JM FINN

No.53 *Winter 2025*

Prospects

The JM Finn Quarterly Periodical

Hospitality
Industry under pressure

Insurance
Is your home undervalued?

Autumn Budget
What it could mean for you

No.53
Winter 2025

Important notice

Please note that the value of securities and the income from them may go down as well as up and you may not receive back all the money you invest. Past performance is not a reliable indicator of future results. Any views expressed are those of the author. You should contact the person at JM Finn with whom you usually deal if you wish to discuss the suitability of any securities mentioned. Stock data quoted are as at close of business on 28th November 2025. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

Data protection

If you no longer wish to receive a copy of Prospects and /or to opt out of receiving marketing materials, including invitations to our seminars and events, please send an email to marketing@jmfinn.com.

We process your personal data in accordance with the law, and in particular with the UK General Data Protection Regulation of 1 January 2021. You have the right to object to the processing and use of your personal data, to access the data that we process, and to request that your data be deleted or that any errors in your data be corrected. To exercise these rights, you may write to us by post or by email. A copy of our Privacy Policy can be found on our website.

Editor
Carrie Lennard
carrie.lennard@jmfinn.com

Contents

Welcome	03
Markets in focus	04
Perspectives	07
Editorial	08
Guest editorial	12
Wealth planning	16
Company meetings	18
Wealth planning	20
Stock in focus	22
Collectives commentary	24
Bond focus	26
Independent view	28
Understanding finance	31
Glossary of key terms	31
Asset allocation	32
Sector focus	34
Meet the manager	36

Published by JM Finn
on 12th December 2025

Welcome

It's been a turbulent few months since our last edition, marked first and foremost by the Autumn Budget – the actual contents of which were temporarily overshadowed by the early leak from the Office for Budget Responsibility. In the end, the Chancellor adopted a piecemeal approach to tax changes, rather than opting to rip the plaster off and break Labour's election manifesto promise not to raise income tax.

Paraplanner Milly Haydon covers the salient points of the Budget for higher-net-worth individuals on page 16; the overriding message from JM Finn is to avoid making any immediate changes to your personal financial situation before careful consideration – ideally with the input of your investment manager or our Wealth Planning team, who remain on hand for any questions you might have.

As the UK's industries also consider the possible impact of the Budget on their future strategies, the state of two key, and related sectors – agriculture and hospitality are the subject of the editorials this issue. On page 8, Assistant Research Analyst Jack Summers details the whisker thin profit margins under which the UK's farmers and food producers operate – and the sometimes negative consequences policymakers can have when attempting to strike the right balance between preservation of the countryside's unique landscape composition and the need to produce sustenance for the growing population. In the guest editorial on page 12, Allen Simpson, CEO of trade body UKHospitality explains why the UK's hospitality industry has come under the multi-pronged pressures of rising food and wage costs and squeezed consumer budgets for discretionary spending. Head Chef and restaurant Co-Founder Joe Mercer-Nairne adds flavour to the guest editorial with his first-hand experience of these effects – and his strategy to weather through stretched times.

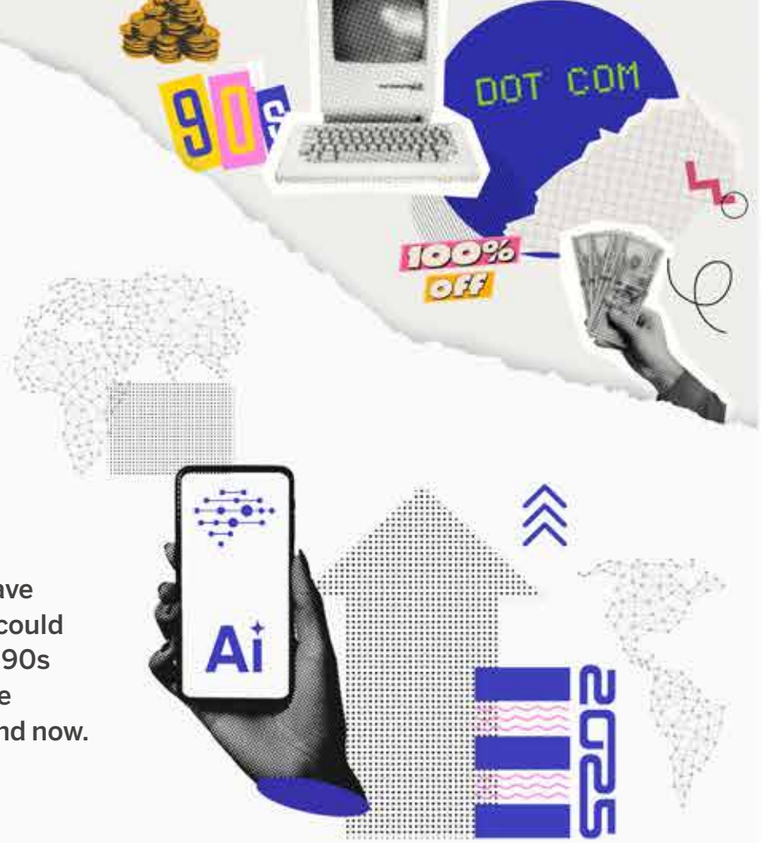
Also looking stretched are valuations of US technology stocks, with murmurs among some investors of a 'bubble.' Head of Investment Office Jon Cunliffe clarifies why this chapter of elevated tech equity prices is distinct from the hallmarks of the 90s dot-com era – making a repeat of the boom and bust unlikely– more on this in Markets in focus on page 4. One of the 'Magnificent Seven' group of mega-cap tech stocks, Alphabet, better-known as the parent company of Google, is this edition's Stock in focus. Having enjoyed a long period largely untroubled by competitors, Google now faces the hurdle of a barrage of AI chatbots that have arrived on the scene armed with deep pockets and more sophisticated search functions than the short keyword searches we've known for many years.

Travel in the EU is also undergoing a major shake-up. The antiquated process of manual passport stamps is being replaced with biometric registration to improve security and ultimately speed up movement through border control. The transition is not without teething problems however as those who've been on the receiving end of long airport queues recently might attest to. In his Perspectives column on page 7, CEO Hugo Bedford takes a look at why long-term change for the better can sometimes bring short-term pain points. Lastly, closer to home, did you know that an estimated 70% of residential property in the UK could be underinsured? Ben Pickles of McClarrons Affinity gives practical tips in the Independent View on page 28 to check your house and its contents are not part of that figure.

Carrie Lennard
Editor

In focus

Markets in focus



Elevated US tech stock valuations have made some question whether there could be a tech 'bubble' reminiscent of the 90s dot com era. Jon Cunliffe explains the inherent differences between then and now.

Jon Cunliffe,
Head of Investment Office

Headlines warning about stretched valuations and bubble like price action (especially in US technology stocks) have naturally made investors nervous. High valuations, however, are not a reliable timing tool for exiting markets. They mostly reflect expectations: investors will pay more for each dollar of earnings when they believe those earnings are durable, resilient, and likely to grow faster than average. Today's market leaders, the so-called Magnificent Seven, span software, semiconductors, hardware, cloud infrastructure, and AI-driven technologies. These companies tend to generate substantial free cash flow, maintain strong balance sheets, sell business critical products on recurring contracts, and sit at the centre of long, multi-year trends like Artificial Intelligence (AI), automation, and digital transformation. This business mix can support elevated valuations for longer than many expect, even if day-to-day news flow is noisy and volatility remains part of the investment journey.

Why some tech share valuations are at a premium

It also helps to remember that a single valuation number is an average laid over a very diverse set of businesses. 'Tech' now encompasses profitable chipmakers, cloud platforms, enterprise software, and device ecosystems – models with different cycles, margins, and capital needs. Within that mix, some companies command premium valuation multiples because their earnings compound rapidly, while others are priced more modestly. This dispersion matters. When profits rise strongly, even a noticeable compression in valuation does not have to derail total returns; multiples don't need to expand if earnings keep doing the work. Many tech leaders also benefit from self-reinforcing ecosystems: advantages in distribution, data, developer communities, and access to capital can widen competitive moats over time. That allows innovation to be funded internally rather than through less reliable external financing, and global revenue bases reduce reliance on any single region. None of this eliminates risk, but it raises the bar for the kind of shock needed to force a deep, lasting de-rating (i.e. decrease in valuations) across the group.

Could we see a repeat of the 90s dot-com bubble?

Against this backdrop, it's tempting to draw parallels with the late 1990s dot com era. Yet the underlying environment is different in several ways. First, corporate balance sheets are healthier. Across the US, euro area, Japan, and the UK, non-financial companies have been net savers for much of the post Global Financial Crisis era. For example, in the US there is currently a substantial net financing surplus, which means that the corporate sector generates more cash than it requires for capital expenditure, debt servicing and working capital. This contrasts to the late 1990s when many firms ran deficits into the 2000 peak. Stronger cash generation and less leverage tend to cushion earnings through slowdowns and make the system less fragile when borrowing costs rise.

Second, global investors as a group are not currently overextended in their equity exposure. While US households look heavily exposed to stocks, a broader measure that considers equities as a share of all assets – stocks, bonds, and cash – held by non-bank investors worldwide sits well below its early 2000 peak. Against this background there is relatively less vulnerability to a sharp, position-driven unwind if sentiment cools. Third, the supply backdrop is boosting holdings of bonds and cash. Reflecting the growth of the global money supply, estimates are that the bond and cash universe is expanding by about $7 trillion per year, roughly 5.7% of global equity market value, compared with around $1 trillion per year (about 4.5%) in the late 1990s. At the same time, net equity supply (i.e., the global supply of public equities) has been negative in recent years (roughly $90 billion annually) because buybacks and takeovers are removing shares from the market faster than companies issue new ones, whereas the late 1990s featured heavy net equity issuance. Mechanically, this means equity prices must rise – or investors must actively shift money – just to keep stock weights steady as the asset pool for defensive assets continues to rise strongly.

Fourth, the capital expenditure (capex) boom is much narrower than in the late 1990s. Spending on AI and data centres is undeniably strong, but it's concentrated in technology and adjacent infrastructure rather than spread across the entire economy, as was the case in the 1990s. Measures like private non-residential investment relative to GDP haven't surged in the sweeping way they did in the dot com boom, and even intellectual property investment, while healthy, hasn't risen unsustainably. The upshot here is the current environment lacks the kind of economy-wide capex excess seen in the late 1990s, implying a lower risk of a widespread investment downturn undermining broader economic growth.

Fifth, and by no means last, valuations, while elevated, are far from dot com extremes. Market leaders in early 2000 traded at price/earnings ratios of around 70× earnings after rising from roughly 20× in the mid 1990s. Today, the mega cap cohort has mainly been in the 30×-40× range for years, and the equal weighted S&P 500 sits closer to 18× earnings. The headline S&P 500 looks expensive in part because the Magnificent Seven giants now account for roughly 35% of index weight – about three and a half times their 2015 share – reflecting outsized earnings growth as much as multiple expansion.

> Today's tech leaders benefit from strong cash generation, resilient business models, and long-term structural trends.

The role of interest rates in valuations

Interest rates clearly influence valuations because they discount future profits back to the present. Markets have spent the last few years adjusting to higher rates, and companies have adapted by improving pricing, efficiency, and capital allocation. Recently, policymakers have signalled additional cuts as labour conditions soften, which, if delivered, would ease the discount rate headwind. Interest rate markets in the US now discount a much steeper path of rate cuts which, if they materialise, are likely to support risk appetite. Even so, the more important driver from here is likely to be the path of earnings and free cash flow, which remains encouraging across key platforms and suppliers

tied to AI, cloud, and automation. For the long-term investor, that means focusing on business quality and cash generation rather than trying to second guess the twists and turns of the interest rate cycle.

Volatility, of course, is the price of admission for equity returns — particularly in higher beta technology. Pullbacks of 5% to 10% are common even during healthy bull markets. Larger, more persistent declines typically require a deterioration in fundamentals: a sharp contraction in economic activity that forces earnings downgrades and tightens credit conditions; a policy mistake that slows money growth; or a significant rise in bond yields if investors question the sustainability of public finances. Outside of those conditions, turbulence around earnings seasons, regulatory headlines, or geopolitics is common but not necessarily trend breaking. One risk worth monitoring is the growing concentration of the US market, where a handful of mega cap companies have driven an outsized share of index returns. If optimism about their growth potential fades, the overall market can move abruptly, which makes periodic rebalancing and diversification more important.

> High valuations often reflect confidence in durable, fast-growing earnings, allowing leading technology companies to sustain premium multiples despite volatility and noisy headlines.

The importance of diversification

Diversification makes sense because large cap US equities trade at roughly a 50% valuation premium to the rest of the world. As we've already discussed, this doesn't necessarily suggest a reversal, but it argues for spreading exposure. Eurozone equities, with Germany at the centre, could benefit from over €1 trillion of planned spending on defence and infrastructure and from more flexible EU deficit rules. This policy mix should support more cyclically sensitive mid cap companies, and the rollout looks set to continue into 2026. In the UK, equities still trade at a steep discount to the US, and their mix – heavy in consumer staples, health, and commodities – can hedge inflation, interest rate volatility and geopolitical uncertainty. Emerging Asia should gain from favourable growth differentials versus developed markets and from a weaker dollar, an environment that can also allow additional, market friendly monetary easing. Japanese equities continue to have merit, as a 'good' rise in inflation coincides with better consumption and gradual monetary normalisation. Corporate reforms in Japan aimed at improving capital efficiency have already encouraged more buybacks, asset disposals, and dividend increases, while households are, for the first time in decades, shifting savings from cash and bonds toward equities.

Finally, as the world edges from globalisation toward an order dominated by the US and China, with rising economic nationalism and reshoring, companies that derive a larger share of revenue domestically may find tailwinds. Elevated valuations in US technology mostly reflect expectations of durable growth from businesses with unique assets in a world that is still digitising.

At the same time, it is prudent to hold a meaningful allocation to regionally diversified equity exposure alongside large cap US stocks to offset concentration risk and to access a wider set of return drivers. Coupling that equity mix with sensible allocations to high quality bonds and diversifiers, rebalancing when allocations drift too far from target, and resisting the urge to time markets based on headlines remains a sound way to navigate an environment that is fundamentally different from 1999, even if it doesn't always feel like it.

Please read the important notice on page 1.

PERSPECTIVES

Keeping pace

JM Finn CEO Hugo Bedford considers how Europe's shift to biometric borders mirrors the rapid technological changes affecting the devices and apps we rely on every day.

Hugo Bedford
CEO, JM Finn

Imagine landing at the airport, ready for a long-awaited European getaway – only to face a lengthy wait to clear border control. Why? This is the reality many non-EU travellers may now face with the EU's new Entry/Exit System (EES), which began to be phased in during October 2025. It's a digital overhaul of border control, replacing manual passport stamps with biometric registration, which means that travellers from non-EU countries –including the UK – may now need to provide fingerprints and facial images at the border the first time they travel to the EU since the EES began.

The EU's move to biometric borders aims to crack down on fraud and other criminality, and to detect and enforce the 90-day rule for short stays. The change is already proving somewhat irritating to travellers in the short-term, with long queues in airports – including in Alicante this November, where some passengers missed flights for onward travel due to delays. Over time however, it should make the process of moving between borders more streamlined and safer. This shift is a good analogy for what's happening in the tech world too. Change happens quickly and then becomes the norm, albeit sometimes with teething problems as we get to grips with it. It's easy to forget that just 20 years ago our tech lives looked very different: our phones had no cameras, social media was in its infancy and artificial intelligence was confined to research institutions. Invariably, as technology changes, we might also need to adapt both hardware and software to keep up to speed, as what was cutting-edge just a few years ago can quickly become outdated.

The same can be true of apps: major providers like WhatsApp and banks regularly phase out support for apps run on older devices. The reason is simple – those devices are no longer able to receive important updates from manufacturers such as Apple or Google, which could leave them open to a higher risk of cyber-attacks and fraudsters gaining access to users' bank accounts. Phasing out app support for older tech can therefore often be a necessary step to ensure apps remain secure, efficient, and compatible with the latest standards.

A good rule of thumb can often be to consider every few years whether an upgrade might be needed: while none of us want to be at the mercy of changes from big tech companies, it can be necessary in order to stay safe online. Just like the switch to biometric borders, this may involve a pain point in the short-term, but with the benefit of longer-term peace of mind.

Editorial

Green and pleasant land

Jack Summers
Assistant Research Analyst

The landscape composition of the United Kingdom of Great Britain is a truly unique proposition on planet earth. It is home to 75% of the world's heather moorland, mostly found in Northern England and Scotland, 85% of the world's chalk streams, predominantly in the limestone rich South of England, and is holder of the world record yields for wheat, barley and oilseed rape crops thanks to the fertile fenlands of the Eastern coast.

Traditionally, land management and government incentives have sought to balance preserving and enhancing the unique habitats that support the UK's rich flora and fauna with the need to produce food to feed the nation. However, empirical evidence generally suggests that we as a nation have been doing a poor job of both. The 2023 'State of Nature' report estimated that just 14% of key UK habitats were in a good ecological state, whilst UK food self-sufficiency has been on a consistent downward trend, falling from c.78% in the 1980s to c.62% in 2023 according to the National Farmers' Union.

30%

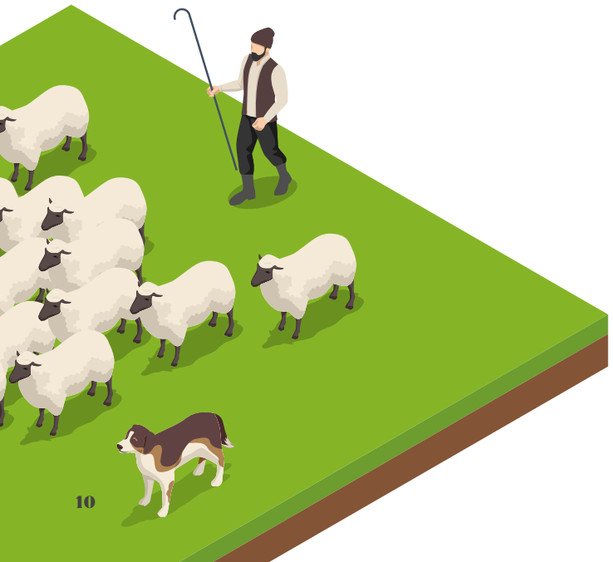
of farms were loss making in 2023/24.

The removal of Agricultural Property Relief poses a critical threat to UK food security.

Two key issues immediately present themselves in relation to balancing nature and food production. The first is that land management is notoriously expensive, recurring in nature, and often yields little in terms of financial return on investment, despite the obvious non-monetary benefits which can largely be thought of as public benefits. This feeds into the second issue: that the UK agricultural sector is characterised by low profitability and high capital intensity, translating to an estimated return on capital employed (ROCE – a measure of profitability) for the sector of just 1%. It should come as no surprise that this ROCE is well below the current UK cost of capital (i.e., the minimum return needed to justify investment), which should set alarm bells ringing in the head of any decent equity analyst reviewing a business.

The Labour government's misplaced 'Family Farm Tax', coming in April 2026, will only exacerbate this issue as a further detractor from the net profit line of many farms, in an industry where c.30% of businesses (farms) were loss making in 2023/24. The removal of Agricultural Property Relief (APR) was clearly targeted at those seeking to exploit the relief as a loophole to reduce their inheritance tax burden, and rightly so. However, the execution of its removal was clumsy, posing a critical threat to UK food security and raising very little in the way of meaningful tax revenues. The incoming tax will be particularly detrimental to the average UK family farm on account of the same financial characteristics that drive such a poor ROCE for the industry. The asset base value is large, but generally illiquid given it is mostly comprised of land value with little cash on hand. Meanwhile operating profit is low in proportion to the asset value, with wafer thin profit margins and limited cash generation to cover additional liabilities. The likely result from the tax given the current thresholds is that small parcels of land are sold to cover any tax liability, de-scaling producers that are already at a scale disadvantage.

For nearly two decades from 2003, farmers were compensated for producing food through the Single Farm Payment and Basic Payment government subsidy schemes. This incentivised food production and supported farm profitability but did little to meaningfully encourage the preservation of nature, particularly outside of actively farmed land. Payments were also area based, paid on a per hectare basis, which skewed the largest subsidy payments towards the largest landowners, and away from less well capitalised smaller producers. This limitation saw James Dyson's Beeswax Farming receive c.£1.6m in support in 2016, against a UK average of c.£23,500 in the same year. What's more, this period rather unhelpfully got the UK population hooked on the expectation of cheap food and distorted the distribution of value along the food supply chain.



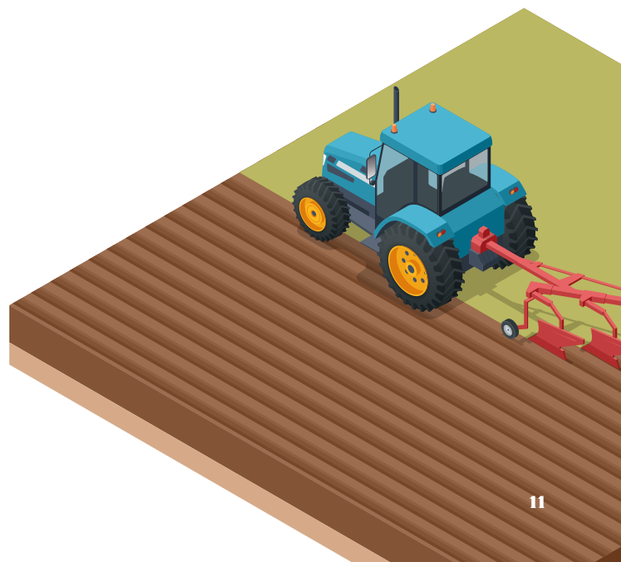
The proportion of disposable income we spend on food and non-alcoholic beverages is one of the lowest in the world.

As a nation, the proportion of disposable income we spend on food and non-alcoholic beverages is one of the lowest in the world, the majority of which is spent in supermarkets. The distorted distribution of profits along the supermarket value chain is observed across most categories of food items but is most easily demonstrated by one of the simplest staple food items: bread. Take a standard supermarket sliced loaf, for which the average total profit per unit is 4.35p. Of this, the retailer captures 23% of the total profit, the baker 51%, the miller 24% and the farmer a staggeringly low 2%. Couple this example with a milling wheat price which currently sits at £177/ton, down -8% in real terms (adjusted for Real Prices Index inflation) over the last decade, and it's very difficult as things stand to expect the guardians of our countryside to foot the recurring cost of preserving it. With this in mind, next time you're out doing your weekly food shop, consider visiting your local and independent farm shop, butcher or baker – you might just be making more of an impact than you think.

The government's current subsidy system, the Environmental Land Management Scheme (ELM) has very much moved incentives away from food production and towards countryside stewardship. It is a tiered scheme which has the Sustainable Farming Incentive (SFI) at its core. In simple terms, farmers are paid to take up to 25% of their farmed land out of production for a period of time, committing it to a variety of actions aimed at supporting long-term biodiversity, water quality and soil health as part of an actively farmed ecosystem. In addition to SFI, the higher tiers of the ELM payment scheme are targeted towards countryside stewardship, with the aim of preserving and restoring habitats such as wetlands, woodland, moorland and peatland.

This author is under no illusion that the cost of managing the habitats and landscape that sit within, and adjacent to farmland should be viewed as an implicit cost of land ownership. However the economics must stack up for it to be effective and sustainable, which at present they clearly do not. A two-pronged government strategy of financial and non-financial support would go a long way to addressing the issues discussed. Financial support should continue through the ELM scheme, a definite step in the right direction for capturing long-term public benefits including carbon sequestration, biodiversity and habitat preservation, improved water quality and many more. However, this needs to come alongside non-financial support, principally addressing the extreme value imbalances that are present across our food supply chain. This strategy should better ensure landowners and the government properly play their parts in sustaining our green and pleasant land.

Please read the important notice on page 1.



Guest editorial

Inhospitable times

Allen Simpson, CEO of trade body UKHospitality, describes the complex pressures the UK's hospitality industry is facing.

Allen Simpson
CEO, UKHospitality

My cat keeps leaving dead mice on the kitchen floor. He looks incredibly pleased when he does it – I think he thinks I want to eat the mouse.

Reader, I don't want to eat the mouse. There's often a similar thing in Budgets. Chancellors announce a change which they hope will make someone happy, only to find the target looks a touch like they're staring at a dead rodent left by their slippers. That's what happened for the hospitality sector with the Budget.

Let's start with business rates. Business rates are very complex, for better or worse. The Chancellor announced a five pence reduction in the 'business rates multiplier', in effect the tax rate, which sounds great. But at the same time, the business premises themselves were revalued so businesses are paying a slightly smaller percentage tax on a far higher number. What does it mean? Well, pubs will be paying at least 50% more on average than they are today.

By contrast the Amazon warehouses that the government said they wanted to balance the costs of business rates towards, look likely to see their rates up by less. So much for saving the high street.

Next, we turn to tourism taxes. The government said in Parliament just two months ago that they have no plans to introduce such a tax (which would in hindsight make a fun freedom of information request). But times change, and we're going to get a tourism tax in England following a consultation.

You might fairly reasonably think that's fine, since we all pay these things in Europe. But in Europe they also have far lower VAT on holidays. France, Spain, Italy all have 10% VAT. Germany 7%. The list is all very much of this sort of level. Here in England we pay 20%. We'd be unique in having a full fat VAT rate AND a tourism levy.

If that levy is 5% - which is a standard number – it means that you've got a 27% tax rate on holidays, partly because madly, the levy itself is VATable. The other problem with the plan is that domestic holidaymakers will pay it too. That 5% levy will add up to £500m in extra taxes on trips we take inside England.

Elsewhere minimum wages continue to rise: a 4.1% increase for over 21s to £12.71 per hour, and an inflation busting 8.5% increase to £10.85 for 18-21s.Why the difference? The government want to equalise the minimum

wage for everyone over 18. The balance on minimum wages isn't easy – you want to ensure fair pay but don't want to set pay at such a high level that people cannot find jobs. £12.71 is over £25k a year full time, with national insurance and pension on top. In practice it's nearly £29,000 in total. We are certainly seeing some employers scale back on early career roles which don't return enough profit to cover the cost.

Last year's Budget was expected by the Office for Budget Responsibility to cost around 50,000 jobs – but the impact has been about four times that, with half the jobs lost economy wide coming just in hospitality.

One third of hospitality businesses are operating at a loss, 76% have had to put up prices, and 63% have reduced the hours available to staff. The line between viability and closure is now gossamer thin. This year, it's hard to predict exactly what the impact will be. It seems certain that more jobs will go, or perhaps never be created. Prices will undoubtably rise. And investment will stall.

I'm often asked why the government seems to be so determined to asymmetrically hammer hospitality. The first point is to say that this question isn't special pleading, there is evidence that the sector is uniquely harmed. The 100,000 jobs lost in hospitality since last year's Budget represent half of all jobs lost in the economy. The logic behind the asymmetry is explicitly stated by the Government in their Industrial Strategy, and everything else is downstream of there. In the Industrial Strategy they say: "This is about positive choices: backing eight sectors (the IS-8) with the highest potential, and the frontier industries at their leading edge."

Despite challenge from industry, they have yet to set an approach to the 70% of the economy outside of those sectors, hospitality included. That has had real world impacts from disproportionate and regressive taxes on lower earners, and the exclusion of sectors like hospitality from accessing skills and training budgets or financial support from the British Business Bank.

To some degree, we are seeing the opening of a two-tier economy, where for eight sectors the Government talks about lower tax rates, reduced regulatory burden and active practical support. For the rest of the economy it is sin taxes,

> History is that hospitality finds a way.

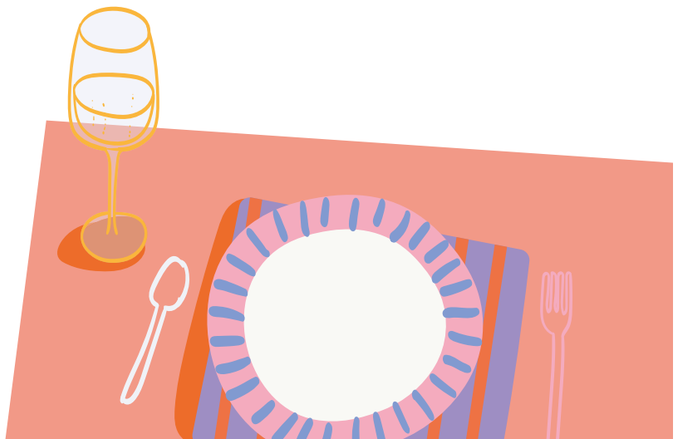
the clammy hand of regulation and exclusion from key government schemes. So hospitality should not expect the Government to come to the rescue anytime soon.

The advantage we have is innovation – where the consumer changes, hospitality is adept at changing too. Take the rise of the late license, alcohol free dessert bar – for a younger generation where cultural norms, religious objection or simple health concerns mean people may not be drinking: the dessert bar is the new pub. They can sit and chat and flirt and experience the dramas of youth in an environment their parents are comfortable with.

Or competitive socialising, which is monetising an alcohol-agnostic social environment. Or new cuisines which bring interest and demand from across society – look out for the first person to do a high street jollof rice restaurant: that would be a massive smash hit.

In the medium term it seems inevitable that we will see closures and job losses on the high street. It's a challenging trading environment even without a government seemingly determined to make life harder.

But the history is that hospitality finds a way. A positive person might hope that as rents equalise to reflect the new reality, innovation on the high street will come back and young enterprising people will create the venues of the future.



A restauranteur's viewpoint

Head Chef of award-winning restaurant Medlar gives his first-hand experience of these challenges.

Joe Mercer-Nairne
Head Chef and Co-Founder, Medlar

Medlar has been open for almost 15 years now, and generally is a joy to run and a source of pride for those of us who work here. It has experienced various ups and downs, acting as a bellwether for consumer sentiment.

At times of uncertainty, such as elections, referendums, stock market corrections and budget announcements, we tend to be quieter until the dust has settled. How these events unfold continues to affect us either positively or negatively, but it's often the uncertainty that's the worst.

This last year has been the hardest trading environment we've ever seen. There was a post-pandemic surge in demand, as our customers enjoyed the freedom of being able to come back to us, accompanied by a feeling that they had the means to do so. However, this slowly fizzled out, as the general cost of living spiralled, and specifically for restaurants, severe food, wage and utilities inflation pushed the price we had to charge ever higher. Unfortunately, not only did these price rises erode demand, but they were also insufficient to maintain our margins, so the worst of both worlds. The cost of wages and utilities as a percentage of total turnover now far exceeds anything a good restaurateur would have previously aimed for.

This perfect storm we found ourselves in was then compounded by tax rises in the last year. Increases to employers' National Insurance cost restaurants around £25,000 per annum. The discount on Business Rates was also slashed at the same time. Other tax changes such as those on non-doms, Inheritance Tax and the addition of VAT on private school fees, also negatively affected us here at Medlar – although disproportionately so compared to the wider hospitality industry.

All of these factors combined have put restaurants like us in real jeopardy. However, food, wage and utility inflation appears to have stabilised over the last few months, and so I am hopeful the worst of that is now behind us. All we can really do is stay positive and continue to focus on our customers, providing them with outstanding food and service, time and time again. When times are hard it's even more important that we look at ourselves, to make sure we are offering the highest quality product at a price that represents excellent value, and so hopefully always exceeding our customers' expectations!

About Medlar

Joe Mercer-Nairne is Head Chef at Medlar restaurant in Chelsea, which he co-founded in 2011, following roles at The Savoy Grill and Chez Bruce. Medlar's cuisine style is French based, with an emphasis on seasonal ingredients from the British Isles and Europe.

www.medlarrestaurant.co.uk

What could the Budget mean for you?

Milly Haydon
Paraplanner

On 26 November, the Chancellor delivered her much-anticipated Autumn Budget. While headlines have focused on the broader economic picture, the real impact lies in the finer details. We examine some of the key measures and what they could mean for you.

Income Tax: stealth rise

As expected, Income Tax rates remain unchanged. However, all income tax band thresholds will be frozen until April 2031. This extended freeze means that as earnings and investment income grow, more individuals will be drawn into higher tax bands – a process known as 'fiscal drag.'

What to consider: *Review your projected income structure for the coming years and explore tax-efficient strategies to mitigate the impact. Potential options include pension contributions, using spousal allowances, and charitable gifting.*

Savings, dividend and rental income: higher taxes ahead

From April 2027, tax on savings income, including bank interest, will rise by 2%, to 22%, 42%, and 47% for basic, higher, and additional rate taxpayers, respectively. Tax on rental income will also increase by the same margin.

Dividend tax rates will rise earlier, from April 2026, by 2%, bringing rates to 10.75% for basic rate taxpayers and 35.75% for higher rate taxpayers. The additional rate will remain at 39.35%.

What to consider: *Maximise tax-efficient wrappers: Ensure ISA and pension allowances are fully utilised, as interest and dividends within these remain tax-free. Reassess cash allocation by considering whether excess cash could be better deployed within tax shelters or investments. Portfolio restructuring: review asset distribution between spouses to optimise allowances and minimise exposure to higher rates. Property planning: revisit rental property ownership structures and cash flow to manage the impact of higher tax rates.*

Inheritance Tax: continued freeze

The Nil Rate Band (£325,000) and Residence Nil Rate Band (£175,000) remain unchanged, with no new measures announced. This continued freeze means that as property and asset values rise, more estates will fall within the scope of Inheritance Tax. Any unused portion of the new £1 million cap on 100% Agricultural Property Relief (APR) and Business Property Relief (BPR) will be transferable between spouses and civil partners – even if the first death occurs before 6 April 2026, when the cap comes into effect. Relief above £1 million will be available at 50%.

What to consider: *Early and proactive estate planning is more important than ever. Review the use of lifetime and regular gifts, ensure you are making full use of available exemptions and reliefs, and consider trust structures for asset protection.*

ISAs: new rules

The overall annual ISA allowance remains at £20,000. However, from April 2027, the annual Cash ISA limit will be reduced to £12,000, with the remaining £8,000 allowance available for Stocks and Shares ISAs. Savers aged 65 and over will retain the full £20,000 Cash ISA allowance. Transfers from Stocks & Shares ISAs to Cash ISAs will be restricted from April 2027, preventing savers from moving large sums into Cash ISAs after the cap is introduced. Transfers from Cash ISAs to Stocks & Shares ISAs will still be permitted.

What to consider: *continue to maximise your ISA allowance each year. Plan ahead for the rule changes in 2027. Keep an eye on developments regarding the new first-time buyer ISA.*

Pensions: Salary Sacrifice and State Pension change

From April 2029, Salary Sacrifice pension contributions above £2,000 per annum will no longer be exempt from National Insurance (NI). Contributions over this limit will attract both employee and employer NI charges. Meanwhile, the State Pension will rise by 4.8% from April 2026 under the triple lock, taking the full entitlement of the new State Pension to £12,547.60 per annum.

What to consider: *continue to use Salary Sacrifice while fully exempt, and review pension funding strategies ahead of the 2029 change. Check your State Pension forecast via the Government Gateway: www.gov.uk/check-state-pension.*

Council Tax surcharge: 'Mansion Tax'

From April 2028, a new council tax surcharge, dubbed the 'Mansion Tax', will apply only in England in addition to existing council tax. This surcharge will be levied on property owners, not occupiers. A consultation will address complex ownership structures such as trusts and businesses.

It is important to note that many of these proposals will be subject to lengthy consultations before implementation. We recommend seeking advice from a qualified Financial Planner before making adjustments. If you would like to discuss how these changes may affect you, please contact our Wealth Planning team.

This summary reflects our initial interpretation of the Autumn Budget announcements. The measures outlined may be subject to change following consultation and detailed legislation. The information provided in this article is of a general nature and is not a substitute for specific advice with regard to your own circumstances. You are recommended to obtain specific advice from a qualified professional before you take any action or refrain from action.

Company Meetings

A spotlight on three of the companies we've met during the past quarter.

We met or spoke with the companies below and you can learn more on any of these by contacting the person at JM Finn with whom you usually deal.

William McCubbin, *Research Analyst*

CONSUMER DISCRETIONARY
Amazon
Compass Group
LVMH
TechnoGym

CONSUMER STAPLES
L'Oreal
Nestlé

FINANCIALS
Lloyds Banking
LSEG

HEALTH CARE
Edwards Lifesciences
Haleon
Intuitive Surgical
Thermo Fisher Scientific

INDUSTRIALS
Ashtead Group
Experian
Schneider Electric
W.W. Grainger

MATERIALS
Givaudan

1.

Ashtead Group

Equity market cap (M) £19,988

Industrials
Will Shaw, Head of Investor Relations

Operating under the Sunbelt Rentals brand, Ashtead Group is one of the world's largest equipment rental companies. Founded in 1947 and listed in London, the company rents everything from aerial platforms and power generation units to earthmoving machinery, serving both construction and non-construction markets across more than 1,500 locations. With one of the largest trucking fleets in North America, over 60% of contracts are fulfilled within 24 hours, supporting strong customer loyalty and premium pricing.

When we discussed the company's growth strategy, it was explained that Ashtead's focus is on increasing its "share of wallet", a decades long trend of rent penetration taking share, where they are encouraging customers to use more of its 13 business lines. Cross-selling between general tool and speciality divisions is a key priority, with the latter targeting non-construction markets such as sports, events and emergency response, which are less cyclical and provide steadier, recurring demand.

We also talked about how Ashtead is working to shift market perception from a cyclical industrial company to a business services provider, reflecting the growing weight of non-construction revenue. The clustering strategy in the top 100 US metro areas remains central, building multiple nearby depots to share logistics and improve utilisation.

It was noted that growth remains largely organic, supported by greenfield openings and small bolt-on acquisitions rather than big mergers. North America accounts for over 90% of profits, with Canada managed as an extension of the US business. The UK remains more fragmented, with the focus there on improving returns rather than expansion. It seems from our meeting that it would be unlikely if they still had the UK organisation in 10 years' time.

2.

Compass Group

Equity market cap (M) £40,212

Consumer Discretionary
Agatha Donnelly, Head of Investor Relations

Compass Group is the world's largest contract catering company, with a history dating back to 1941. Operating across more than 50,000 sites globally, it provides food and support services to clients in business and industry, healthcare, education, sports and leisure, and defence.

After a strong recovery following the pandemic, Compass expects to maintain steady revenue growth, targeting net new business of 4 to 5 per cent a year, up from around 3 per cent pre-Covid, within a 6 to 8 per cent overall revenue framework. Pricing remains the main driver as inflation trends normalise, while volume growth is expected to play a smaller role.

The group's decentralised, locally driven model remains a key advantage, allowing site teams to tailor services to client needs. Contracts are structured to fit different risk and operational profiles, ranging from profit-and-loss sharing to cost-plus and hybrid models. The recently strengthened CRM system has improved pipeline management, while regional teams are fully accountable for their own profit and loss outcomes.

Europe remains a significant area of opportunity, particularly in healthcare, education and senior living, where an estimated 60 to 70 per cent of operations are still self-managed. For context, outsourcing self-managed operations to a contract catering company has been a significant structural tailwind in the industry. Expansion in these areas is being supported by targeted bolt-on acquisitions, such as Hoffmann's in Germany, and selective investments in France, Australia, Japan and India. Compass continues to avoid large transformational deals, focusing instead on capability-led growth.

3.

Givaudan

Equity market cap (M) CHF 31,163

Materials
Claudia Pedretti, Head of Investor Relations

Givaudan is the global leader in production of flavours, fragrances and active cosmetic ingredients. From its roots dating back to 1895 in Switzerland, Givaudan has grown from a small perfume maker into a global company, operating across more than 180 locations and supplying some of the biggest names in consumer goods.

We first discussed their recently lifted medium-term revenue growth target to 4-6 per cent a year between 2025 and 2030, up from 4-5 per cent previously. Around 70 per cent of past growth has come from higher volumes rather than pricing, with prices mainly adjusted to offset swings in raw material costs or currencies. Claudia explained that innovation and product mix are key drivers of value creation, helping Givaudan steadily outgrow its markets.

Fine Fragrance remains a big contributor, making up around 10 per cent of group sales. Demand has been strong, helped by premiumisation, new sales channels and rising interest in emerging markets. The Middle East has now become Givaudan's second-largest fragrance market, while China continues to offer long-term promise given its low penetration and high barriers to entry.

In its Taste & Wellbeing category, natural colours are a standout opportunity, particularly in North America. Even though natural colours can cost up to ten times more than synthetic ones, careful reformulation has helped protect margins.

R&D spending remains about 8 per cent of sales, while capital investment has increased to 4-5 per cent to support new capacity, digitalisation and automation. A new CEO, Christian Stammkoetter, will take the helm in March 2026 and is expected to focus on innovation-led growth.

Please read the important notice on page 1.

Wealth Planning

All about SIPPs

Luke Audritt explains what you need to know about self-invested personal pensions – and why they remain an appealing way to save for retirement.

Luke Audritt
Wealth Planner

In the world of pensions and all of the jargon that comes with it, one which you may have come across is a "SIPP", or self-invested personal pension, to give it its full name.

SIPPs are a highly tax-efficient way to save. From a tax perspective SIPPs work in the same way as other types of UK registered pensions, which we would generally describe as "Exempt-Exempt-Taxed". This means relief from income tax is usually available at an individual's highest marginal rate on money paid in. Investments held within the SIPP also grow free of Capital Gains Tax, providing a significant boost to returns over a reasonable time horizon. When you come to draw on the SIPP, up to 25% can be taken as a tax-free lump sum, but income tax is then applied on the remainder. Given their tax-efficiency, SIPPs are subject to the same limits as other pension schemes when it comes to how much can be paid in each year (currently the lower of your total earnings for the 2025/6 tax year or £60,000) and how much is available tax-free at retirement (or on death).

Flexibility in pension drawing and investment

What separates SIPPs from other pensions is their flexibility when it comes to drawing on a pension. SIPPs often allow for retirement to be phased, with no requirement to buy an annuity when retirement benefits are taken – unlike with some pension schemes. A SIPP is also flexible from an investment perspective, potentially allowing investment into a wide range of asset classes (including within a portfolio that is managed by a discretionary investment manager) – this can include individual stocks, shares, and bonds and unlisted shares, gold bullion and commercial property. The latter is a popular option for business owners as their pension scheme can be the landlord for their company, and SIPPs are able to take out a commercial mortgage (up to 50% of the scheme value) in connection with this.

Types of SIPPs

Not all SIPPs are created equal though, particularly when it comes to available investment options, and broadly these may fall into three categories.

— At the most basic level we have a 'platform' SIPP. These are offered by investment platforms (also known as fund supermarkets), and investment is limited to individual stocks and shares and collective funds. They are predominantly aimed at DIY investors who are looking to choose their own investments, with the platform offering the online functionality to trade.

— At the other end of the spectrum there is a full, bespoke SIPP. These are open-architecture pensions that will often allow investment into the full range of what is allowable under pension rules. They can hold multiple assets at any given time and may have their own bank account to facilitate money in and out of the SIPP. They are offered by specialist SIPP providers, who carry out all of the administration that comes with running the SIPP 'wrapper'. (e.g. reporting to HMRC, administering a payroll).

— Sitting between the above we have what is often called a SIPP-lite, which are in effect a slimmed down version of the full SIPP. Typically, this will include one portfolio with a single investment manager, plus a bank account. They are aimed at investors who do not need all the bells and whistles of a full SIPP and consequently will come with a cost saving compared to the bespoke offering.

It is not uncommon that people will accumulate numerous pension plans over a working career. Consolidating them into a SIPP can be a popular option to provide greater clarity and oversight of available pension funds: this is often particularly helpful as retirement approaches. Pensions are currently exempt from Inheritance Tax (IHT), but there

> When you come to draw on the SIPP, up to 25% can be taken as a tax-free lump sum.

are government plans to subject pensions to IHT from April 2027. With personal representatives expected to gather data and pay any tax due on an individual's pension within 6 months of their date of death, having one SIPP instead of multiple pensions may ease the burden a little during an already difficult time.

At JM Finn, clients will often appoint us to manage their pension assets via a SIPP that can sit alongside their other portfolios (such as ISAs or General Investment Accounts). This can be managed to take account of individual objectives, time horizon and risk appetite, as part of an overall holistic financial plan. Clients also have access to our Wealth Planning team, who advise on a range of financial planning matters, including pensions and SIPPs. If this is something which may be of interest, your Investment Manager can provide further details.

•

The information provided in this article is of a general nature and is not a substitute for specific advice with regard to your own circumstances. You are recommended to obtain specific advice from a qualified professional before you take any action or refrain from action.

Stock in focus

Alphabet

Henry Birt
Research Analyst

Alphabet, best known as the parent of Google, is far more than a search advertising business. Yet search remains where the company began and continues to be its core. It currently accounts for around 57% of revenue, although this share has gradually declined as other divisions expand.

Search is fundamentally driven by digital advertising spending. Within advertising, the higher the intent of a user — that is, the likelihood of converting into a sale — the higher the price an advertiser will pay to reach them. Because search queries typically signal strong intent, Google has secured a dominant share of digital advertising revenues.

When a user enters a search query, the value of the search engine lies in how effectively its algorithm matches that query to useful results. As more users join the Google platform, the company gathers more data to refine this matching process, further improving quality. From an advertiser's perspective, the platform with the largest user base offers the best chance of connecting with potential buyers.

Search also benefits from economies of scale. The infrastructure and research costs required to build and maintain a search engine are largely fixed, meaning profitability rises as revenue grows. The cost for Google to serve 100 customers is not 100 times that of serving one. Competitors would have to replicate the same investment in infrastructure just to match Google's platform — and even then, they would lack two decades of accumulated search data.

Considering these advantages, the release and rapid adoption of AI chatbots such as ChatGPT came as a surprise to many. These tools have managed to compete with traditional search more effectively than any previous rival as they offer a step change in user experience. Conventional searches, limited to short keyword phrases, often failed to match queries to outputs effectively. AI chatbots have improved this dramatically. Moreover, the promise of large language models (LLMs) has attracted seemingly unlimited funding, allowing new entrants to sustain significant losses for extended periods — a hurdle that stymied earlier competitors.

Alphabet, initially slow to respond, has since accelerated its efforts to defend its position. Whether through its Gemini model or AI-powered features integrated into search, the company is fighting back. Gemini's user base has grown rapidly this year, and the recent release of its Gemini 3 model should help this sustain. Yet whether this will be enough to overcome Chat GPT's significant headstart remains to be seen.

The key question now is how Alphabet will evolve as it moves from a near-monopoly in search to one of several providers of LLM-based AI platforms. What is sometimes understated, however, is the breadth of optionality within Alphabet's portfolio.

Beyond search, Alphabet owns YouTube, a vast platform for both short- and long-form user-generated content. YouTube has been a major success, offering another channel through which Alphabet can sell high-value advertising. It has also benefited from the rise of short-form video through YouTube Shorts. YouTube currently contributes around 10% of Alphabet's revenue and has grown at a compound rate of 19% over the past five years.

Outside advertising, Alphabet's subscription products, including YouTube Premium and Google One, provide steady income while continuously feeding valuable data back into the ecosystem. This further strengthens the company's competitive moat.

Another major growth engine is Alphabet's cloud business. Alongside peers such as Microsoft and Amazon, Alphabet rents out computing power, storage and related services from its global network of data centres. This enables customers to convert the fixed cost of running on-premise servers into a variable cost that scales with demand. These facilities house large numbers of semiconductors (computer circuits), such as those produced by Nvidia but increasingly also Alphabet's own semiconductors designed specifically for AI.

The cloud division also provides a natural hedge against disruption in search. As demand for AI chatbots and generative models grows, so too does demand for cloud computing power to train and operate them. This helps explain the cloud segment's impressive 37% compound annual growth rate, and why it represents roughly 12% of group revenue.

Equity market capitalisation (m)
$3,863,262

52 week high-low
$328.83— $140.53

Net dividend yield
0.3%

Price/earnings ratio
30.26

The final element of the Alphabet story is its 'Other Bets' division, which represents less than 1% of revenue and remains loss-making. This segment houses Alphabet's venture-style investments, aimed at developing future businesses. Among these, Waymo — the company's autonomous taxi venture — stands out. Already active in several US cities, Waymo's strong safety record and rising market share could make it a significant long-term opportunity, albeit meaningful profitability likely remains some way off.

For years, Google Search enjoyed a quasi-monopoly position. Now, ChatGPT and other LLM peers represent the most serious challenge yet, and we continue to monitor this closely. But while AI threatens one core profit pool, it simultaneously opens new avenues for growth. Alphabet's strength lies not only in its scale and data advantage but also in the diversity of its portfolio. From Search to YouTube, Cloud and beyond, Alphabet's multiple engines of growth provide resilience.

Please note that the value of securities and the income from them may go down as well as up and you may not receive back all the money you invest.

Past performance is not a reliable indicator of future results. Any views expressed are those of the author.

Collectives Commentary

Could silver outshine gold?

Ned Naylor-Leyland discusses the sometimes under-the radar characteristics of silver, which has touched a record price this year.

Ned Naylor-Leyland
Fund Manager - Head of Gold & Silver at Jupiter Asset Management

Silver is sometimes viewed as the lesser-known monetary metal, consigned to the shadows as gold captures the attention of investors.

Yet silver's credentials are as significant as those of gold. Like gold, silver has traded as real money since ancient times. It has traditionally been the money of the common person, in part because an ounce of the white metal is valued at a fraction of an ounce of gold. Some of the earliest English pennies were silver and called sterlings – 240 of these coins were minted from a pound of silver, thus a pound of sterlings. The prominent American economist Milton Friedman said that : "the major monetary metal in history is silver not gold."

> The price of gold will often move first, then silver will follow.

More volatile than gold

Silver prices tend to follow the moves in gold. By that we mean, the price of gold will often move first, then silver will follow. Silver also tends to be more volatile than gold, in that it can rise more and fall more than gold. This reflects in part the fact that the market for silver is smaller than the gold market.

The gold price has touched a series of record highs this year, which, in Jupiter Asset Management's view, reflects several factors: the outlook for lower interest rates, a weakening dollar, financial market concern about US government finances, and gold's safe-haven status in a time of geopolitical and market uncertainty. Gold is seen as a safe haven because historically it has been able to maintain its value during periods of economic or geopolitical disruption. Central banks around the world have been increasing their acquisition of gold in recent years, in part for this reason.

The silver price also has risen sharply this year due to the same factors that have fuelled gold's move. Silver is viewed as a safe-haven asset, too. On October 17, the spot silver price reached an all-time high of $54.5 per ounce, breaking a 45-year high of $49.5 set on January 18, 1980. It has since fallen back slightly below $50, at the time of writing.

Silver shortage

There is another part of the silver story that we like and find interesting, which sets it apart from gold: There is a structural shortage of silver. Stocks of the white metal are being used faster than they are being replenished from mining and recycling. This is because of its use in industry. In addition to being used as a store of monetary value, silver has currency as an industrial metal – it has the highest electrical connectivity properties of any element and is an excellent catalyst for chemical reactions. Over 60% of the silver supply goes to industry use: electronics and technology, including advanced batteries, solar panels and medical and military applications. Silver can be found in solar cells, water purifiers, touch screens and smartphones, electric vehicles and semiconductors.

Industrial demand for silver rose by 4% in 2024 to just over 680 million ounces, reaching a record high for the fourth consecutive year. Silver demand also exceeded supply last year, also for the fourth consecutive year, according to the Silver Institute. The silver shortage is manageable until it isn't, in our view. There is no stockpile, as there is with gold.

> There is a structural shortage of silver. Stocks of the white metal are being used faster than they are being replenished.

Silver mining

Another way of investing in silver (and gold) is via the shares of mining companies that produce these metals. Profitability of the miners is rising along with the metal prices. And in our view, the shares are trading at attractive valuations – below their long-term averages on a share to cash value and share prices to net asset value, two metrics that we follow.

Despite the price gains for silver and gold this year, mainstream investors haven't participated in the rally to the extent they have previously. Bullion exchange-traded fund holdings are below the peak levels reached in 2020 (gold) and 2021 (silver). Investors including hedge funds and investors in the futures market have been behind most of the trading activity this year. We expect this to change.

Many investors have little or no exposure to monetary metals – in particular to silver. These assets could be considered for a place in a well-diversified investment portfolio.

Jupiter Asset Management (UK) Limited is authorised and regulated by the Financial Conduct Authority. Registered in England Company Number 141274. Registered address: The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ.

The value of securities and the income from them can fall as well as rise. Past performance should not be seen as an indicator of future returns. All views expressed are those of the author and should not be considered a recommendation or solicitation to buy or sell any products or securities.

Bond focus

Short shrift

High levels of US government debt are pressuring the Federal Reserve to cut interest rates – creating an environment where investors increasingly favour shorter-dated US Treasuries.

Jon Cunliffe
Head of Investment Office

The US government bond market is entering a new phase, and 2026 could prove a pivotal year. One of the biggest forces shaping the outlook is fiscal dominance – an environment where the government's debt and spending begin to influence central bank decisions more than traditional goals like controlling inflation and fostering growth. This shift could have major consequences for investors, especially those holding US Treasuries.

US debt could rise to 145% of GDP within the next decade.

Fiscal dominance occurs when the government's debt becomes so large that the central bank feels compelled to keep interest rates low or buy government bonds to help manage the burden. In the US, the risks of this are becoming more visible. The Congressional Budget Office expects interest payments on federal debt to exceed $1 trillion for this year, making it the second-largest category of federal spending and accounting for more than 20% of government revenue. A key driver of this is the Trump administration's decision to make the 2017 framework for income taxes and incentives to boost investment in research and infrastructure permanent. Estimates of their impact on the national debt vary, but even allowing for revenue from tariffs on US imports (the cornerstone of US trade policy), debt could rise to 145% of GDP within the next decade.

This environment is already affecting the bond market. Investors have been demanding higher additional yield to hold long-term Treasuries relative to shorter-term bonds. There's also growing concern that political pressure could influence the Federal Reserve to cut rates for reasons unrelated to economic fundamentals. If rate decisions are seen as politically motivated, it could bring an undesirable sell-off in bonds which could bring negative consequences, both for the broad economy and the equity markets.

Against this background, the US Treasury has been increasing the amount of short-term debt it has been issuing, with Treasury bills (short maturity bonds) now making up 21% of all outstanding US government debt – a historically high level. These shorter-term instruments help the government manage interest costs more flexibly, but they also increase the risk of having to refinance at higher rates in the future. At the same time, long maturity bonds are falling out of favour due to their higher price sensitivity to rising yields. There's also a noticeable shift toward inflation-protected bonds and gold, as investors look for ways to safeguard their portfolios against inflation and potential US dollar weakness.

This shift in the US has implications beyond its borders. In the UK, the Gilt market is not immune to these pressures. With the US Treasury market effectively the benchmark for risk-free interest rates, rising US yields tend to push global rates higher, and long-dated UK Gilts have experienced elevated volatility as investors respond to inflation risks and fiscal sustainability. With the UK's own debt levels elevated, the Bank of England may also face growing tension between supporting growth and maintaining credibility on inflation. If fiscal pressures

If rate decisions are seen as politically motivated, it could trigger an undesirable sell-off in bonds.

mount, the UK could see a similar tilt toward shorter-duration issuance and a greater reliance on domestic investors, potentially raising rollover risks.

Looking ahead, both the US and UK government bond markets are likely to remain volatile, with the current level of long-term yields reflecting elevated borrowing and above target inflation. For investors, the key is to stay flexible. Strategies that focus on effective management of the maturity of bonds held, what proportion of inflation protected bonds to hold, and the ability to adapt to changing interest rates will be crucial. While the path forward may be uncertain, thoughtful positioning, favouring short-dated and intermediate maturity bonds – which stand to benefit the most from lower central bank policy rates – should reward the patient investor with returns which exceed those available from cash deposits.

Please read the important notice on page 1.

Independent view

Underinsurance: The importance of accurate valuations

Are your home and its contents undervalued for insurance purposes? An estimated 70% of residential homes in the UK could be underinsured– and this can be problematic in the event of a claim, writes Ben Pickles of McClarrons Affinity.

Ben Pickles
Head of Art & Private Client, McClarrons Affinity

One of the fundamentals of strong home insurance is accurate valuations for the property and possessions you want to protect.

The process can seem overwhelming and once addressed, is often left unreviewed for many years. However, the true accuracy of your policy's sum insured is only tested in the event of a claim – and trying to rectify any issues at that point is often too late.

Appraising the value of the assets you wish to safeguard may not be as daunting as expected; as a consumer, you are protected under The Consumer Insurance Act 2012, which states: a consumer must take reasonable care not to make misrepresentations to the insurer.

If you have taken reasonable steps to appraise the value of your assets, you are therefore unlikely to be judged to have misrepresented, and a claim cannot be denied on this basis. While not all assets need to be appraised professionally, it is important to understand the implications and how your policy may respond in the event of a loss.

The importance of the 'average clause'

Check whether your policy contains an 'average clause.' If it does, this means that if your property is underinsured, the claim will be adjusted in proportion to the amount by which it is underinsured. For example, a £100,000 loss with a sum insured of only £50,000 (50% underinsured) could result in a settlement of just £25,000 (50% of the total amount claimable of £50,000). It is therefore even more vital to have an accurate sum insured if there is an average clause, and, as the policyholder, it is your responsibility to determine this.

Buildings – your most valuable asset

Your home is typically your largest insured asset. If you have an RICS-approved rebuild valuation survey, this provides an excellent foundation to gain an accurate sum insured; some insurers may even offer to arrange one on your behalf.

> The true accuracy of your policy's sum insured is only tested in the event of a claim – and trying to rectify any issues at that point is often too late.

You should also ensure the rebuild cost has been index-linked annually to allow for inflation as this can have a significant impact over time. It is also important to consider any renovations or home improvements undertaken since the survey; you should inform your provider of these to help ensure coverage remains adequate.

A desktop survey can be a cost-effective alternative to a physical survey for obtaining an accurate rebuild figure. These can be purchased online, typically for under £200 depending on the property. A desktop survey is conducted remotely using Land Registry and mapping data.

You should be extremely cautious about relying on estimates from builders, estate agents or other advisors. These more informal opinions can provide a useful steer but offer no protection if your sum insured later proves inadequate. They can often be significantly misrepresentative; it is also important to remember you should be insuring for the rebuild cost of your home, not market value.

Contents – valued on a new-for-old basis

Home contents are insured on a new-for-old basis, meaning a 5-year-old TV should be valued based on the cost of buying a new replacement today. Often the most accurate approach is a full room-by-room inventory. While some have the time and inclination to go through every room and add up all items, many prefer a practical alternative: reviewing two or three key rooms and then extrapolating to establish a reasonable estimate.

> You should be extremely cautious about relying on estimates from builders, estate agents or other advisors.

A useful sense check is to imagine a total loss, such as from a fire, and consider whether the sum insured would realistically replace all possessions, including clothing and furniture. As a guideline, contents include anything that would fall out of the house if it were turned upside down. Fitted kitchens and built-in elements typically fall under building insurance.

Artwork – often treated separately

Artwork is often separated from general contents cover. Additional covers can apply, such as death of the artist or defective title. If artwork represents more than 10% of your total contents sum insured, insurers may insist on specific listing or separate limits.

Artwork can be insured based on purchase value, but valuations updated every 3-5 years are recommended. Whilst the accurate value of art can be established after a loss, to make this possible, we recommend keeping photos and descriptions. If you work with an insurance broker, they should be able to help facilitate this for you.

Jewellery and watches – high risk, high sensitivity

Jewellery and watches are among the most expensive items to insure, reflecting their susceptibility to accidental loss, theft, or damage. As such, it is essential to understand the obligations of your insurance contract regarding valuations. Insurers often request valuations every 3-5 years for high-value items, and it is strongly recommended to have an accurate inventory securely stored, along with pictures.

It is also vital to understand the coverage your policy provides. Does it allow for value uplifts depending on market trends? What will your obligations be in the event of a claim? Is there cover for accidental loss and damage? Suffering a loss of an item can be costly and distressing; these items often hold additional sentimental or emotional value.

Regular review is essential

It is recommended that sums insured and valuations are reviewed regularly, particularly following renovations, major purchases or significant changes in property or asset values. Otherwise, you risk paying premiums for a policy that may not fully indemnify you when it matters most. Although reviewing these areas can take time, it is crucial to ensure your insurance policy remains fit for purpose.

•

About McClarrons Affinity

McClarrons Affinity is a division of McClarrons, an independent specialist insurance broker providing bespoke insurance solutions for high-net-worth individuals. The division offers tailored protection for a broad range of high-value assets and lifestyle requirements, including homes, contents, vehicles, and collections.

www.mcclarroninsurance.com

All views expressed are those of the author and are presented for information purposes only. The information provided in this article is of a general nature and is not a substitute for specific advice about your own circumstances. You are recommended to obtain specific advice from a qualified professional before you take any action or refrain from any action.

Understanding finance

Investment companies

Samir Shah
Senior Research Analyst (collectives)

Investment companies appeal to many investors seeking diversified, professionally managed exposure to markets. Established as listed companies, these vehicles pool money from shareholders to invest in a range of assets—such as equities, bonds, or alternative investments which are typically managed by an experienced fund manager.

With a closed-ended structure, investment companies issue a fixed number of shares that are traded on the stock exchange. This allows managers to take a long-term investment view without the need to meet redemptions during market volatility. As a result, they can invest in less liquid assets—such as smaller companies, property, or infrastructure—potentially enhancing returns.

Another advantage of the structure is that it can use gearing (borrowing) to amplify returns. When markets perform well, this can significantly boost gains, although it also introduces greater risk during downturns. Furthermore, because the shares trade on the market, they can be bought at a discount or premium to the trust's underlying net asset value (NAV), offering opportunities for value-conscious investors.

Investment trusts can also have a strong record of dividend reliability and growth, supported by their ability to retain some of their underlying income each year or by using capital reserves. Transparency and governance of investment companies also add to their appeal.

A key drawback of investing in investment companies is that in addition to the risks associated with the underlying portfolio, the vehicle's shares can fall further below the value of its underlying assets, even if those assets perform well. This means investors may suffer losses unrelated to the portfolio's fundamentals, purely due to market sentiment or reduced demand.

Glossary of key terms

Bull markets: Periods in which financial markets experience sustained increases in prices, typically driven by investor confidence and strong economic and/or intrinsic fundamentals.

Defensive assets: Investments that tend to retain value or perform well during economic downturns, offering greater stability than less defensive investments. Examples include government bonds or utility shares.

Net equity supply: The total amount of new shares issued by companies minus shares bought back, reflecting the net change in the availability of equity in the market.

Net financing surplus: The excess of funds available to an entity after accounting for all sources of income and expenditure, indicating a positive financial position.

Price/earnings ratios: A valuation metric calculated by dividing a company's current share price by its earnings per share, used to assess whether a stock is over- or undervalued on a relative basis.

Return on capital employed (ROCE): A profitability ratio measuring how efficiently a company generates profits from its total capital base, calculated as operating profit divided by total assets minus current liabilities.

Share to cash value: The amount of cash a company has, divided by the number of its shares. This metric is often used to assess liquidity, or the ease with which shares can be sold for cash.

Asset allocation and sector focus

As part of our focus on providing a high quality, personalised investment service, our Investment Office look to support our investment managers in their decision making when it comes to constructing client portfolios.

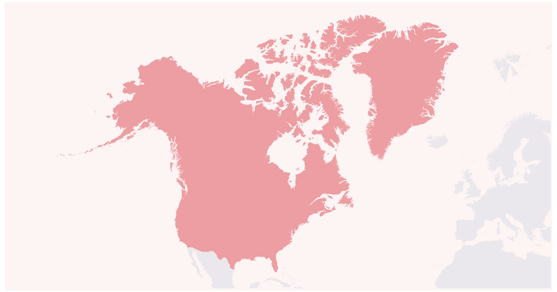
Our asset allocation committee is one example of this, via their monthly output showcasing their views on a global basis; this is then complemented by a sectoral view from the stock selection committee. The combination of these top down and bottom up opinions is an important resource for our investment managers to validate their own investment theses or to generate new investment ideas.

These committees, which form an important element of our Investment Office, consist of research analysts and a number of investment managers. The output of the monthly meetings remains a suggested stance and it is important to note that the views expressed are those of the committees and may not necessarily be those of your individual investment manager.

Here we present a snapshot of the current views from the Investment Office.

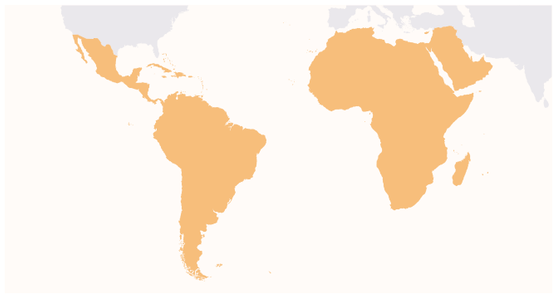
Asset Allocation

Overweight Neutral Underweight



North America

The US economy is growing moderately, but inflation remains above target. The Federal Reserve is shifting focus away from inflation to labour market softness, with markets expecting further rate cuts. Equity earnings and valuations are buoyed by anticipated easier monetary policy. However, declining interest rates and large deficits may weaken the US dollar, reducing returns for Sterling investors. Higher long-term Treasury yields threaten mega cap tech valuations. We maintain an underweight rating.



Emerging Markets

Latin America (LATAM) is navigating uneven macroeconomic conditions. Commodity rich economies may benefit from global demand or supply tightness, while others face inflation, fiscal and political strains. For equities, LATAM offers valuation appeal and dividend yield potential, especially in sectors tied to commodities or domestic growth surges. However, volatility is elevated, and there are risks of substantial currency swings and policy shocks. Whilst the prospect for a weaker US dollar is a helpful market backdrop, evolving US trade policy keeps uncertainty somewhat elevated and we therefore retain a neutral weighting.

UK

Having delivered solid growth in the first half of the year, the UK business cycle is in danger of stalling. With inflation and high wage growth, the Bank of England has been reluctant to cut interest rates swiftly to respond to continued weakness in the labour market. However, significant fiscal consolidation is likely to weigh on growth and inflation in the months ahead – we anticipate several more rate cuts. Whilst valuations are attractive, fiscal consolidation supports a neutral rating.

Europe

The Euro area economy shows signs of resilience despite the challenges of labour market rigidities, sluggish productivity and US trade policy. 2025 growth should far exceed 2024 – and with inflation hovering around the 2% target, the European Central Bank has been able to maintain a supportive monetary policy. Tailwinds include planned defence and industrial spending. Whilst there are risks of trade shocks and political uncertainty, the policy tilt toward growth suggests the region may outperform expectations. We continue to favour an overweight stance.

Japan

Japan's economy has emerged from decades of deflation. Structural reforms, particularly in corporate governance, are likely to enhance profitability, creating a supportive backdrop for equities. While Japan's growth outlook remains modest, improving cost of capital and shareholder-friendly initiatives suggest potential for valuation re-rating. Despite US trade policy risks, the appointment of Takaichi as Prime Minister suggests a more reflationary and market friendly policy tilt, so we remain constructive on Japanese equities.

Asia Pacific

Asia stands to benefit from the technology and semiconductor cycle, with much of the manufacturing base located in the region. Furthermore, the growing trend of supply chain diversification is shifting production and foreign direct investment into ASEAN economies. Valuations in many Asian equity markets remain attractive and the prospect for a weaker US dollar will allow regional central banks to keep monetary policy supportive of growth. We therefore retain our overweight stance.

Please read the important notice on page 1.

Sector Focus

Overweight Neutral Underweight

Communications

The communications sector is concentrated around a few large US companies, including Alphabet and Meta. Some parts of the sector have benefitted heavily from exposure to the AI theme, however this has come with increased capital intensity. Whilst AI-driven profits are still yet to materialise, the increase in capital expenditure needs to be monitored. We remain underweight, given increased capital intensity and valuations.

Consumer Discretionary

The sector benefits from persistent demand in areas like travel, online retail and experience-led spending. That said, consumer budgets are becoming more stretched, and tariff risks remain a headwind. We maintain an overweight position, focusing on segments where demand is more resilient (e.g., digital experiences, travel, premium services) and valuations are attractive, while remaining selective given the sector's sensitivity to economic cycles.

Industrials

Industrials have been a mixed bag in the year to date. Those delivering robust growth have largely had some connection to the AI datacentre theme and have been rewarded with rich valuations, which are beginning to look a little expensive. Aside from this trend, global industrial production numbers continue to remain muted. All things considered, we move from neutral to underweight on the sector given where valuations now sit.

Information Technology

AI continued to be the dominant driver of technology sector performance. Q3 results demonstrated generally strong demand for AI-related products, however this was coupled with another significant increase in capital intensity. The increasingly circular nature of tech investment also began to concern investors. Whilst we continue to see the long-term structural outlook for the sector as positive, valuations look stretched and so we retain our underweight position.

Consumer Staples

The sector is stabilising as inflation gradually moderates and supply-chain pressures ease. Consumers continue to shift toward value channels and private-label products. Overall, the sector offers steady defensive characteristics and resilient cash flows, though upside may be limited until stronger real income growth emerges. We upgrade to a neutral stance, balancing the sector's stability against its muted growth prospects.

Energy

The oil price has continued to be subdued throughout the quarter and the Brent Crude price has continued to shift downwards. Oil company performance has been better, with many majors delivering strong share price performance. The 2026 oil price risk is tilted downward, barring geopolitical disruptions or aggressive production cuts. As a result, we expect the oil majors will prioritise financial discipline, optimise legacy assets and scale green ambitions pragmatically.

Materials

Copper prices rallied in the quarter and continued a strong performance year to date, which translated into good performance for the mining stocks, many of which have large exposure to copper. Iron ore prices were flat through the quarter, in contrast to a strong performance in precious metals. We expect a recovery in copper demand during 2026, including from China, which accounts for more than 50% of global copper consumption. In light of this, we remain neutral.

Real Estate

Real estate markets continued to recover, and demand for commercial real estate is solid. The sector is interest rate sensitive as this affects the price of their property portfolios, and they are heavily financed by debt. As we look ahead to 2026 there are grounds for measured optimism incorporating a modest recovery in housing, strong rental growth, and commercial resilience in logistics and the broad residential investment market.

Financials - Banks

Financials performance continued to be strong and in the UK, the sector outperformed. US banks also performed strongly. Banks are driven by economic growth and the subsequent impact this has on interest rates. We believe the path of interest rates is downwards, but with the gap between short-term and longer-term rates remaining wide, this remains a helpful backdrop, so we retain a neutral stance.

Health Care

Health care performance picked up in the quarter as President Trump's policy on drug pricing appeared more benign than expected. A first deal struck with Pfizer and the US administration has led to a change in sentiment for the sector. Fundamentally, these remain defensive businesses with non-discretionary cashflows. Even with the recent pick up in performance, health care stocks continue to look like good value, so we retain our overweight recommendation.

Utilities

Power utilities continue to outperform water in 2025 with the market increasingly appreciating the important role suppliers of power across the globe are set to play in the expansive roll out of AI datacentres. In contrast, water in the UK continues to be overshadowed by the need to overhaul outdated infrastructure that requires significant investment against a backdrop of constrained balance sheets. We remain neutral, with a preference for power.

Please read the important notice on page 1.

Meet the manager

Isabel Kwok

Investment Manager, Bristol

Lives Leafy Stapleton in North Bristol

Family Married to Andy, celebrating our 20th wedding anniversary next April. We have two children

Started at JM Finn September 2017

Hobby/pastime Yin yoga (the relaxing one), baking, skiing, gardening

Favourite holiday Thailand, hands down. Beautiful country, incredible culture, lovely people, amazing climate, delicious food

Favourite film Indiana Jones and the Raiders of the Lost Ark

If you weren't an Investment Manager Probably an Egyptologist

Favourite sporting moment England Women winning the Euros again this summer – the more they win, the quieter the critics get

Preferred music My son has started learning the electric guitar so I'm hearing a lot of the old rock classics at the moment. I'm getting back into Red Hot Chilli Peppers!

Favourite book The Five People You Meet In Heaven – really thought provoking

You've been instrumental in establishing JM Finn's partnership with the Bristol Law Society (BLS) – what has this entailed so far?

It's a really exciting partnership with lots of opportunities to collaborate with our local legal professionals at all stages in their career. JM Finn has organised some educational events for BLS's members to help develop their knowledge, including webinars on retirement planning and offshore bonds. We have also attended a number of their events, including the annual celebration of Bristol's Newly Qualified Solicitors and their Annual Awards Dinner, where we were proud to sponsor the 'Team of the Year' award.

You joined JM Finn in 2017, how has your career developed during that time?

I am part of a team which has grown assets under management from £100 million to £185 million in eight years. We look now after over 500 clients including families, trusts, charities and companies.

I also head up the team responsible for the ESG (Environmental, Social and Governance) fund research on behalf of JM Finn. This involves reviewing funds and making recommendations to the investment managers, which is a great way to enhance my analytical skills.

What do you think 2026 could have in store for markets?

We have seen technology stocks rally hard this year, particularly the largest US technology companies. Concerns are growing that share prices have risen too much, and so I would expect volatility to increase here. AI is likely to drive growth for years to come, but when valuations look stretched it is important to actively manage positions and also to diversify into other areas too.

JM Finn's Bristol office was established in 1999, how has it grown to meet the needs of investors in the South West?

We have 18 full and part-time staff, including 11 Investment Managers. We have a very low turnover of staff – it is a really steady ship, and I think clients appreciate that. Continuity alongside adaptability is what has made the office so successful, and we have never lost sight of the people we serve.

Our offices

London
25 Copthall Avenue
London EC2R 7AH
020 7600 1660

Bristol
22-24 Queen Square
Bristol BS1 4ND
0117 921 0550

Bury St Edmunds
60 Abbeygate St.
Bury St Edmunds
Suffolk IP33 1LB
01284 770700

Cheltenham
Darwin House
67 Rodney Road
Cheltenham GL50 1HX
01242 502 808

Winchester
Regency House
13 St. Clement Street
Winchester SO23 9HH
01962 392 130

York
Hudson Quarter
Toft Green
York Y01 6JT
01904 235 800

Follow us on:

info@jmfinn.com
www.jmfinn.com

This is a JM Finn marketing communication which constitutes non-independent research as defined by the FCA. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to the regulatory prohibition on dealing ahead of the dissemination of investment research. However it is covered by JM Finn's own research conflicts of interest policy which is available on the JM Finn website at www.jmfinn.com.

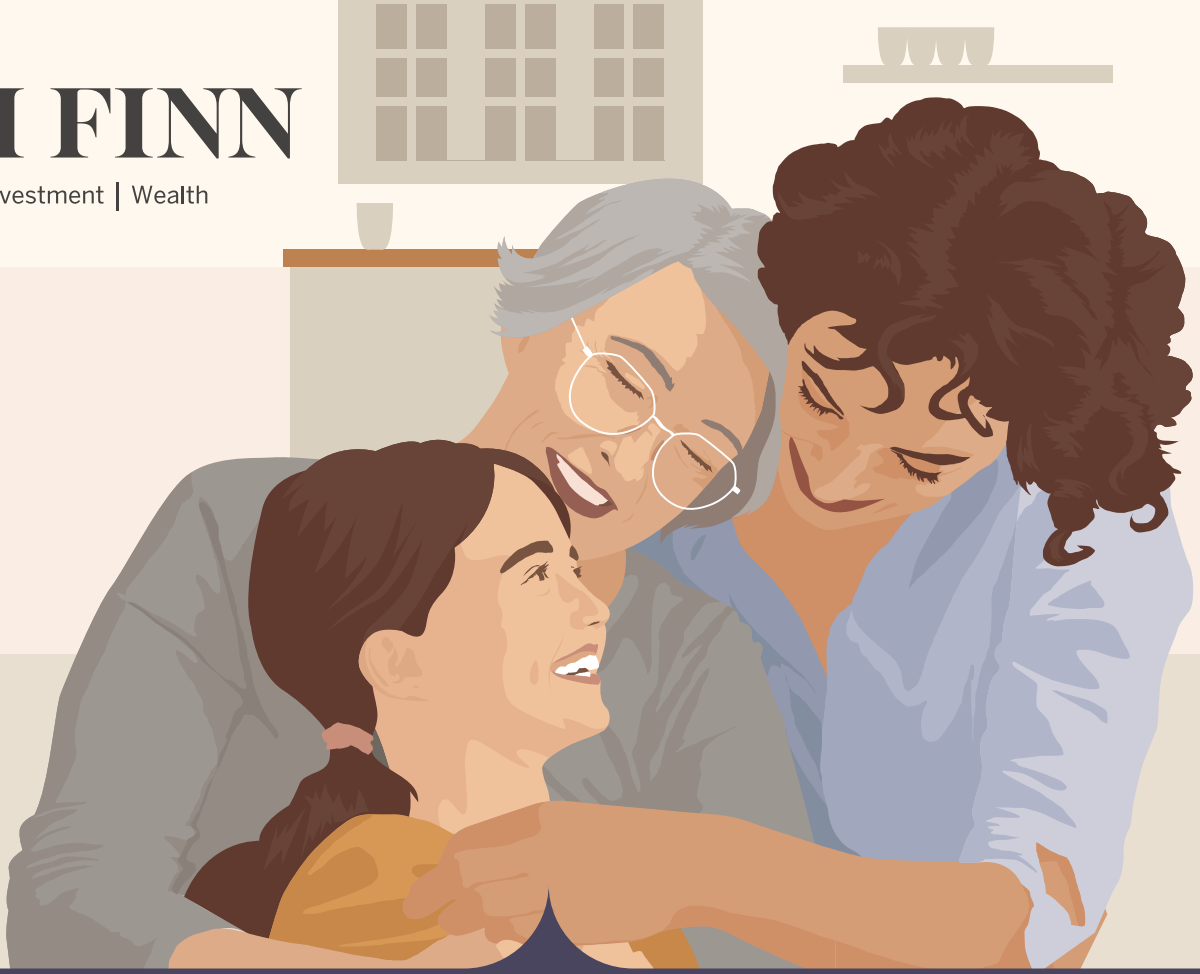
JM Finn is a trading name of J. M. Finn & Co. Ltd which is registered in England with number 05772581. Authorised and regulated by the Financial Conduct Authority. While JM Finn uses reasonable efforts to obtain information from sources which it believes to be reliable, it makes no representation that the information or opinions contained in this document are accurate, reliable or complete and will not be liable for any errors, nor for any action taken in reliance thereon. This document should not be copied or otherwise reproduced. If you wish to discuss the suitability of any securities mentioned in this document, you should consult your investment adviser. Research recommendations published by JM Finn during the quarter ending September 2025 are categorised: neutral 75%, overweight 25%. In no case did JM Finn supply material investment banking services to the relevant companies during the previous 12 months.

RECYCLED Paper made from recycled material FSC® C006518

PROSPECTS is printed in the UK from 100% recycled stock certified to FSC® standards.

JM FINN

Investment | Wealth



Need advice on funding long-term care?

The JM Finn Wealth Planning team can help – please speak to your Investment Manager to find out more or to arrange a meeting.

Capital at risk

020 7600 1660

jmfinn.com

Follow us on:

JM Finn is a trading name of J.M. Finn & Co. Ltd which is registered in England with number 05772581.
Registered address: 25 Copthall Avenue, London, EC2R 7AH. Authorised and regulated by the Financial Conduct Authority.