

CHETWOOD

INVESTMENT MANAGEMENT

EF INCOME PORTFOLIOS

QUARTER 3 2025 REPORT





Quarter Insights

- Tariff headlines continued to dominate markets during the quarter, but global equity markets broadly produced solid gains, with the US economy remaining resilient and corporate earnings proving stronger than expected.
- Emerging market equities surged, supported by AI investment, domestic policy support, and the extension of the US-China trade truce.
- Both the US and UK saw signs of the labour market softening over the quarter. In the US, average monthly job gains slowed to 29,000 in the three months to August, while the UK saw unemployment rise to 4.7% and job vacancies continue to decline.
- The US Federal Reserve cut rates by 25 basis points in September, signalling the start of a gradual easing cycle as growth is expected to decline.
- The Bank of England lowered rates to 4.0% and indicated a slower pace of future cuts. Persistently high inflation and renewed fiscal concerns pushed 30-year gilt yields to their highest levels this century.

Market Review

The third quarter of 2025 proved steadier for global markets after the turmoil earlier in the year. While President Trump's tariff announcements caused significant volatility in the first half, their impact on inflation and growth has been more modest than initially feared. US economic resilience and stronger-than-expected corporate earnings provided a tailwind for risk assets like equities.

Equity markets advanced across most regions. Emerging markets outperformed developed markets, with Chinese equities leading the way. Policy support for domestic chipmakers, optimism around AI, and easing US-China trade tensions drove a sharp rally in Chinese tech stocks. Japan also performed strongly, aided by a weaker yen, resilient economic data, and the US-Japan trade deal reducing the tariffs on exports.

US equities, led by their large technology-related stocks, rose 10% in sterling terms over the quarter and have rallied nearly 30% since April's lows. Earnings growth has exceeded expectations, although a significant portion of the gains is attributable to higher valuations rather than stronger profits.

UK equities advanced 7%, supported by global revenue exposure and currency weakness. Domestic politics and the upcoming budget continue to weigh on sentiment. In fixed income, UK gilts struggled, with 30-year yields reaching their highest level since 1998.

Despite renewed concerns over fiscal sustainability, in our view, these higher yields already reflect much of this negative sentiment and offer a substantial margin of safety.

Global central banks diverged in tone over the quarter.

The Fed delivered its first rate cut of the year in September, lowering the federal funds rate by 25 basis points and signalling the start of a gradual easing cycle as growth momentum softened. The BOE also cut rates by 25 basis points to 4.0% but indicated further reductions may come more slowly due to persistently high inflation.

Both the US and UK saw labour market softening. In the US, average monthly job gains slowed to 29,000 in the three months to August, while UK unemployment rose to 4.7% and job vacancies declined, with hiring intentions at their weakest since 2020.

Global bond markets were volatile but ended the quarter slightly higher, as US Treasury yields fell on the softer labour market data. The difference in yield between higher-risk corporate bonds and safer government bonds, known as credit spreads, narrowed, which supported returns for both investment grade and high-yield bonds.

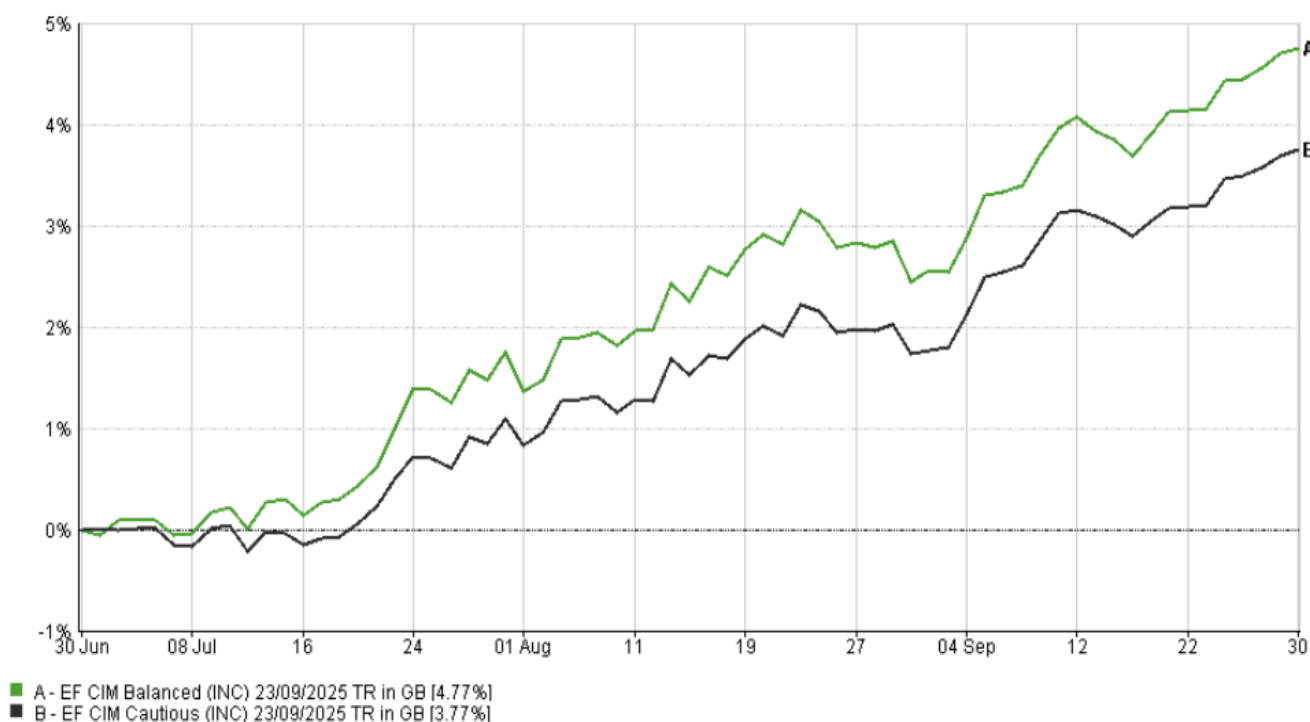
Portfolios performance

Portfolio / Comparator	3 months
EF CIM Cautious (Inc)	3.77%
ARC Sterling Cautious PCI	2.62%
EF CIM Balanced (Inc)	4.77%
ARC Sterling Balanced Asset PCI	4.04%

Index Returns ¹	3 months
UK Equities	7.50%
UK Government Bonds (Gilts)	-0.62%
All Country World Equities	9.55%
Pacific Equities (ex Japan)	7.14%
Emerging Market Equities	11.96%
US Equities	9.99%
UK Headline Inflation	1.53%

Past performance is not a reliable indicator of future performance; and the value of investments, as well as the income from them can go down as well as up, and investors may get back less than the original amount invested.

Performance graph



30/06/2025 - 30/09/2025 Data from FE fundinfo 2025

Key Funds and Trades over the Quarter

Top 3 Model Funds	3 months
Artemis SmartGARP Global EM Equity	14.32% ▲
Amundi Prime Japan ETF	10.05% ▲
Schroder US Equity Income Maximiser	8.74% ▲

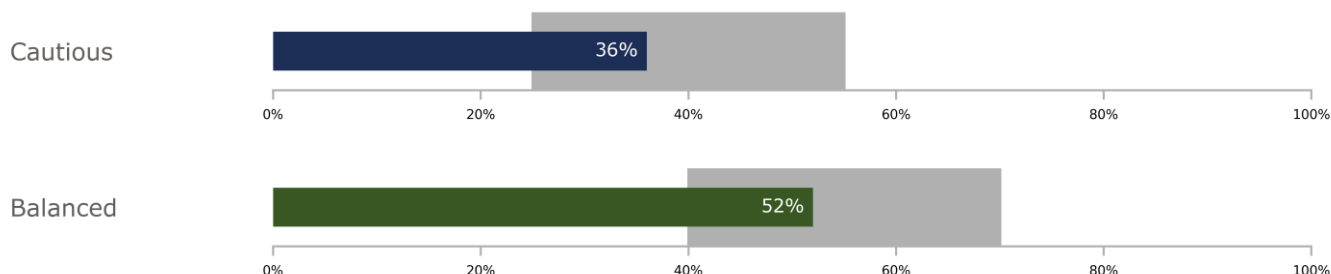
Bottom 3 Model Funds	3 months
AQR Apex	1.82% ▼
Amundi Global Aggregate Bond HDG ETF	1.09% ▼
Invesco UK Gilt 1-5 Year ETF	0.47% ▼

Source FE Analytics to 30th September 2025

Key fund	Commentary
Artemis SmartGARP Global EM Equity	This actively managed fund has been the top performer in its sector over both five and ten years. The managers use a proprietary quantitative tool, SmartGARP, to identify companies in emerging markets that are growing faster than the market yet trade on attractive valuations. Their disciplined, value-conscious approach currently results in a notable overweight to Chinese equities, which proved beneficial during the quarter and helped the fund outperform its benchmark.
Amundi Prime Japan ETF	This passively managed fund rose 10% over the quarter, supported by a weaker yen and strong performance from export-oriented companies. A new US-Japan trade deal, lowering tariffs on most exports, alongside resilient economic data and ongoing corporate governance reforms, further boosted sentiment and helped Japanese equities outperform most other developed markets, which benefited the portfolio due to our overweight allocation.
L&G Global Infrastructure Index	During the quarter, we introduced this holding, funded by selling the AQR Apex fund. The fund tracks the FTSE Global Core Infrastructure Index, providing diversified exposure to assets such as toll roads, utilities, power generation, and real estate, many with inflation-linked revenues. We believe this allocation offers an attractive combination of income, inflation protection, and diversification, making it well-suited for clients seeking sustainable income. The AQR fund has performed well (+12%) since its introduction in October 2024, but it was non-yielding.
JPM Global High Yield Bond Multi-Factor ETF	This is an actively managed fund investing in global high-yield corporate bonds. Over the quarter, it benefited from a tightening in credit spreads, which essentially means that the extra yield investors demand to hold riskier corporate bonds over safe government bonds narrowed, which boosted bond prices. This helped the fund deliver strong performance, relative to the fund's high-yield benchmark as well as other bond strategies.

Asset class review

Equity Exposure



Cautious

Ten largest fund holdings (%)

L&G Global Infrastructure Index	15.2%
Amundi Index Global Agg Hedged ETF	13.6%
Invesco UK Gilt 1-5 Year ETF	11.6%
Vanguard Global Credit Bond Inst Hedged	11.0%
JPM Glb HY Corp Bond Multi-Factor Hdged	10.2%
Schroder UK Equity Income Maximiser	8.1%
Schroder US Equity Income Maximiser	7.0%
Amundi IS Prime Japan ETF	6.4%
JPM Global Equity Premium Income	5.9%
SPDR S&P Euro Dividend Aristocrats ETF	4.6%
Assets in top ten holdings	93.6%

Ten largest asset class exposures (%)

Government Bonds	21.1%
Other Alternatives	15.2%
Corporate Bonds	15.1%
North American Equities	10.8%
High Yield Bonds	10.2%
UK Equities	8.1%
Japan Equities	7.0%
European Equities	5.7%
Asia Pacific ex Japan Equities	2.5%
Emerging Market Equities	2.2%

Balanced

Ten largest fund holdings (%)

L&G Global Infrastructure Index	13.2%
Schroder UK Equity Income Maximiser	11.6%
Schroder US Equity Income Maximiser	10.0%
Amundi IS Prime Japan ETF	9.3%
Vanguard Global Credit Bond Inst Hedged	9.0%
JPM Global Equity Premium Income	8.4%
JPM Glb HY Corp Bond Multi-Factor Hdged	8.3%
Amundi Index Global Agg Hedged ETF	8.2%
Invesco UK Gilt 1-5 Year ETF	7.0%
SPDR S&P Euro Dividend Aristocrats ETF	6.6%
Assets in top ten holdings	91.6%

Ten largest asset class exposures (%)

North American Equities	15.6%
Other Alternatives	13.2%
Government Bonds	12.7%
UK Equities	11.7%
Corporate Bonds	11.4%
Japan Equities	10.1%
High Yield Bonds	8.3%
European Equities	8.2%
Asia Pacific ex Japan Equities	3.6%
Emerging Market Equities	3.1%

Asset class review

Asset Class	Portfolio Views
Fixed Interest	We hold a positive view on government bonds due to the relatively high yields and attractive income profile, with a focus on attractively priced UK assets. Capital upside may be muted in the short term due to higher-than-average government issuance, but with scope for considerable upside should economics slow and inflation abate. We deem corporate bonds a little less attractive due to current tight credit spreads.
UK Equities	We remain constructive on UK equities, supported by rising dividends, share buybacks, and increased M&A activity. Despite strong performance in Q3, valuations remain attractive by historical and global standards. With only early signs of foreign investors returning after years of outflows, we believe there is still considerable scope for renewed interest to drive further gains, suggesting the current recovery in UK equities has further to run.
US Equity	We remain less constructive on U.S. stocks due to rich valuations and exposure to global tariff tensions. Within our US allocation, we favour greater diversification by sector and style to limit exposure to tariff risks and the historically high concentration to mega cap technology companies in the index.
Japan Equity	We remain positive on Japanese equities, which delivered another strong quarter and still trade on reasonable valuations. Continued corporate governance reforms, alongside rising buybacks, management buyouts, and growing activist investor engagement, are improving capital efficiency and strengthening shareholder returns, supporting a constructive long-term outlook.
Asia and Emerging Market Equity	We remain positive on Asia and EM, supported by robust economic and earnings growth prospects into 2026. Chinese equities, in particular, stand to gain from ongoing policy stimulus and investment in AI-related industries.
Alternatives	We view alternative investments as valuable diversifiers, particularly as traditional fixed income has struggled in a higher inflation environment. We currently favour liquid strategies managed by experienced teams, as well as infrastructure investments that offer some inflation protection.

Outlook

The global economy continues to show resilience, even as growth moderates from the rapid pace seen earlier in the cycle. While the near-term growth outlook has cooled, the long-term prospects for equity markets remain favourable, supported by expectations for sustained earnings expansion.

Earnings remain a key driver of stock prices, and analyst forecasts have continued to be revised higher in recent months.

Corporate earnings growth has been bolstered by positive operating leverage: after several years of restructuring, firms are leaner, more efficient, and increasingly driven by automation and AI. Modest revenue gains are therefore translating into stronger profit growth, even amid a cooling economy.

Trade negotiations and tariffs remain a source of uncertainty. While tariffs have yet to have a meaningful impact on inflation, we are monitoring the situation closely. Job creation, though slowing, continues to support overall income growth, and the Federal Reserve has shifted its focus toward

sustaining employment and guiding an orderly economic slowdown. For the time being, demand for goods and services remains broadly positive, underpinned by healthy consumer and corporate balance sheets.

Some earlier cyclical tailwinds, such as capex growth and high job openings, have eased, though momentum from AI investment and infrastructure buildout continues to support growth. Sentiment indicators remain subdued due to political and trade uncertainty, yet the underlying data on production, consumption, and investment continue to hold up well. From an investment standpoint, this divergence between perception and reality can create opportunity.

Against this backdrop, we remain constructive on markets. Global diversification remains crucial, particularly as valuations in the US are elevated relative to other regions. We continue to see attractive opportunities in companies exposed to global AI infrastructure, Asia Pacific and emerging market technology, and deeply discounted healthcare sectors. We believe these areas are well-positioned to benefit from declining interest rates through the remainder of 2025.

Thoughts for the quarter ahead...



- With global growth steady and central banks easing policy, we remain constructive on both equities and fixed income.
- With high valuations in the US, we continue to see attractive investment opportunities in the rest of the world, especially in global AI infrastructure build out, Asia Pac/EM technology and deeply discounted healthcare companies.
- We do not think that US tariff risks are fully behind us and continue to watch closely for signs of an inflationary pass-through.
- The UK economy continues to show resilience, but attention will remain on politics and the November budget. Despite potential volatility, we believe current high gilt yields already price in much of the risk, making them attractive in our view.
- The market is currently pricing in two Federal Reserve rate cuts in Q4, while further reductions from the Bank of England appear unlikely. This divergence increases the potential for relative surprises in UK bonds and Sterling.

Important information

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Risk factors should be taken into account and understood including (but not limited to) currency movements, market risk, liquidity risk, concentration risk, inflation risk, performance risk, local market risk and credit risk.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

¹ For the comparative index returns, we have used the total return performances of the following ETF's:

Comparative index	ETF Name
UK Equities	ISHARES CORE FTSE 100
US Equities	ISHARES CORE S&P 500
European Equities (ex UK)	ISHARES MSCI EUROPE EX-UK
Emerging Market Equities	ISHARES CORE EM IMI ACC
Japanese Equities	ISHARES CORE MSCI JAPAN
Pacific Equities (ex Japan)	ISHARES CORE MSCI PACIF X-JP
UK Government Bonds (Gilts)	ISHARES CORE UK GILTS
Global Bonds (GBP hedged)	ISHARES CORE GLB AGG GBP-H D
Commodities	ISH DIVERS COMMOD SWAP ETF