



# ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

July 2025

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*Monthly returns and summary*

Index	Portfolio Benchmark Risk Level	31/07/2025	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	214.56	+1.4%	+3.4%	+5.1%	+9.4%	+12.8%
ARC Balanced	Medium Risk	272.98	+2.3%	+5.8%	+5.9%	+13.9%	+22.8%
ARC Steady Growth	Medium High Risk	332.88	+2.8%	+7.4%	+6.2%	+17.0%	+31.0%
ARC Equity Risk	High Risk	397.07	+3.5%	+9.4%	+6.7%	+20.0%	+39.0%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/07/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	9132.81	4.2%	7.5%	9.1%	23.0%	54.9%
UK All Share	UK	4957.18	3.9%	7.9%	8.0%	20.7%	51.0%
Dow Jones Ind Avg	US	44130.98	0.1%	8.5%	8.1%	34.4%	67.0%
S&P 500 Index	US	6339.39	2.2%	13.8%	14.8%	53.5%	93.8%
Nikkei 225	Japan	41069.82	1.4%	13.9%	5.0%	47.7%	89.2%
MSCI Europe Ex UK	Europe	215.17	-0.1%	2.6%	4.6%	26.0%	51.5%
MSCI Asia Ex Japan	Asia	814.74	2.3%	13.5%	17.7%	26.9%	16.2%
MSCI Emg Mkts (£)	Emg Mkts	761.25	5.6%	13.7%	13.7%	24.1%	29.0%
MSCI World Index (£)	Global	4076.04	1.2%	11.5%	14.1%	48.4%	76.8%
UK Conventional	Gilts	3091.83	-0.3%	-0.1%	-0.4%	-11.5%	-26.7%
UK Index-linked	Gilts	3665.32	-0.4%	0.3%	-7.4%	-25.9%	-37.7%
UK Real Estate Investment Trusts	Property	1880.54	-5.0%	-1.6%	-11.6%	-29.7%	-17.9%
WTI Crude (\$/Barrel)	Oil	69.26	6.4%	19.0%	-11.1%	-29.8%	72.0%
Gold Spot \$/Oz	Commodities	3289.93	-0.4%	0.0%	34.4%	86.3%	66.5%
£1 = US\$	Currencies	1.3207	-3.8%	-0.9%	2.7%	8.5%	0.9%
£1 = €	Currencies	1.1570	-0.7%	-1.7%	-2.6%	-2.9%	4.1%
£1 = Yen	Currencies	199.09	0.6%	4.4%	3.3%	22.7%	43.8%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	31/07/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	13,366.50	4.0%	12.7%	5.8%	9.7%	24.8%
Latest Weighted Average Discount			-13.7%				
12 Month Weighted Average Discount			-14.9%				

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

**General Comments**

July was another strong month for equity markets with UK and Emerging markets posting particularly strong returns. US stocks also ticked upwards, albeit more modestly, as earnings season started positively with some strong profit growth and positive surprises.

Perhaps related to this, the US dollar showed some signs of life, appreciating noticeably against sterling. Meanwhile, Japan's yen continued to weaken in a long-set trend which is proving difficult for policy makers to meaningfully reverse.

Investment trust company discounts continued to narrow which contributed to their strong performance over the month. Persistent M&A in the space has created value and caused the remaining trusts to trade on tighter discounts.

## UK Commentary

The FTSE 100 has surged to new all-time highs, surpassing 9,000 points and continuing upward, having been buoyed by receding fears regarding US tariffs, as well as the market seeming to show some degree of appreciation of the attractive valuations on offer in UK markets.

Despite this, the UK's broader financial landscape shows mixed signals, with London's IPO fundraising tumbling to its lowest level in at least 30 years, raising only £160 million in the first six months of the year, a 98% fall from 2021 levels. This reflects waning attractiveness as a listing venue compared with Wall Street.

Public finances also face "daunting" risks, with debt levels at their highest since the 1960s, and projections show borrowing potentially exceeding 20% of GDP by the 2070s due to an ageing population and rising healthcare costs. Furthermore, government data reveals that Capital Gains Tax (CGT) revenues have plunged following Rachel Reeves's reforms, with receipts falling by £1.7 billion in the first half of 2025, suggesting the policy has somewhat backfired by prompting taxpayers to rearrange their finances. While it is uncertain exactly where we are on the Laffer curve (more on this below) in respect of total taxes, it seems that the increase in CGT rates has reduced the amount of tax collected through this mechanism. This will no doubt raise fears on Downing Street that their options to deal with the current difficult fiscal position are even more limited than they first thought.

However, the release of June retail sales figures showed some encouraging signs, with non-food sales returning to growth, aided by improving consumer confidence. This has perhaps buoyed major retailer John Lewis, which is poised to reinstate its prized staff bonus for the first time in four years following upbeat trading, signalling a positive turnaround.

## North America Commentary

Nvidia and then Microsoft became the first companies to hit a \$4 trillion market capitalization, fuelled by a rapid rebound in Wall Street technology stocks and massive investments in artificial intelligence. Meta's shares also rose significantly after strong earnings related to its AI initiatives, Apple reported record-breaking third-quarter results with double-digit growth in revenue, and Alphabet saw profits jump 19% with cloud computing revenues increasing almost one third.

Overall, the earnings season has started strongly with most companies posting significant earnings growth and beating market expectations. The largest companies have been no exception, and they have led market indices higher once more as a result.

The US economy grew at an annualized rate of 3% in the second quarter, rebounding from a prior contraction (albeit on lumpy data given tariff impacts), with consumer spending showing a healthy increase and retail sales rebounding strongly in June.

Meanwhile, the labour market is showing some unusual signs of potential stress with employment growing slower than previously reported with significant downward revisions to prior jobs numbers causing some uncertainty in the market. There are many opinions on this, but one which seems to be reflected in the underlying data is that the softness reflects fewer illegal immigrants participating in the workforce while native-born employment has been growing, as seems to be the desire of policy makers. Such data may well be the intended outcome of government action.



## Europe Commentary

The US and EU struck a tariff deal that averted a transatlantic trade war, resulting in the imposition of 15% American tariffs on most imports from Europe. This agreement, which includes the EU's commitment to invest hundreds of billions in US energy products and weapons, was seen as a major victory by some. Critics, however, point to the seeming lack of collective bargaining power, once sighted as a major strength of the EU as an institution, as well as the fact the UK faces lower barriers.

Companies like Hermès continue to outperform rivals, with a strong 9% sales increase driven by demand for its high-end bags, showcasing resilience in the luxury market. Meanwhile, peers such as LVMH faced some sales decline and supply chain scrutiny. It seems in recent times that the definition of “luxury” has been re-defined from the COVID-era boom with many brands who sold to the aspirational middle classes now struggling, while those who have been positioned to serve the truly wealthy have continued to thrive.

The European Central Bank (ECB) has maintained stable interest rates as inflation has converged towards their 2.0% target and remained in check. ECB President Christine Lagarde notably stated the inflation shock was “behind us” and that growth has developed “in a relatively favourable way.”

## Asia Pacific Commentary

The Chinese economy reportedly expanded 5.2% year-on-year in the second quarter, surpassing analyst estimates and putting Beijing on track to meet its annual growth target despite global trade tensions. This growth has been sustained by robust exports and investment, compensating for internal demand fluctuations.

In a significant vote of confidence in Hong Kong's financial markets, Chinese investment flows through the Stock Connect program hit a record high, reaching HK\$820 billion, driving a revival in Hong Kong equities as mainland investors seek offshore opportunities amid low domestic bond yields.

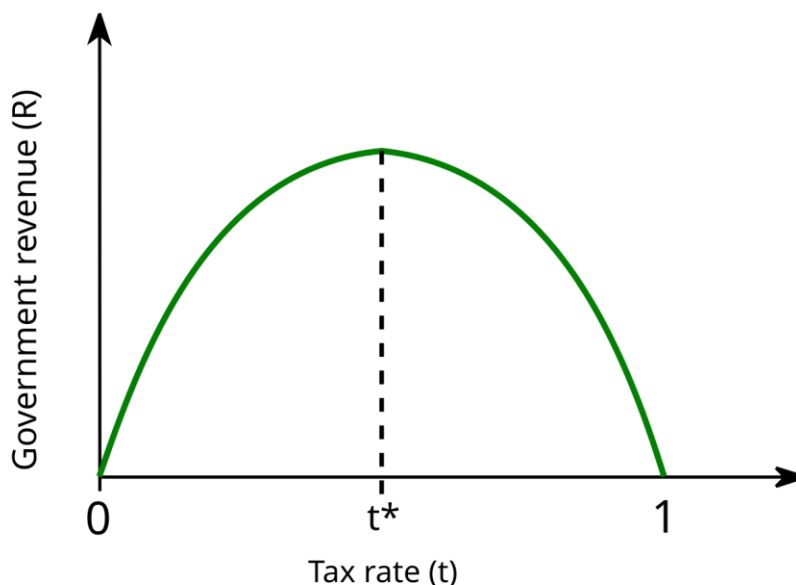
Japan secured a favourable trade deal with the US, seeing reduced auto tariffs to 15% without quotas, contributing to a rally in Japanese equity markets, especially for exporters and AI-related firms. Taiwan's equity market also continued to benefit from ongoing investor enthusiasm for artificial intelligence.

Nintendo's new Switch 2 console has achieved record-breaking sales, exceeding 6 million units in just seven weeks, driving significant revenue and profit growth for the Japanese gaming giant and boosting its share price.

## Emerging Market Commentary.

Geopolitically, the "immediate and unconditional ceasefire" agreed between Thailand and Cambodia after border fighting was a notable de-escalation, partly influenced by direct intervention from US President Donald Trump, who linked it to ongoing tariff negotiations.

Elsewhere, India was also in the spotlight in the mind of President Trump who announced new tariffs on the nation. The new 25% rate, plus an “unspecified penalty”, seems to be linked to India's own tariffs and their willingness to purchase Russian energy.

*Chart(s) of the month – The Laffer Curve*

The above diagram (courtesy of Wikipedia) demonstrates the economic theory of the Laffer curve. In essence, the Laffer curve theorises that after a certain point, any further increases in tax rates will actually decrease tax revenues collected. This phenomenon could be due to incentives, individual tax planning, or even more extreme reactions such as emigration.

The aforementioned fall in CGT receipts in the UK highlights that, for CGT at least, the UK is already operating towards the right-hand side of this curve and that further tax rises may actually not increase revenues for the Chancellor.

There have been many reports of the Chancellor actually growing the "black hole" she so bemoaned upon entering office, and many think tanks speculating on which taxes she can use to increase revenues to plug this growing gap in public finances. The above theory, and recent evidence, suggests this may not be the correct conversation and that it may be wiser to turn attention to spending cuts, efficiency gains, and economic growth rather than the tax-and-spend narrative which has dominated the conversation for so long.

Although, the political sands do not seem to be moving in this direction at the minute, and recent attempts to curtail welfare spending modestly fell flat, putting the Chancellor in a difficult position. Similar issues can be seen across the developed world, especially since COVID-era spending increased government debt significantly.

Meanwhile, it is important to remember that the fiscal position of a country and its stock market performance are often far removed from each other. The FTSE 100 cruising through the 9,000-point mark and onto further record highs demonstrates this. Furthermore, credit spreads are narrow at the minute, suggesting many lenders don't see much more risk in lending to companies than to many governments.

Governments have been in far worse positions before in history, and long-term investment returns have been strong regardless. While it is important for us to be aware of possible implications from these issues, we can remain confident that buying high-quality assets at attractive valuations remains a strong long-term strategy.

## ***Investment Profile – Brunner Investment Trust***

The Brunner Investment Trust was established in December 1927 by the Brunner family, who used the proceeds from selling their interest in Brunner Mond & Co, a major chemical company that had merged into Imperial Chemical Industries (ICI) the previous year. The Brunner family remain significant shareholders in the trust today.

These days, it follows a global equity strategy (with a modest UK bias) managed by Allianz Global Investors. The trust aims to provide long-term capital growth and dividend income through a diversified portfolio of global and UK equities. The management team, led by Julian Bishop and Christian Schneider, actively balances defensive and growth positions based on market valuations.

The trust is an AIC Dividend Hero, having delivered its 53rd consecutive year of annual dividend growth in 2024. The long history, consistent Brunner family involvement, and exceptional dividend record contribute to Brunner's long-term appeal. Since June 1989 (as far back as Bloomberg data goes for this stock) Brunner has outperformed the MSCI All Country World Index by nearly 500% on a total return basis.

## ***Investment Team's thoughts***

While global equity markets are trending positively, valuation opportunities are perhaps most evident outside the concentrated group of U.S. large-cap technology leaders. Broader market segments, both in the U.S. and internationally, are offering compelling entry points for selective long-term investors.

We are also encouraged to see the UK market performing well and to be marking new all-time highs. We have long argued there has been an undervaluation in our market, perhaps as a result of the gloomy fiscal picture highlighted above. However, we believe this to be based on sentiment rather than rationality, and that our best businesses can continue to thrive regardless of the difficult choices our Chancellor faces.

We also reject the idea that these issues are unique to the UK, and thus that a valuation discount on our market is justified on this basis. We are pleased that there has been some degree of upward re-rating in 2025 and believe this to be rational and justified. In fact, ignoring distortions due to the COVID-19 pandemic, the FTSE 100 is now trading on its highest rating since 2018.