easing interest rates, which weakened the U.S. dollar. Whilst US stock markets advanced on the news that interest rates would be cut, all of the gains were wiped out when converted back to sterling.

In the UK, equities lagged somewhat as inflation remained stubborn, limiting how far the Bank of England could cut rates despite a slowing economy. Despite this, the Portfolios are performing well and are benefiting from advancing stock markets. September has historically been a volatile month, but we then enter a period between October and April in which stock markets have outperformed, including the Santa Rally.

Asset Class Review

This section provides insight into our current thinking. This month, we look at the charts that are affecting the UK.

UK Borrowing costs increase.

The chart below shows the interest rate that the UK Government pays for borrowing money over a 30-year period. The higher the level is, the more expensive it is for the government to borrow money. As you can see, it has now risen to the highest level since 1998 (5.60%), despite the recent interest rate cuts. By comparison, the US is at 4.92%, and the EU is at 3.33%. The recent rise in yields is contributing to the fiscal “black hole”.



UK Inflation is breaking higher.

The Retail Price Index in the United Kingdom climbed by 4.8% year-on-year in July 2025, exceeding market estimates of a 4.5% rise and the previous month's 4.4% increase. The latest figure marked the highest reading since January last year. The chart below shows the COVID-induced inflation spike, but the current level has now surpassed the previous high in 2017. The good news is that the Bank of England expects the peak to occur in September, before inflation falls back down to target (2%) by the middle of 2027.



FTSE 250 trending sideways.

The FTSE 250 houses the UK's smaller companies that are generally reliant on the UK economy, such as Direct Line, Royal Mail, and ITV. Whilst most of the world's major stock markets have hit new all-time highs over the last year, the FTSE 250 is at the same level as pre-COVID and 10% lower than the high seen in 2021.

FTSE 250 Midcaps (MCX INDEX) 21633.69 27.97

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AIM at extreme lows

The AIM 100 stock market is home to some of the UK's smallest companies and is even more reliant on the UK economy for its revenue. Companies such as Fevertree and Jet2 are the best known. As you can see, we are back at the lows experienced in the darkest days of COVID. This suggests that the UK economy lacks confidence; however, the market appears undervalued, as evidenced by the recent purchase of many companies by foreign owners.

FTSE AIM 100 Index (AIM100 Index) 3668.68 22.09

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In Summary

The UK is suffering from rising inflation and higher Government borrowing costs. When we add in Brexit and the political uncertainty that we have experienced over the last ten years, it is no wonder that stock markets that are highly leveraged to the UK economy have performed badly. When confidence does eventually return, UK companies could be some of the worlds best performers as they appear to be extremely undervalued.

UK v USA CVs

Two Countries. Two Systems. Two CVs.

With both the UK and the US now having new leadership in charge of their economic policy, it's worth taking a step back to look at the difference in how each country selects its top economic decision-maker—and, more importantly, what kind of background and experience they bring to the job. This article is not about politics but about governance structure and how it might affect a country's ability to navigate the inevitable twists and turns in the global economy.

The UK: Elected First, Appointed Later

Rachel Reeves, the UK's new Chancellor of the Exchequer, holds arguably the most important economic post in the country. However, to achieve this, she first had to be elected as a Member of Parliament (MP). Only then could she be appointed to the Cabinet by the Prime Minister.

Her CV is a blend of academic credentials (Oxford PPE, LSE MSc) and political tenure. She spent a few years at the Bank of England and worked at HBOS—but most of her career has been in politics. Questions have been raised recently over how that early experience was presented on her CV, but what's clear is that her economic leadership is grounded more in theory and policy than in markets or business.

The USA: Hired for the Job

In contrast, **Scott Bessent**, the newly appointed US Secretary of the Treasury, was never elected. He was hired—appointed directly by the President and confirmed by the Senate. This means the US can cast its net much wider, reaching into the private sector to bring in real-world specialists.

And Bessent is just that: a market expert. He spent decades at the top of global finance, most notably managing billions for George Soros and running his own macro hedge fund. He's considered one of the top fixed-income minds in the world. When volatility hits, he's not learning on the job—he's been managing it for 30 years.

Why This Matters for Investors

The global economy has just been through a period of rising rates, sticky inflation, and increased geopolitical risk. It's during times like these that the person steering the ship really matters. The US has placed a highly experienced financial markets professional in charge of its Treasury—a person used to making billion-dollar decisions under pressure. The UK, on the other hand, continues with a system that prioritises political loyalty and electoral success over economic expertise. This structural difference could be meaningful when navigating the next period of financial volatility.

Watson Moore View

While market movements are driven by many factors, leadership quality and decision-making during times of stress should not be overlooked. The US currently benefits from having a Treasury Secretary who understands markets deeply—possibly positioning it better to respond quickly and effectively in the face of future economic shocks. In the UK, decisions may be slower or more reactive—not necessarily due to poor intent, but potentially due to a lack of direct experience.

The good news is that the US economic policy drives global growth, which in turn effectively drives the returns from our portfolios. In addition, if the UK suffers an economic or political shock, sterling usually falls, and this boosts the value of our overseas holdings in our portfolios.

Final Comment

We are approaching the end of the seasonal period in which stock market returns have historically been subdued. This year, though, returns have been excellent as we have seen global stock markets reach all-time highs. The latest rally was caused by expectations that the US will cut interest rates this month and then continue to cut them next year. The downside to this is that sterling rose significantly as the dollar weakened. By contrast, the UK's economic data is deteriorating with rising bond yields and inflation.

We have all the foundations for a strong end of year for stock markets as global inflation is falling (just not in the UK), interest rates are expected to decline, and economic growth remains steady. Combined with rapid technological innovation and more trade deals, these conditions could support further stock market gains..

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