



ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

October 2025

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Monthly returns and summary

Index	Portfolio Benchmark Risk Level	31/10/2025	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	217.14	+1.7%	+3.1%	+7.3%	+17.0%	+16.0%
ARC Balanced	Medium Risk	277.63	+2.5%	+4.6%	+10.0%	+24.4%	+28.2%
ARC Steady Growth	Medium High Risk	340.22	+2.9%	+5.1%	+11.2%	+28.9%	+26.9%
ARC Equity Risk	High Risk	407.42	+3.2%	+5.5%	+12.3%	+33.0%	+44.9%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/10/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	9717.25	3.9%	6.4%	19.8%	37.0%	74.2%
UK All Share	UK	5240.21	3.5%	5.7%	18.2%	35.2%	66.3%
Dow Jones Ind Avg	US	47562.87	2.5%	7.8%	13.9%	45.3%	79.5%
S&P 500 Index	US	6840.20	2.3%	7.9%	19.9%	76.7%	109.2%
Nikkei 225	Japan	52411.34	16.6%	27.6%	34.1%	90.0%	128.1%
MSCI Europe Ex UK	Europe	226.03	2.2%	5.0%	12.4%	39.8%	64.7%
MSCI Asia Ex Japan	Asia	917.20	4.4%	12.6%	26.0%	75.1%	25.3%
MSCI Emg Mkts (£)	Emg Mkts	866.92	6.7%	13.9%	25.2%	55.6%	41.0%
MSCI World Index (£)	Global	4390.42	1.9%	7.7%	20.4%	72.3%	91.5%
UK Conventional	Gilts	3166.32	2.7%	2.4%	4.0%	3.5%	-23.3%
UK Index-linked	Gilts	3759.34	3.5%	2.6%	-2.5%	-7.6%	-34.6%
UK Real Estate Investment Trusts	Property	1899.48	2.9%	1.0%	-4.4%	-6.3%	-11.3%
WTI Crude (\$/Barrel)	Oil	60.98	-2.2%	-12.0%	-12.0%	-29.5%	70.4%
Gold Spot \$/Oz	Commodities	4002.92	3.7%	21.7%	45.9%	145.0%	113.1%
£1 = US\$	Currencies	1.3152	-2.2%	-0.4%	2.0%	14.7%	1.6%
£1 = €	Currencies	1.1401	-0.5%	-1.5%	-3.8%	-1.7%	2.5%
£1 = Yen	Currencies	202.54	1.8%	1.7%	3.3%	18.8%	49.5%

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

Index	Region / Asset Class	31/10/2025	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	14,006.65	2.5%	4.8%	15.9%	24.6%	24.4%
Latest Weighted Average Discount	-13.7%						
12 Month Weighted Average Discount	-14.6%						

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

General Comments

October was yet another good month for markets around the world. Japanese equities shone, with the confirmation of the election of new Prime Minister Sanae Takaichi contributing to a significant mood boost, as beliefs around her continuing the growth-focussed policies of Abenomics (named after her mentor Shinzo Abe) swept through markets. Elsewhere, emerging market equities also had a strong month, led by AI enthusiasm supporting Taiwanese equities and South Korean stocks.

Talks of falling interest rates in the UK supported government debt markets and helped lift real estate markets. This was unhelpful to the value of the pound, however, which lost ground against both the US dollar and the euro.

Meanwhile, gold broke through \$4,000 per ounce for the first time, continuing its long bull run. Other metals such as silver and copper also appreciated in price.

UK Commentary

The upcoming November Budget loomed large, highlighted by the news that government borrowing reached £20.2 billion in September—the highest level for that month in five years, and that period being in the midst of COVID-19 lockdowns. The gravity of the fiscal situation led Prime Minister Sir Keir Starmer to refuse to reaffirm Labour's manifesto pledge against raising income tax, employee National Insurance, or VAT, citing a tougher-than-expected economic outlook. Markets are clearly fearful of what may come from that budget and talks of "going for growth" seem to be long gone from rhetoric (although, that rhetoric never matched actions anyway). That said, it is quite possible that much of the potential bad news is already in the price of UK assets, so anything other than devastating tax rises could well be seen as a positive in that context and actually lift markets. Either way, we are frustrated by the decision to delay this budget and lengthen the period of speculation. We look forward to having more certainty soon.

Despite these headwinds, there were areas of economic positivity. UK inflation unexpectedly held steady at 3.8% in September, falling below the Bank of England's (BoE) 4% expectation, which led investors to anticipate potential interest rate cuts. Retail sales volumes also defied predictions, rising unexpectedly by 0.5% in September, marking the fourth consecutive monthly increase and suggesting some consumer resilience.

However, the labour market showed weakness, with the unemployment rate climbing to a four-year high of 4.8% in the three months to August. Additionally, the UK economy absorbed a substantial shock from a cyber-attack on Jaguar Land Rover, estimated to be the most financially damaging cyber event for the country, costing at least £1.9 billion. Separately, rising "green levies" were projected to increase household energy bills by hundreds of pounds this decade.

North America Commentary

North America's narrative was, once again, dominated by the exponential growth and unprecedented spending associated with Artificial Intelligence (AI). NVIDIA made history by becoming the first company to reach a \$5 trillion market capitalization, propelled by securing significant orders for its AI chips. This rapid growth was underpinned by massive capital expenditure commitments from major tech firms like Amazon, Alphabet, Microsoft, and Meta, who collectively expect to spend over \$380 billion this year. OpenAI also restructured into a public benefit corporation, preparing for a likely IPO to finance its ambitious technological development plans.

We saw monetary policy action as the Federal Reserve (Fed) cut its key interest rate to 3.75%-4.00% following inflation rising less than expected to 3.0% in September, and announced it would begin scaling back its Quantitative Tightening (QT) program.

Geopolitical tensions created volatility as trade conflicts with China over rare earth minerals led to US tariff threats, but a subsequent tentative deal between President Trump and Xi Jinping averted another tariff hike. Conversely, trade friction with Canada escalated, resulting in the abrupt cancellation of trade talks and an additional 10% tariff imposition by the US after a disagreement over a Canadian anti-tariff advertisement which the state of Ontario placed on US television during a major baseball game. Canada's manufacturing sales fell 1% in August, impacted by tariffs on key sectors.

Europe Commentary

European markets faced political turbulence, particularly in France, where Prime Minister Sébastien Lecornu resigned, only to be reappointed days later as the political crisis deepened over budgetary concerns. To secure parliamentary backing for the 2026 budget and survive two no-confidence votes, Lecornu made a significant policy U-turn by offering to suspend President Macron's unpopular pensions reform until 2027. Despite this brief resolution, French sovereign debt came under pressure; S&P unexpectedly downgraded France's credit rating, widening the spread between French and German government bonds.

In the banking sector, a Swiss court issued a controversial ruling that deemed the wipeout of CHF 16.5 billion of Credit Suisse's Additional Tier 1 (AT1) bonds as unlawful, stating that the financial regulator lacked a solid legal basis for the write-off during the bank's rescue. Meanwhile, Germany's Deutsche Bank achieved record third-quarter profits, largely thanks to surging bond and currency trading revenues.

The European Central Bank (ECB) opted to hold its benchmark interest rate steady at 2% for the third consecutive time, signalling confidence in its current policy stance despite a slight rise in Eurozone inflation.

The luxury sector provided strong growth momentum: LVMH reported a return to growth, surpassing analyst forecasts, while French peer Hermès saw strong sales driven by high-end bag demand in the Americas and Greater China.

Asia Pacific Commentary

Asia led global market gains in October, primarily due to political change and strong performance in the technology sector. Japan was the standout performer as its Nikkei 225 index reached a record high. This surge followed the election of Sanae Takaichi as Japan's first female Prime Minister, whose policy agenda favouring expansionary fiscal policies and potential tax cuts boosted investor optimism. Despite the market exuberance, the Bank of Japan (BoJ) maintained interest rates at 0.5%, even as a central bank survey showed that nearly 90% of Japanese households expected prices to rise, indicating broadening inflationary pressure.

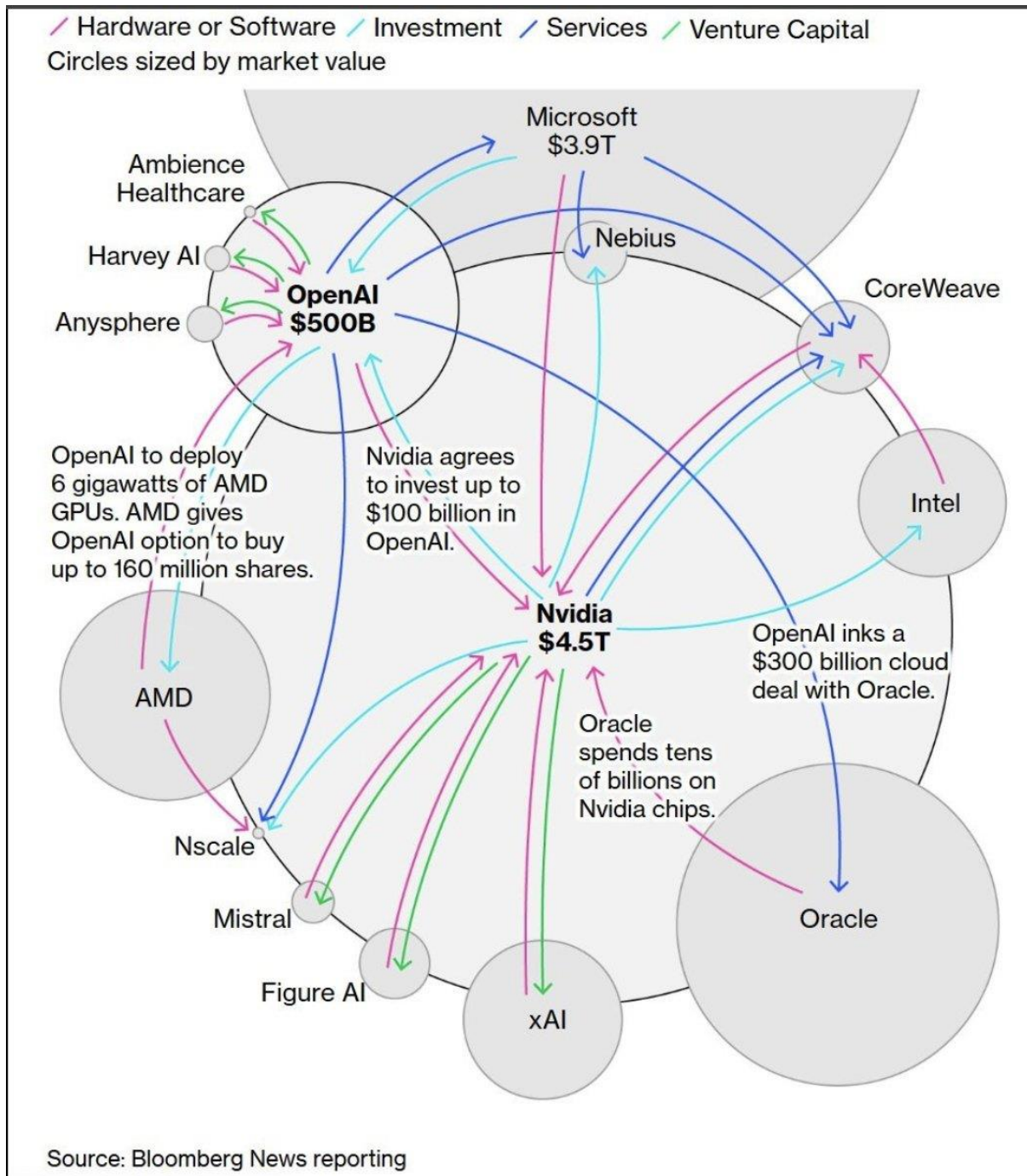
Elsewhere, China demonstrated trade resilience, successfully rerouting its export machine to offset US tariff impacts. Chinese exports surged 8.3% in September, the fastest pace in months, despite shipments to the US dropping 27%; this gap was filled by double-digit growth in trade with Europe, Southeast Asia, and Africa.

Elsewhere, the Reserve Bank of New Zealand (RBNZ) unexpectedly cut its key interest rate by 50 basis points, citing a weak economy and increased uncertainty, with inflation expected to fall rapidly into 2026.

Emerging Market Commentary.

South Korea and Taiwan experienced massive equity index gains, soaring 23% and 11% respectively (in local currencies), benefiting significantly from AI-related spending and improved US-China trade stability regarding rare earth minerals critical to their semiconductor industries.

India's status as the largest buyer of Russian crude was potentially jeopardized after top refiner Reliance Industries considered halting purchases from its main Russian supplier following heightened US sanctions against Moscow.

Chart(s) of the month – AI Circularity

The above diagram from Bloomberg may be confusing, but that is essentially the point. The idea is to show the degree to which the major AI players are interrelated and reliant upon each other for revenues and indeed operations.

This degree of connectedness increases risks in markets, as it increases the correlation between these stocks, and thus within indices, which are ever more dominated by these names. Investors seeking to benefit from diversification are having to manage their large cap equity, and particularly US large cap equity exposure very carefully.

Investment Profile – JPMorgan Global Growth & Income (JGGI)

JGGI is a closed-ended investment trust which was launched in 1887, and is now managed by JPMorgan Asset Management. It aims to deliver superior total returns and outperform the MSCI All Country World Index over the long term through bottom-up stock selection across 50-90 global equities.

JGGI has performed exceptionally well, returning 309%, or 15.1% per annum, over the past decade. This represents outperformance of their index by over 45%. They have ridden the AI wave, and own the likes of Microsoft, Amazon, and NVIDIA, but they manage these exposures actively and differentiate themselves from the index as a result.

The trust's flexible dividend policy funds distributions from both income and capital reserves, enabling these holdings in lower-yielding growth stocks. The board targets distributing at least 4.0% of the trust's net asset value annually, paid in four equal quarterly instalments (October, January, April, July).

Investment Team's thoughts

Markets continue to be buoyant, with many hitting new all-time highs once again this month. The exceptional performance of the Japanese market is particularly pleasing to see, and we hope progressive reforms can continue and are able to deliver the results investors hope they can.

It is also interesting to see the AI theme provide a greater tailwind to emerging markets than US markets this month. While we can continue to talk of the concentration within US markets, it is worth remembering this theme is a global one, and that there are other opportunities out there to access companies benefitting from this. Arguably, Asian markets have a less risky exposure, with a more "picks and shovels" approach and less interdependence of their businesses.

There remains a wide range of outcomes to the AI development story, so many wise investors are urging caution and are attempting not to get too carried away. This is a sentiment we share.