Watson Moore
INDEPENDENT FINANCIAL ADVISERS LIMITED

Monthly Investment Update

November 2026

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Performance Update

It was a disappointing month for stock markets, with the FTSE 250, Euro Stoxx, S&P 500, Nikkei 225 and emerging markets falling 0.08%, 4.01%, 1.70%, 6.18% and 8.81%, respectively. The FTSE 100 bucked the trend, rising 1.29%. Our portfolios fell between 0.17% and 6.56%, except for the Income Generating portfolio, which rose 1.85%.

UK inflation jumped to 3.5% in September, exceeding economists' expectations. Rising petrol and diesel prices were the main contributors. Interest rates are expected to go up from 3.75% to 4% this month as a result. This matters as UK Government debt exceeded £3 trillion for the first time and if interest rates rise, then the cost of servicing this debt could cause future economic stress. However, the Budget reassured gilt investors and UK gilt yields began to fall.

Technology shares sold off sharply, driven by concerns over the enormous investment being made into AI infrastructure. It appears to be a normal consolidation, with investors locking in profits from the best-performing sectors (mainly technology), while other markets fell much less. However, problems in China (lack of government stimulus) and Brazil (unexpected election result) led to much steeper falls in emerging markets.

As we move towards the end of the year, we are getting closer to a period known as the “Santa rally”. This is a seasonal pattern in which stock markets have often risen over the last few trading days of December and the first days of January. Historically, the period from November to April has also tended to be stronger for markets than the summer months. Commonly suggested reasons include investor optimism over the festive period, year-end portfolio positioning by fund managers, and new money being invested at the start of the year. However, these are historical tendencies rather than guarantees. There have been many years in which markets fell over the same period, and short-term movements can be driven by events nobody can predict, as we have seen recently in some overseas markets. 2026 has so far been a good year for our portfolios, hopefully it will be even better by the end of the year!

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	-0.17	3.23	6.55
Cautious	-1.25	3.67	6.44
Balanced	-1.58	4.64	8.46
Adventurous	-2.68	4.87	11.48
Dynamic Equity	-4.48	5.56	16.35
Income Generating	1.85	7.01	11.46
Fourth Industrial Revolution	-6.56	4.61	10.47
Retirement Investment Solution 1	-2.25	4.14	9.84
Retirement Investment Solution 2	-2.70	4.35	10.89
Retirement Investment Solution 3	-3.10	4.54	11.82

Please note that these figures do not include the platform or Watson Moore’s fees.*All figures are sourced from Financial Express to 31.10.2026.

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 asset classes with a positive trend and less (if any) to those with a negative trend. These are the main asset classes we monitor:

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

Of the leading 23 markets we monitor (including the above), 12 are above trend.

Cautious, Balanced and Adventurous portfolios

Exposure to equities had been at the maximum level, but this month emerging markets and Europe fell below trend. The Cautious and Balanced portfolios cut their exposure to equities as a consequence. The Adventurous portfolio, which follows a more momentum-based investment philosophy, switched away from emerging markets and into the healthcare sector.

Dynamic Equity portfolio

The portfolio has risen by 74% over the last three years as the sectors and regions showing the strongest momentum have continued to perform well. However, the downside of following a momentum strategy is that from time to time, the best performers can also fall the most when there is uncertainty in global markets. This month, the portfolio fell 4.48% as gold miners, emerging markets and the technology sector all fell by over 8%. The portfolio held all three as they have been the strongest momentum plays. The portfolio switched out of emerging markets and into the healthcare sector. The healthcare sector has underperformed the wider S&P 500 by nearly 40% over the last 5 years, so maybe this is a switch into an underperforming asset class and the beginning of a wider rotation out of the previous best performers and into those that have underperformed. Momentum can change quickly. The chart below (over 2 years) shows how the healthcare sector has only just started to trend higher and could be about to catch up:



Foundation portfolio

After raising the cash levels over the last two months, cash levels reduced slightly as index-linked bonds moved above trend. In addition, infrastructure moved above trend, so exposure increased. Europe moved below trend, though, and exposure was reduced.

Income Generating portfolio

The Income Generating portfolio bucked the trend and rose 1.85% in October, as quality income paying assets began to outperform. Infrastructure reversed last month's losses, rising by 7.05%, and the BNY Global Income fund rose 4.05%. The portfolio has historically acted more defensively, except during Covid, when quality dividend paying companies were affected the most during the lockdown period. The chart over the last 5 years of the portfolio (blue line) against its benchmark (red line) shows how it outperformed during the difficult period in 2022/23 as well as how it has moved higher recently whilst the benchmark fell. This could be a good period for the portfolio.



Fourth Industrial Revolution portfolio

The portfolio has risen by 73% over the last three years but has been more volatile recently, falling by 6.56% last month. Again, the underlying holdings produced highly varied returns. Three of the underlying funds rose last month, led by the iShares Healthcare Innovation fund, which rose 3.88%. However, seven underlying funds fell, led by the L&G Battery Value-Chain fund, which fell 16.79%. The portfolio currently holds 10 underlying funds, ensuring it remains diverse by investing in over 2,500 global companies linked to some of the world's most exciting sectors. This diversification is a sensible way to access some of the fastest-growing, but highest-risk, sectors.

Retirement Investment Solutions

The Retirement Investment Solutions are designed to reduce losses during sustained periods of negative stock market returns, while also harvesting gains when stock markets trend higher. This is achieved by investing in three portfolios: the Foundation, Dynamic Equity and Multi-Asset Trend Following.

Summary of portfolios

Last month, the consensus was that bond yields could only go up, but they subsequently fell. When a view reaches consensus, it means everyone believes the arguments are already settled. It also means that everyone has invested that way, and a small move in the opposite direction can be enough to pressure investors to change course and cause a reversal. We are at a stage in the investment cycle where we could be seeing a change in momentum and possible trend reversals.

As we compose this investment update, America is voting in its midterms, and President Trump's Republican Party is expected to lose both the House and the Senate (this has now been confirmed). Speculation abounds about how Trump will react. Statistically, when the midterms deliver divided government, the market rises more over the next 12 months than when a single party is in control. A President with little power could be a good thing for our wealth, but we all know that Trump is unpredictable.

Asset Class Review

This section will give you an insight into our current thinking. This month, with most of the major stock markets continuing their sideways-ranging pattern, we look at the markets that are on strong trends.

China - strong downtrend

China has suffered a rapid trend reversal, but it may be hitting a floor at the last base level around 3800. The economy is weak, and the Chinese property slump continues. The CSI 300 has now fallen for a record 12th straight week and the longest consecutive weekly decline since the index launched in 2005.



Gold - on a downtrend

Gold experienced one of the most consistent uptrends after years of ranging. However, it is now in a clear downtrend.



US yields falling below 5%

Just when the cost of servicing government debt was running away and could trigger an economic crisis, yields have dropped below 5% and have dramatically reversed course. This is despite the oil price remaining elevated.



Sterling strengthening against the Euro

Over the past month, sterling has outperformed every G10 currency except the dollar and the Norwegian krone. However, it has moved the most against the euro as the French debt crisis continues. You can see how it is approaching previous peaks, making now an extremely good time to visit the continent.



In Summary

Global markets are not always synchronised, and some can fall significantly whilst others remain on uptrends. This is usually caused by local factors affecting local economies, such as political changes. While headline news has been more negative recently, we are approaching the seasonal period when stock markets tend to outperform; this could be a good time to invest.

The ISA Millionaire

In 1987, the Government introduced Personal Equity Plans (PEPs), giving individuals an opportunity to invest in shares while benefiting from valuable tax advantages. In 1999, PEPs were replaced by Individual Savings Accounts (ISAs), which have since become one of the most important tax-efficient savings vehicles available to UK investors. But just how valuable could these allowances have been over nearly 40 years?

Imagine someone who invested the maximum permitted amount into PEPs from 1987 and then continued investing the maximum annual allowance into ISAs. By the 2026/27 tax year, they could have contributed approximately **£455,000**. Assuming their investments achieved a consistent annual return of 6% after investment charges, with all income reinvested, their portfolio could have grown to approximately **£1.41 million**. That's nearly £1 million of investment growth, sheltered from UK Income Tax and Capital Gains Tax.

What if the investments had been held outside an ISA?

This is where the real benefit of tax-efficient investing becomes apparent. Investment returns outside an ISA can be subject to dividend taxation and Capital Gains Tax. For higher-rate taxpayers, these taxes can significantly reduce the amount of investment growth retained. To illustrate the potential impact, let's assume that taxation reduces the annual investment return by 0.8% for a basic-rate taxpayer and 1.6% for a higher-rate taxpayer. Over nearly 40 years, the difference is substantial.

	Inside an ISA	Outside an ISA (basic-rate taxpayer)	Outside ISA (higher-rate taxpayer)
Total invested	£454,760	£454,760	£454,760
Annual return after charges and assumed taxes	6.00%	5.20%	4.40%
Final portfolio value	£1,411,222	£1,186,000	£997,000
Investment growth	£956,462	£731,240	£542,240
Loss due to assumed tax drag	—	£225,222	£414,222

Tax Increases

The Autumn Budget of 28 October 2026 announced a significant increase in the tax paid on savings interest outside ISAs. From 6 April 2027, savings income tax rates will rise by four percentage points compared with today's rates. This combines the two-point increase announced in the 2025 Budget with a further two points announced last week, making an ISA even more valuable. The Chancellor also announced a reversal of the reduction in the amount you can put into a cash ISA (for under 65s), meaning the Government appears to support the valuable ISA allowances.

With frozen tax thresholds, reduced Capital Gains Tax exemptions and greater taxation of savings income, holding investments outside tax-efficient accounts can become increasingly costly. An ISA provides three particularly valuable benefits:

Tax-free growth: No UK Capital Gains Tax on investment gains.
Tax-free income: No UK Income Tax on dividends or interest received within the ISA.
Flexibility: You can generally withdraw money whenever needed, without a tax liability on the withdrawal.

The current ISA allowance is £20,000 per person each tax year, meaning a couple can shelter up to £40,000 annually. Importantly, unused annual allowances are normally lost after 5 April. They cannot be carried forward.
If you have not used your ISA allowance this tax year, then please contact us before the tax year end.

Important information: All figures are illustrative, not historical investment performance or actual tax savings. They assume a constant 6% annual investment return after charges inside an ISA and 5.2% or 4.4% outside an ISA, with contributions invested regularly and all income reinvested. The £454,760 contribution assumption includes historical PEP allowances subject to different investment restrictions. Actual tax liabilities depend on individual circumstances, allowances and the timing of gains. Investments can fall as well as rise, returns are not guaranteed, and tax rules may change. ISAs are generally not exempt from Inheritance Tax.

Final Comment

We have entered the seasonal period when stock market returns are usually strongest (think Santa rally); but we have seen certain markets fall significantly whilst others are consolidating past strong gains. Will we see another Santa rally? Or will interest rates rise enough to stall the global economy? Will AI drive productivity gains, or is it mainly hype? This leads us again to repeat what we have said in the last three investment updates:

"Looking ahead, we remain optimistic about the long-term outlook. Artificial intelligence continues to offer the potential to transform productivity and corporate profitability, while any sustained easing in geopolitical tensions could help reduce inflationary pressures and support lower interest rates. Nevertheless, Donald Trump's unpredictability, together with ongoing geopolitical risks, means market volatility is likely to remain elevated. Rather than attempting to predict these events, we continue to follow our disciplined investment process, allowing portfolios to adapt automatically as market trends evolve whilst remaining focused on delivering attractive long-term returns."

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The past is not necessarily a guide to future performance. The value of any investments can go down as well as up and you may not get back the full amount invested. Taxation is subject to change and you may have to pay tax on any gains. The Watson Moore portfolios are unlikely to exactly mirror our clients' portfolios due to the timing of the initial investment and the speed of response to our fund switch recommendations as well as the effect of charges. The figures above therefore assume a client invested on the launch day and have responded immediately to our recommendations. As from mid-2016, the portfolios have been run on a discretionary basis by our sister company WM Capital Management. All portfolio performance figures and charts are provided by Financial Express.