MONTHLY REVIEW – SEPTEMBER 2025

Dear Clients, Colleagues and Partners

OUR PERSPECTIVE

"Monetary policy works with long and variable lags" ~ Milton Friedman, American Economist and Nobel Prize Winner.

America's supposed jobs juggernaut just hit a wall, with preliminary benchmarking slashing an estimated 911,000 positions from the year through March 2025 and revealing a labour market far weaker than the glossy headlines ever let on. Under the surface, the story is uglier still: hiring cooled through 2024–25, and the "resilience" was largely an illusion created by survey noise now corrected by hard tax records.

Policy made it worse, not better, at the margins where it hurts most. Broad tariff shocks and policy whiplash raised costs and uncertainty for trade-exposed industries, while slower net immigration and tighter financial conditions squeezed both labour supply and demand — especially for lower-wage workers and small firms. The result is a two-speed economy: multinationals and incumbents with pricing power adapt; service employers and thin-margin manufacturers retrench.

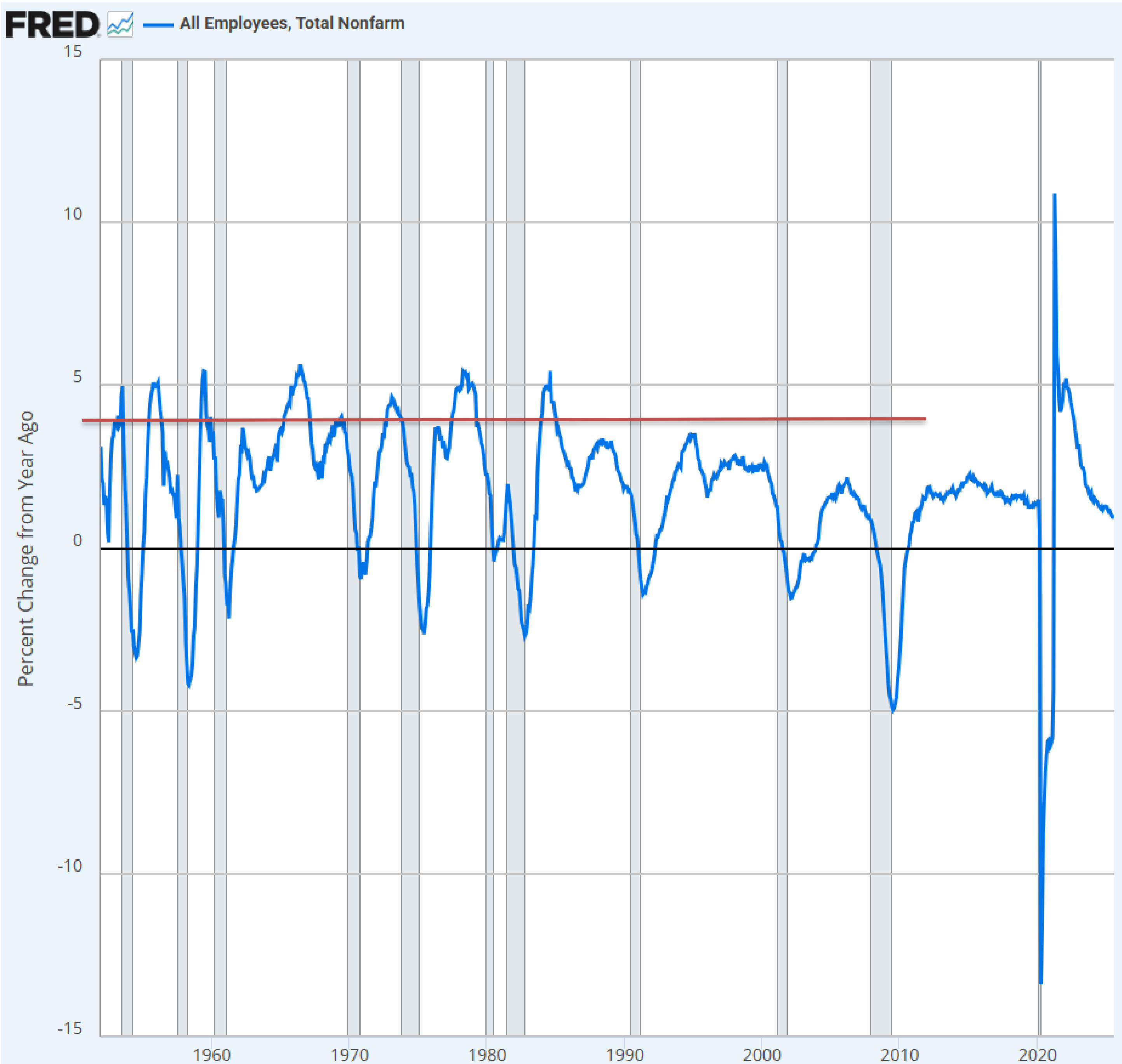
Productivity is the optical illusion of this cycle, and AI is the magician's hand. Output per hour has been revised up even as payrolls flatline, with enterprise AI rollouts and data-centre capex enabling more production from fewer hours, keeping headline growth afloat while the hiring engine coughs. That arithmetic explains why unemployment has merely edged higher, even as low-wage job formation and broad wage gains quietly erode beneath the surface.

Yes, the Federal Reserve finally cut rates, citing a weakening job market, but the honest question is whether the move came in time to prevent an outright recession. Even Fed officials now concede downside risks to employment are rising, and the debate inside the central bank is shifting from whether to ease at all to how quickly easing must proceed to avoid a deeper labour shakeout. If the goal was a soft landing, policy waited until the plane had already bounced off the runway.

> **Non-Farm Payrolls (NFP)** is a key U.S. economic indicator released monthly by the Bureau of Labor Statistics. It measures the net number of jobs gained or lost in the economy, excluding farm work, government and non-profits. Markets track NFPs closely as it signals economic strength and guides Federal Reserve policy.

Call it creative destruction - or call it something starker - but the distributional math is brutal: AI-linked productivity gains are being harvested first by those who own the capital, data, platforms, and IP, not by the workers whose tasks are being re-engineered or displaced. The productivity–pay gap widens, the labour share compresses, and the "efficiency dividend" is privatised by incumbents just as tariffs and tighter conditions tax the bottom of the ladder. This is what the long and variable lags of restrictive policy look like in the AI era - fewer jobs than advertised, stronger productivity than expected, and a labour market that appears resilient in aggregate while growing brittle where it matters most.

Exhibit 1: *Non-farm Payrolls fell below 1% YoY growth following downward revisions from the U.S. BLS. Below 1% has historically been a key indicator of economic weakness setting in!*



Source: U.S. Bureau of Labor Statistics via FRED®, 30/09/2025

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MARKET REVIEW

Deflationary Boom Assets (Equities, Corporate Bonds, EMD)

Equity markets rallied again in September, with broad-based gains led by mega-caps and emerging markets. The Bloomberg World Equity Index rose +3.61% (USD), while growth names outpaced value: the Growth index gained +4.14% (USD) versus +2.37% (USD) for Value. The "Magnificent 7" pocket delivered a blowout +9.01% (USD), driving much of U.S. strength alongside the Nasdaq (+5.68%). Emerging markets also outperformed, with the EM Index up +6.46% (USD) and China leading at +7.65% (USD). The outperformance of equities was underpinned by resilient corporate earnings, ongoing liquidity, and the belief that central banks are on the cusp of an easing cycle. Corporate bond markets also participated: the U.S. Corporate Bond Index gained +1.50% (USD), and EM hard currency debt added +1.11% (USD), as credit spreads tightened modestly amidst continued investor confidence.

Deflationary Bust Assets (Government Bonds)

Government bonds had a softer month, though returns were modestly positive in many markets. The U.S. Treasury Index rose +0.85% (USD), and the Global Aggregate index gained +0.65% (USD). U.K. Gilts posted +0.68% (GBP), while Euro government bonds returned +0.41% (EUR). Inflation-linked bonds had more dispersion: U.K. linkers gained +1.71% (GBP) but remain in negative territory YTD due to the long duration profile; Euro linkers rose +0.37% (EUR). The relatively tepid gains reflect the tension between deflationary demand risks and sticky inflation expectations, which continue to anchor nominal yields and limit duration upside.

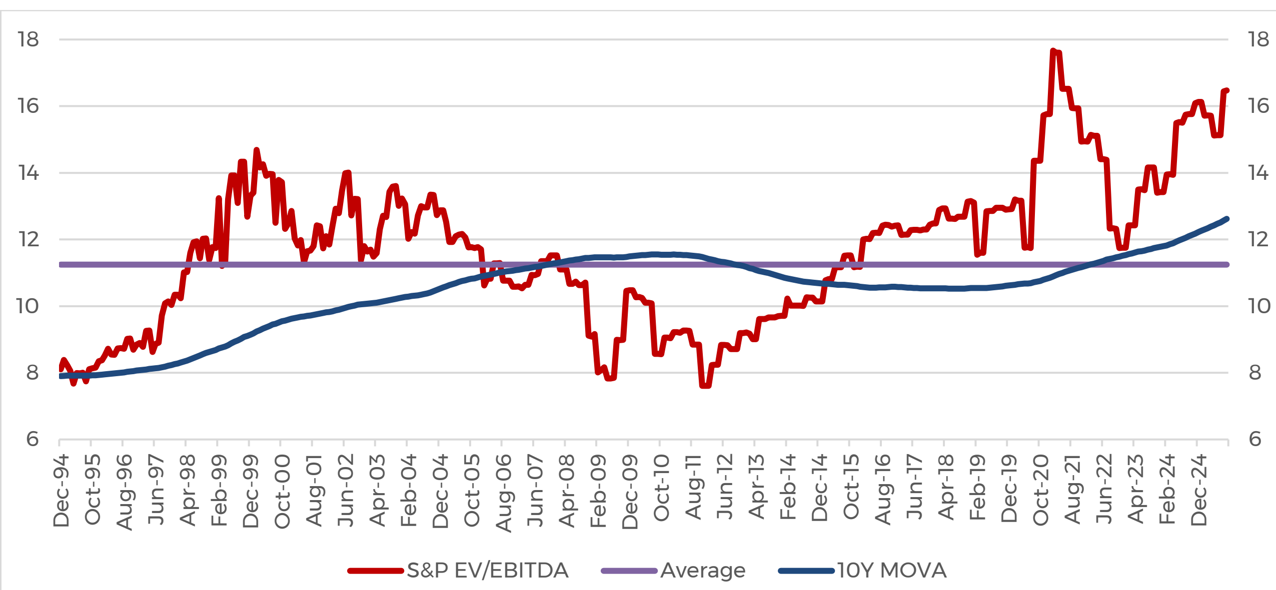
Inflationary Boom Assets (Managed Futures, CTAs, Commodities excl. Precious Metals)

Managed futures strategies rebounded strongly in September. The SG CTA Index rose almost 4% (USD) and the SG Trend Index gained well over 5% (USD), as trend signals re-emerged across rates, FX, and commodity markets. Among commodities, industrial metals showed healthy gains: copper up +4.11% (USD) and the Industrial Metals index +3.30%. The broader commodity energy complex was more muted: the Bloomberg Energy index lost –0.73% as Brent fell –1.61% (USD), reflecting demand concerns in some regions.

Inflationary Bust Assets (Precious Metals & Inflation-Linked Bonds)

This was the strongest regime in September. Gold jumped +11.92% (USD), and the Bloomberg Precious Metals index rose +11.21% (USD), as investor flows shifted toward inflation hedges amid renewed inflation scares and monetary uncertainty. The strength in gold and precious metals was broadly supported by weaker real yields and safe-haven demand. Inflation-linked bonds, particularly in the U.K. and Europe, partially benefited from these dynamics (as noted earlier), although their performance was more muted relative to gold. This divergence underscores how precious metals remain among the most responsive inflation hedges in volatile environments.

Exhibit 2: *On an Enterprise Value-to-EBITDA multiple, the downside risk on US equities is very significant!*



Source: Bloomberg L.P., 30/09/2025

ASSET ALLOCATION

The below tables set out our current tactical asset allocation views and the investment thesis behind these.

	Positioning	Investment Thesis
FIXED INCOME		
DM – Government Bonds	NEUTRAL	We remain focused on the attractiveness of short-dated government bond yields and note the risks in term premia for longer duration treasuries. We find short-dated TIPS especially attractive. Duration in Gilt markets looks relatively more attractive as we believe long-term growth and inflation expectations remain too high.
DM – Corporate Bonds	UNDERWEIGHT	The risk-reward profile remains unattractive given tight credit spreads and economic risks.
EMD – Government Bonds	NEUTRAL	The weaker US Dollar and attractive yields have boosted EM Govt bonds in H1 2025. Whilst we believe the current US administration will ensure a weaker US Dollar prevail, the Dollar looks to be breaking out of its weakening trend.
EMD – Corporate Bonds	NEUTRAL	Risks include negative economic shock, FX-mismatch. Attractive security specific / RV opportunities, where we prefer high quality, short-duration and hard-currency credit, which offers attractive yields with lower relative risk.
ALTERNATIVES		
Property & Infrastructure	NEUTRAL	We retain conviction behind infrastructure, especially in digital infrastructure and electrification where attractive and sustainable tailwinds persist. We believe infrastructure that provides long-term CF's and inflation protection offer attractive opportunities at current levels. Property remains uncertain and unattractive. Whilst there are perhaps niche / specific property assets that will be attractive, cap rates and valuations broadly do not reflect a higher interest rate regime we entered post-pandemic.
Commodities	OVERWEIGHT	We remain positive on precious metals as geopolitical and economic uncertainty remains high, with optionality driven policy-missteps. Whilst sustainability of demand remains uncertain, energy security, climate change, Asian growth, and significant industrial commodity price weakness, might offer attractive opportunities to increase exposure to the energy complex.
Private Equity	UNDERWEIGHT	Listed PE is always vulnerable to liquidity risks during periods of increased market dislocations. Furthermore, the risks from a high cost-of-capital and increasing difficulties in refinancing are increasing risks not reflected in private markets. We remain Underweight. On a selective basis, attractive discounts have opened up, which warrants attention.
Alternative Strategies	OVERWEIGHT	Uncertainty behind inflation and economic growth drive the opportunity for uncorrelated investment propositions, e.g. Hedge Funds. However, investors should consider the absolute opportunity relative to T-Bills. Attractive strategy specific opportunities exist with i) lower volatility, ii) uncorrelated profiles, iii) attractive risk-adjusted return expectations, and iv) long-volatility pay-off profile. We are especially bullish on CTA's and trend-following Managed Futures.

	Positioning	Investment Thesis
DEVELOPED MARKET EQUITY		
North America	**UNDERWEIGHT**	US equity market outperformance over the last 15 years has been significantly supported by multiple expansion, and valuations remain elevated on both absolute and relative levels. Despite the longer-term benefits from the AI revolution, we believe risks to profit margins remain significant. Whilst valuations in small and midcaps looks marginally more attractive, policy uncertainty and weakening sentiment we believe are major headwinds to U.S. small and midcaps.
UK	**NEUTRAL**	Whilst equity valuations, especially in the small and midcap market are attractive, political uncertainty, deteriorating economic outlook and inflation risks remain material. We retain a preference for high quality and stability and note the opportunity in small and midcap companies.
Europe ex-UK	**OVERWEIGHT**	Whilst FX and Stagflation risks remain material, we belief the changing European fiscal regime represents a major macroeconomic and policy shift in European policy. Valuations remain relatively attractive; however, we note a preference for quality and pricing power.
Japan	**OVERWEIGHT**	Attractive valuation, macroeconomic tailwinds and ongoing market reform all underpin the opportunity in Japan. Corporate Japan's strong balance sheet and low valuations make for attractive risk-reward profile. We believe the Japanese Yen is significantly undervalued, and exposure to Japan should not be hedged.
EMERGING MARKET EQUITY		
Asia ex-Japan & China	**OVERWEIGHT**	We retain a preference for Asian emerging economies over non-Asian EM, driven by better fundamentals and lower reliance on externalities. We note the risks of contagion as China embark on a local deleveraging cycle and economic growth slows. India remains one our highest conviction opportunities in the region, but valuations are stretched.
China	**OVERWEIGHT**	Overly pessimistic outlook and sentiment towards China are reflected in valuations. Whilst question marks with regards to demographics, real estate, debt, policy and alignment remain, sentiment are turning more positive. The risk-reward remain very attractive, and selectively attractive long-term opportunities have emerged.
Latin America	**OVERWEIGHT**	The changing political and macroeconomic environment, specifically the benefits from the 'near-shoring' of supply chains and the consequences of deteriorating China-US relations, creates attractive opportunities in Central and South America. Some uncertainty remains however given our outlook for global growth.
EMEA	**UNDERWEIGHT**	Preference for Asia & Latin America.

“Qui Curat Vincit”

CONTACT US

For further information on any of our services, or if you would like to arrange a meeting with an investment manager to see how we can work with you, please get in touch.

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