JM FINN

No.56 *Autumn 2026*

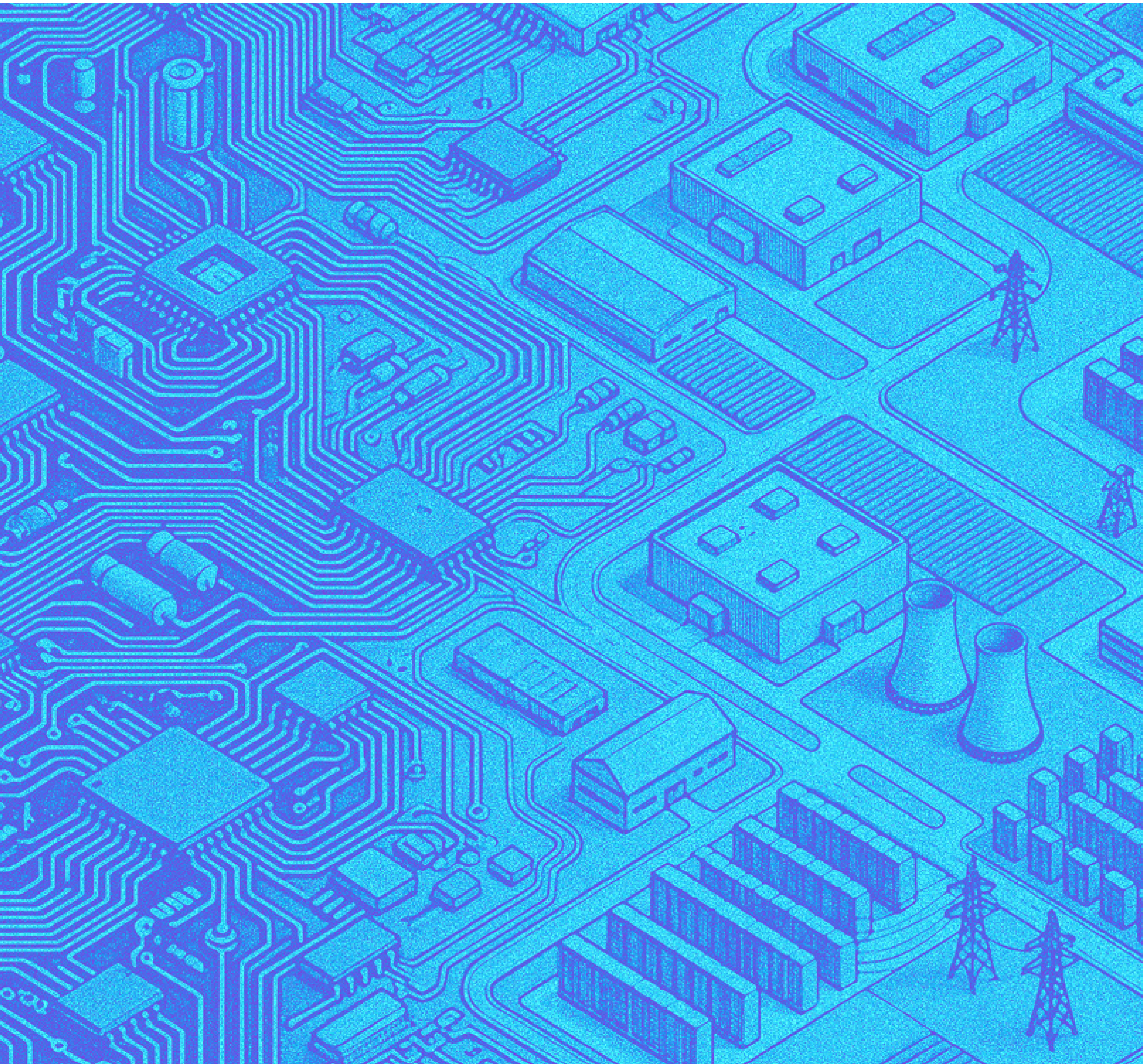
Prospects

The JM Finn Quarterly Periodical

UK politics
An expert's viewpoint

The AI race
Why demand outstrips supply

Reframing retirement
Three important lessons



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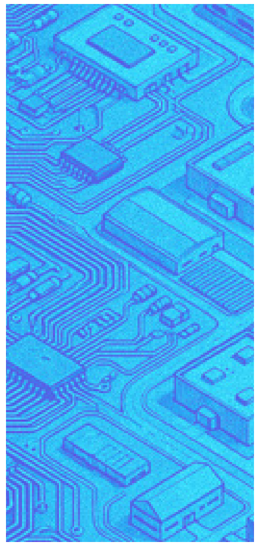


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Important notice

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Carrie Lennard
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Welcome

Since our last edition of Prospects we've had a change of Prime Minister – and as the Autumn Budget approaches, an immediate and pressing question on many people's minds is what Andy Burnham's government will deliver in it.

There is also the possibility that he may call an early general election. As an unelected Prime Minister, this could be far from straightforward – as some of his recent predecessors have discovered to their detriment. Public affairs expert and former government special adviser Fraser Raleigh opines on the implications of an early election in our guest editorial on page 12.

Artificial intelligence (AI) is everywhere – but few may have ever considered the intricacies involved in its supply chain, or the string of bottlenecks that are causing holdups in the quest to meet the world's demand for AI. From power supply to semiconductor manufacturing, Senior Research Analyst Henry Birt sheds light on the complex level of planning involved in AI production on page 4.

When it comes to retirement planning, managing the trade-off between wanting to keep funds to cover unexpected costs, while also retaining sufficient assets to live on can be tricky – and drives a lot of people to be (sometimes overly) cautious with their spending in retirement. This can mean that many pass away with a far greater accumulation of wealth than they might have foreseen. Wealth Planner Charles Barrow explains on page 18 why reframing retirement to think beyond capital accumulation can often help to retain a sense of perspective.

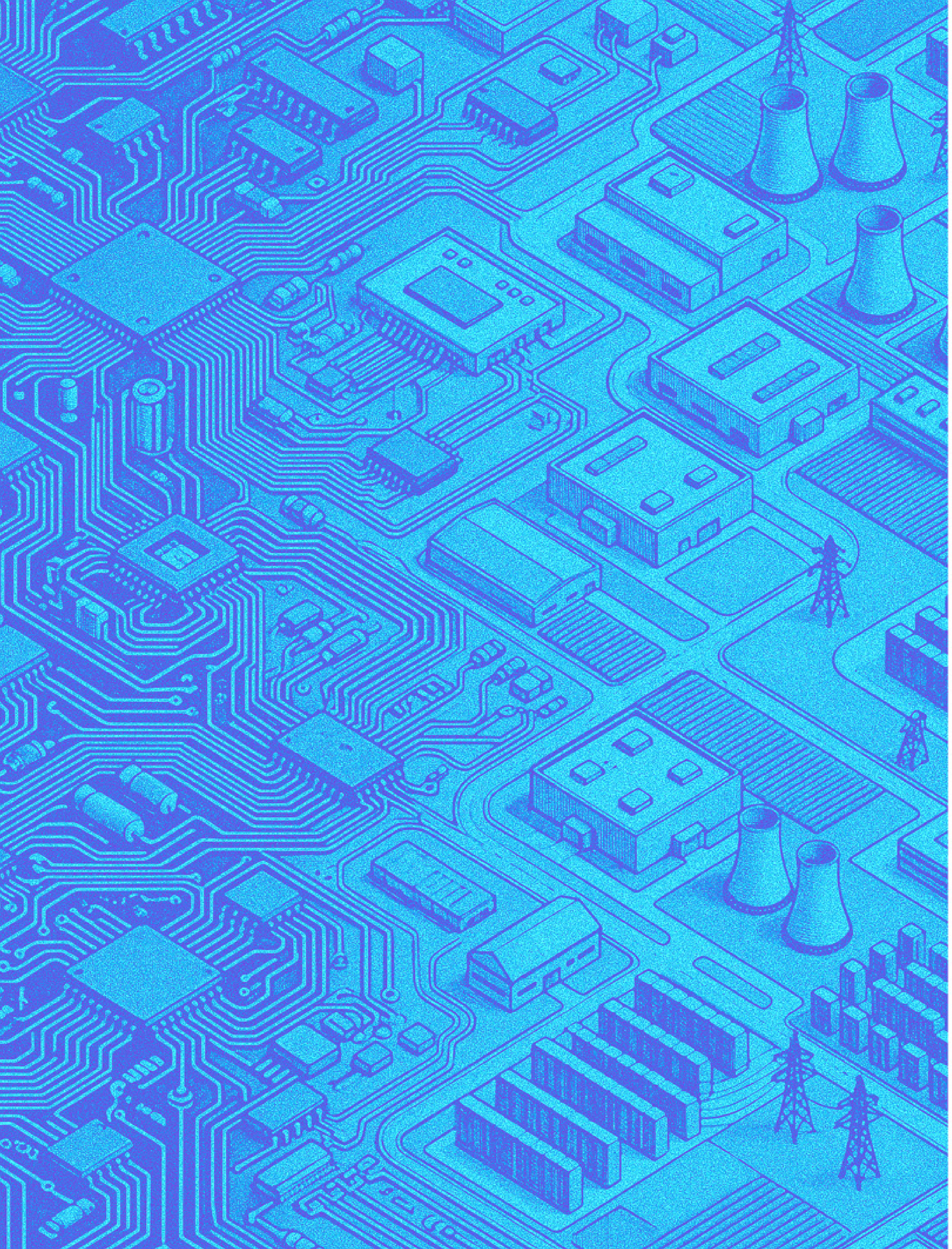
The Supreme Court judgment in the 2025 case of Standish v Standish has had a lasting impact in the way family courts have subsequently divided matrimonial assets – particularly where one party has brought significantly higher assets to the relationship. In the independent view on page 28, Xanthy Papageorgiou of private client law firm Sinclair Gibson LLP examines how the principles Standish v Standish established have been further influenced by UK family court cases over the past year.

A subversive entrant in the world of UK investment companies by the name of Saba has forced a rethink in the way boards in the sector conventionally operate. Its modus operandi over the past year has been to buy shares that are trading on heavy discounts, try to force the boards to make changes that will result in share value increases, and then aim to sell its holdings at a profit. While regulators move to tackle this, it has brought about some learning points and positive changes in investment company management – including better communication with shareholders. Senior Research Analyst Samir Shah covers the latest in the Saba chapter in the collectives commentary on page 24.

Moving from top-down changes to the topic of building a business up from scratch, Founder Robert Morris shares some of the lessons from his 30-year experience as an eyewear industry entrepreneur on page 22; from the value of using British heritage as a selling point when marketing abroad to driving growth through exports and the perennial challenge of finding engaged distributors.

Lastly, as JM Finn turns 80 this year, on page 11 CEO Hugo Bedford shares his thoughts on the somewhat surprising revival of vinyl record sales, drawing parallels between the rising popularity of non-digital media formats and the value of keeping human relationships at the heart of the firm's ethos.

Carrie Lennard
Editor



Editorial

AI's bottleneck problem

Henry Birt
Senior Research Analyst, CFA

Henry Birt explains the complexities causing supply chain hold ups in the rush to meet global demand for AI.

As an equity analyst known to frequent the local pubs in the Square Mile, I might be forgiven for assuming that the whole world is feverishly monitoring developments in data centres and the semiconductor sector. Yet, as a quick scan of the non-financial broadsheet and tabloid media would illustrate, this obsession remains confined largely to the pink pages of the Financial Times.

Headlines focus on UK politics and celebrity gossip. Yet the state of the data centres powering AI will affect the next ten years more than most things Andy Burnham will do.

The fact data centres and semiconductors don't often make it to the front pages might have something to do with the overwhelming level of complexity. The supply chain which feeds a data centre is one of the most complex in the world. With this complexity comes supply chain bottlenecks. As AI demand has come to dominate the sector, the supply chain is now best thought of as a series of bottlenecks which are constantly shifting and emerging as it tries to keep pace with the insatiable demand currently being generated by AI.

Power

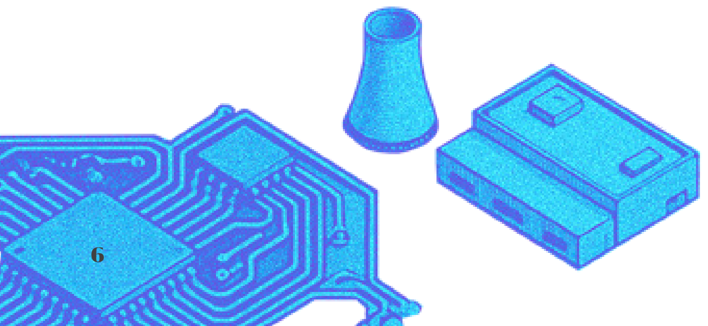
Data centres power both the training and inference (usage) of large language models (LLMs) such as ChatGPT or Claude – and AI workloads are fundamentally power hungry. The advent of LLMs has created a huge demand for data centre power that far outstrips any previous demand for more traditional data centre workloads such as database storage.

> The supply chain is now best thought of as a series of bottlenecks which are constantly shifting.

Demand has thus outstripped the ability of new power to come online. Focusing on the US specifically, where much of the world's data centre workloads currently reside, the supply of grid power cannot keep up.

Data centre size is now most commonly described in terms of gigawatts (GW), i.e. the amount of power available to a data centre per year. According to current industry estimates, a 1GW data centre costs c.$38bn in upfront capital expenditure. Of this, the technical equipment inside the data centre accounts for roughly two thirds of this spend, with much of this going towards semiconductors.

Given the pace at which data centres are being built, the grid cannot keep up. In the US, the lion's share of grid capacity comes from gas. Delays stem from a range of problems, from securing permits to supply chain blockages, and these have been compounded by the fact that the preferred energy source, combined cycle gas turbines (CCGTs), have the slowest build times despite being the most efficient.



Estimates point to OpenAI and Anthropic being able to generate over $100bn in revenue per GW per year. Getting a data centre up and running even two months earlier than forecast can therefore translate into tens of billions of dollars. Hence, it's no surprise that many data centre operators are increasingly using 'behind-the-meter' (BTM) power: on-site forms of generation that are co-located with the data centre. Elon Musk's xAI pioneered this technique and built a data centre by bypassing the grid and generating on-site power using gas turbines and engines mounted on trucks. He has even resorted to building data centres on state borders so that if permits can't be acquired quickly enough in one state, power infrastructure can be built in a neighbouring state where permitting is more prompt.

Fundamentally, with this amount of revenue on the line, solutions will be found and BTM will likely account for a large portion of incremental future supply. And yet, as Musk recently affirmed on a SpaceX earnings call, as companies find energy solutions they face another significant blockage: semiconductors.

> Given the pace at which data centres are being built, the grid cannot keep up.

No logic

The servers that make up the core of AI data centres need, amongst a litany of other parts, several types of semiconductors. Two of the most important are logic chips and memory chips. Logic chips are the brains of the servers, with the most common types used in AI being Graphics Processing Units (GPUs) and Central Processing Units (CPUs). These chips are designed by companies such as Nvidia and AMD, however they are generally manufactured by a Taiwanese company called Taiwan Semiconductor Manufacturing Company (TSMC).

TSMC has a near monopoly on leading-edge manufacturing capacity. The complexity of the chip fabrication process is described in 'nodes'. Nodes historically referenced the width of the smallest feature on a microchip but today the term is used as more of a marketing term to describe generations of semiconductor manufacturing. Demand for TSMC's N3 node is very strong, with Nvidia, AMD, Alphabet, Amazon, Meta and Microsoft all competing for capacity.

For any company hoping to manufacture a leading-edge AI chip, TSMC is really the only option. Demand for manufacturing capacity has been outstripping supply for some time and only recently has TSMC started to really ramp up spending on more capacity. Building leading-edge chip manufacturing facilities takes time and so, silicon supply looks set to be tight for the foreseeable. The prospect of another company competing with TSMC at the leading edge in the near term seems remote, therefore the rate at which TSMC can build will remain a key constraint on data centre supply.

Memory problem

The other essential part of AI servers, memory chips, has seen prices soar as rapid demand caught industry players off guard. Memory comes in two broad forms: volatile and non-volatile. Non-volatile memory stores information even when turned off; volatile memory does not. Both types of memory are used in data centres, but volatile memory has seen a particularly acute crunch in recent months.

A type of volatile memory essential to running AI workloads is Dynamic Random Access Memory (DRAM). A subset of DRAM called High Bandwidth Memory (HBM) is particularly sought after for use in AI servers. DRAM capacity is expanding and DRAM can be manufactured by a wider group of companies; Micron, Samsung and SK Hynix are notable examples. And yet, demand continues to outstrip supply for a number of reasons. One crucial reason is that HBM requires around three times as much manufacturing capacity to create the same amount of storage as traditional DRAM. This comes at a time when AI servers are demanding even greater densities of HBM. This is therefore crowding out traditional DRAM, for which there is also strong data centre demand.

The net result has been a sharp acceleration in memory prices. So much so, that it is rumoured that chip designers such as Nvidia, which uses HBM alongside its GPUs to create AI hardware, are considering cutting back the amount of HBM allocated to their next generation system.

As with logic manufacturing, the memory foundries (manufacturers) are looking to expand capacity but as yet don't seem to be able to satiate demand. When supply might be able to meet demand is the subject of constant debate, but this is just one of a number of headaches facing anyone trying to build a data centre.

> As companies find energy solutions they face another significant blockage: semiconductors.

Beyond power, logic and memory, many other areas of tight supply exist; such is the reality when a market is growing so quickly. Navigating these shortages and finding solutions is becoming a key differentiator and could represent billions in revenue lost or gained.

The outlook for AI demand is fundamentally uncertain, and with this huge build out of data centre capacity comes the risk of overbuild. If demand does not continue to grow at a rapid pace, those fighting shortages to build data centres may find themselves not generating adequate returns on their investments. And yet, as it currently stands, demand continues to outstrip supply. Whilst this continues, there will be a premium price offered to anyone who offers a solution.

Please read the important notice on page 1.

Markets in focus

Broadening horizons

Jon Cunliffe,
Head of Investment Office

Year to date, equity markets have delivered impressive returns despite an environment that has often appeared challenging.

Trade tensions, geopolitical instability, elevated government borrowing, persistent concerns about inflation and fears over the sustainability of the US-led Artificial Intelligence capital expenditure cycle have generated periodic bouts of uncertainty. Yet developed market equities have continued to move higher, supported by resilient economic growth, robust corporate earnings and growing confidence that monetary policy will become gradually less restrictive over time, even if the path remains uneven.

Perhaps the defining feature of the current environment is the continued resilience of the global economy. For much of the past three years, investors expected the sharp rise in interest rates in the immediate aftermath of the pandemic to push developed economies into recession, but economic growth and corporate earnings have proved far more resilient than many anticipated. The United States remains at the centre of this resilience, supported by strong private sector finances, continued fiscal support and a powerful wave of investment in AI infrastructure, data centres and industrial reshoring. This spending has become an increasingly important source of economic momentum and corporate earnings growth. Elsewhere, policy support in China, rising defence and infrastructure spending in Europe, and broader efforts to strengthen strategic industries are also providing support to global activity, albeit on a more modest scale.

> “The next meaningful move in UK interest rates is more likely to be down than up.

At the same time, the investment landscape is evolving. The environment that characterised much of the decade following the Global Financial Crisis, marked by low inflation, exceptionally low interest rates and abundant liquidity, appears to be giving way to a more complex backdrop. Investors increasingly face a world shaped by technological transformation, geopolitical fragmentation and greater inflation volatility. While inflation has fallen substantially from its post-pandemic highs, it may prove less predictable than during the era of globalisation as governments place greater emphasis on economic resilience, supply-chain security, strategic industries and domestic investment alongside efficiency.

Fixed income has become considerably more attractive than it has been for many years. Higher starting yields provide investors with a meaningful source of income, improve prospective long-term returns and restore some of the diversification benefits that were largely absent during the era of ultra-low interest rates. We continue to favour shorter-dated government bonds, where yields remain attractive relative to cash without requiring investors to assume significant duration risk. Longer-dated bonds present a more nuanced picture. While they could perform well in a weaker growth environment, rising government debt levels, persistent fiscal deficits and increased borrowing requirements may place upward pressure on term premia over time, leaving long-duration bonds vulnerable to periods of volatility even as central banks gradually reduce policy rates.

Assessing the monetary policy outlook remains one of the key challenges facing investors. Financial markets have become increasingly sensitive to signs that inflation may prove more persistent than anticipated, leading to concerns that central banks could be forced to tighten policy further. Our central view is somewhat different. In the UK, we believe the Bank of England is likely to look through temporary rises in inflation driven by energy prices and other supply-side factors, focusing instead on weaker economic momentum, a softening labour market and evidence that private sector wage growth continues to moderate. Together, these trends suggest underlying inflation pressures are gradually moderating, increasing the likelihood that inflation will decrease more decisively in 2027 once the temporary impact of this year's energy price increases drops out of the data. Whilst interest rates may remain elevated for longer than many expected a year ago, we believe the next meaningful move in UK interest rates is more likely to be down than up, with scope for further easing during 2027.

In the United States, sticky inflation could yet delay further policy easing and keep monetary conditions restrictive for longer. However, we believe the more likely medium-term outcome is that moderating growth and easing inflation pressures ultimately allow the Federal Reserve to resume its interest rate easing cycle. While the path is unlikely to be smooth, we continue to believe the broad direction of policy rates will be lower over time.

One of the most encouraging developments over recent months has been the gradual broadening of equity market leadership. Earlier stages of the current bull market were heavily concentrated in a small number of large technology companies, many of which continue to benefit from strong earnings growth and significant competitive advantages. More recently, however, a wider range of sectors has begun to participate in the advance. Financials, industrials, defence companies, power infrastructure providers and selected commodity-related businesses are contributing more meaningfully to returns, reflecting themes such as AI investment, industrial reshoring and increased defence spending. International markets have also shown greater participation, although the United States remains the primary engine of global earnings growth and equity market performance.

> Financial markets have become increasingly sensitive to signs that inflation may prove more persistent.

Artificial intelligence remains one of the most important investment themes of our generation, but the investment case is entering a new phase. Initially, investors focused on the companies designing advanced semiconductors and building the infrastructure needed to support AI systems. Increasingly, attention is beginning to shift towards the businesses that can use these technologies to enhance productivity, reduce costs and improve profitability. As with previous technological revolutions, the ultimate benefits are likely to be distributed much more broadly across the economy than current market leadership implies. Financial services, healthcare, software, manufacturing and professional services all have the potential to benefit meaningfully as AI adoption accelerates, creating opportunities that extend well beyond today's infrastructure providers and technology leaders.

Against this backdrop we remain constructive, although not complacent. Earnings growth remains supportive, economic activity continues to expand and policy settings, while still restrictive by historical standards, are unlikely to become significantly tighter.

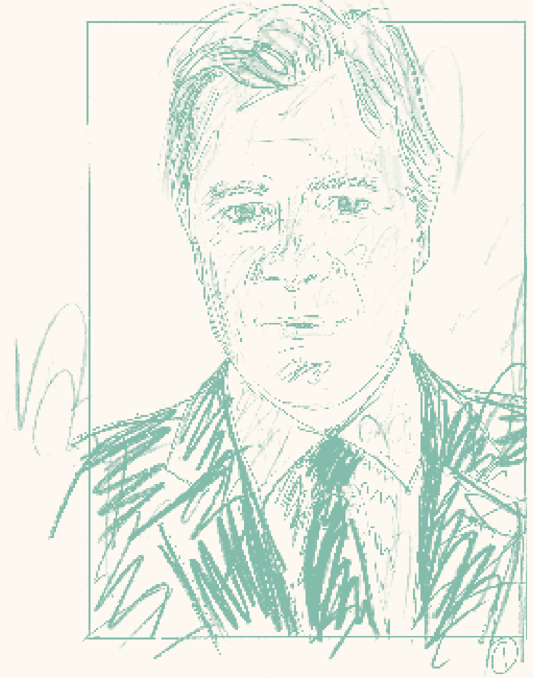
> There has been a gradual broadening of equity market leadership.

Inflation remains an important risk, but central banks may be willing to tolerate some short-term volatility in price pressures if they believe underlying disinflation trends remain intact. While some areas of the equity market appear fully valued, opportunities remain attractive across a broader range of sectors, themes and geographies than has been the case for some time. Importantly, a more complex world does not necessarily imply lower returns. Rather, it reinforces the importance of diversification, active asset allocation and disciplined security selection — and the foundations for further progress remain intact. For long-term investors willing to look through short-term noise, the current environment continues to offer compelling reasons for optimism.

Please read the important notice on page 1.

PERSPECTIVES

Lessons from the revival of vinyl



Hugo Bedford
CEO, JM Finn

Few would argue that the average British high street has not changed immeasurably in recent years, with the shift towards online retailing often forcing in-store retailers to adapt or disappear.

A stroll through your local town might show a curious phenomenon that appears to defy this trend: physical music and video retailers that are not only surviving, but thriving in the face of competition from the instant convenience and lower price point of music and video streaming platforms. HMV is posting profits (following a 2019 restructure), while the number of independent record retailers has risen to just under 500 from 340 a decade prior. What's behind this? The answer lies largely in the surging popularity of vinyl records: UK sales hit an 18-year high in 2025, a trend mirrored elsewhere in the world as the US vinyl market crossed the $1bn threshold last year. Growth is not, as one might expect, being driven by nostalgic older consumers. Instead, sales are dominated by generations Z and increasingly also Alpha – consumers who are too young to remember a time before digital music streaming.

One of the primary reasons is that vinyl offers an irreplaceable experience that can't be replicated from digital alone – in an age of digital saturation and AI-generated music, video and images, people want physical items they can own, collect and experience in real life. Film photography, physical books and letter writing are all showing a positive re-emergence. This preference for analogue instead of online isn't limited to media buying habits – many are also shunning tech in other ways in favour of in-person experiences. My daughter walked the Camino de Santiago solo this summer and found time away from her phone meant she could fully enjoy the experience, meeting people along the way – infinitely more rewarding than living life through a screen.

I think the same thing really applies to wealth management. While digital tools and online portals can improve access to information and streamline administration, in my view there is no substitute for the human element: meeting clients to get an understanding of their goals, family situations and wider lives. This of course does not negate the need for us as a firm to remain at the cutting edge of changes in technological development, in order to keep clients safe and enhance the service we provide. We are currently updating both our client portal and app for this reason – but the intent is to augment, rather than replace, the human-led service that JM Finn offers to our clients.

The firm turns 80 this year, having transcended the advent of a vast range of developments in technology that would undoubtedly make the day-to-day running of our business unrecognisable from how it looked in 1946. What has remained constant however, is the simple core principle of building personal relationships with clients over the long term. In a world of digital saturation, keeping human connection at the heart of our business should stand us in good stead for the next 80 years.

Guest editorial

Should Burnham roll the dice on an election?

Fraser Raleigh
Managing Director, Public Affairs at SEC Newgate UK

On the morning after the Easter weekend, I walked up Whitehall and into the Cabinet Office. It was April 2017, and I had been a Special Adviser for about six months, joining government when Theresa May became Prime Minister.

Something felt off as soon as I got in. The usual Tuesday morning Cabinet would be taking place next door in No.10, but it was clear there was going to be nothing usual about it. Rumours started flying that Theresa May was about to do something she had insisted time and time again she wouldn't. Sure enough, she emerged onto Downing Street to say that an election was now, after all, essential "to secure the strong and stable leadership the country needs".

Things didn't go to plan. Less than two months later I walked into a different government department following the post-election reshuffle. In between, the Conservatives had lost our majority and Theresa May had only just managed to hold onto power through a deal with the DUP. She was forced out of office within two years.

As the seventh Prime Minister in ten years, Andy Burnham is aware that all his recent predecessors came in – as he has – determined to stay for the long haul. And that none of them managed it. He has ruled out an early election despite a bounce in the polls. But, then again, so had Theresa May.

There are arguments for an early election. Assuming he won it, Burnham would have a clear personal mandate and a full five-year timeframe to earn credit from the public for getting difficult things done. It could give him more freedom by throwing off the hyper-cautious 2024 Labour manifesto commitments not to raise income tax, National Insurance or VAT.

Tactically, too, there may be a window of opportunity as Reform UK's progress stutters a little after losing its lead in the polls for the first time in a year. Perhaps he might think he could take advantage of a divided right and attract voters back from the left to lock in a Labour government.

Yet as the Conservatives found out in 2017, elections are messy and unpredictable. And the voters set the terms. Theresa May wanted an election to strengthen her negotiating hand with Brussels and see off Jeremy Corbyn. Instead, it weakened her hand and emboldened him.

Indeed, the biggest reason for seeking a new mandate could present the biggest risk to getting it. If Burnham really does want to pull on the big tax levers, then he will have to say so clearly, meaning the entire election would open up exactly the attacks that Labour was so desperate to avoid in 2024 and which led to the promise in the first place. If he doesn't, then what exactly does he want a mandate for that he can't get on and do already?

> As the Conservatives found out in 2017, elections are messy and unpredictable.

Fundamentally, the polls all suggest that Labour would lose a significant number of seats even if it did win a snap election. It may even lose its majority entirely and need to enter into a coalition to stay in government. A majority of nearly 170 and two and a half years to use it is something no Prime Minister would give up lightly.

So, what does Burnham want to do with it? His worldview was shaped inescapably by two interconnected things: his experience of the 1980s and of the North of England. His political priorities are direct responses to both.

His 2024 book, Head North, co-authored with his great political ally and Mayor of Liverpool City Region Steve Rotherham, is unequivocal: "this is not just a deeply unequal country; this is a deliberately unequal country". Their region, as he sees it, was not only hit hard by the Thatcher government, but all subsequent governments exacerbated the consequences by deliberately skewing the economy towards London and the South. As Burnham put it in his first speech as Prime Minister: "Political power was centralised, economic power privatised, large parts of the country de-industrialised, and they still haven't recovered."

> He has parachuted into Parliament from the outside.

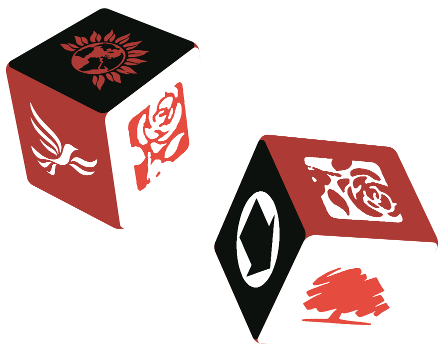
For Burnham, devolving power to the regions is essential to reversing that. He wants more mayors and for them to control more of their own regions' destinies, with the new No.10 North in Manchester the driving force. Powers will be transferred from Whitehall to elected mayors and local authorities across education and skills, transport, and housing. They will also – significantly – be given a share of income tax raised locally to incentivise them to grow their tax bases.

On devolution, therefore, he is moving fast and showing that he means what he says. Yet his diagnosis goes far deeper. In Head North, he called for a full written constitution, a Basic Law to guarantee living standards, an elected Senate of Nations and Regions in place of the House of Lords, and a change in the voting system to proportional representation. These are enormous – and contentious – constitutional changes for which Burnham has no mandate and would need to convince his party to include in its next manifesto. This tension goes to the heart of taking power between elections, rather than winning one. Burnham is inheriting someone else's majority and seeking to do something different – but not too different – with it.

> If Burnham wants to pull the big tax levers, he will have to say so clearly.

This is nothing new, but it is fraught with difficulty. Most mid-term Prime Ministers come in with confidence that they can get it right. Some are more successful than others, at least in the short term, as with John Major and Boris Johnson, who both won elections after taking over mid-term. Some are too associated with the past and fighting losing battles, as with Gordon Brown and Rishi Sunak. Liz Truss, of course, never made it as far as the ballot box.

All these premierships have their own contexts. Yet it is striking how different Burnham's is. He has parachuted into Parliament from the outside rather than biding his time from the inside, meaning he has none of the baggage of having served under his predecessor. As Mayor of Greater Manchester, he was always semi-detached from Westminster, which enabled him more freedom than any Cabinet minister to deviate from the party line without facing consequences.



Most importantly, his decade away has genuinely hardened his view of what Westminster and Whitehall gets wrong and what needs to change. This means he comes to the job with a far more defined vision than his predecessor, something that was – alongside failures in delivery and communication – Labour MPs' fundamental concern with Starmer.

Yet the challenges he faces remain daunting and will take time to turn around. Time has been in short supply for British Prime Ministers recently. The patience of business, investors, and markets has been in even shorter supply as political instability has looked systemic. The promises of change and of doing things better have come out of the mouths of all those mid-term Prime Ministers who have walked down Downing Street so confident they will – after all – be the one to tame that instability.

Perhaps Burnham really will. Perhaps he will resist any siren calls for an early election, stay the course and be rewarded by the voters. Or perhaps another adviser might walk into work one morning and find the political world has turned upside down. Yet again.

About SEC Newgate

Fraser Raleigh is MD, Public Affairs & Government Relations at SEC Newgate, a global corporate affairs consultancy. He is a former Special Adviser to the de facto Deputy Prime Minister Sir David Lidington and served in the Cabinet Office, Ministry of Justice, and Office of the Leader of the House of Commons.

www.secnewgate.com

JM Finn news

Lending against your portfolio value

Did you know that it may be possible to borrow money against the value of your JM Finn investment portfolio?

Known as a Lombard loan, we now facilitate a lending service through a third party, Firenze, to offer eligible investors access to liquid cash without necessarily having to sell their investments.

How it works

A Lombard loan is secured against your existing investment portfolio (up to a maximum of 50% of the portfolio's lending value) as security for borrowing. This can provide access to funds for a range of purposes, such as property purchases, tax liabilities, business opportunities or other significant expenditures. By borrowing against a portfolio rather than selling investments, clients may be able to remain invested and continue to participate in potential market growth and income.

If you are interested in exploring whether this form of borrowing may be suitable for your circumstances, please speak to your investment manager for further information.

Lombard lending is not suitable for everyone and carries risks. If the value of the underlying portfolio falls, additional security may be required and there is a risk that investments could need to be sold.

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, CFA, Research Analyst
Jack Summers, CFA, Research Analyst

CONSUMER DISCRETIONARY
InterContinental Hotels
TechnoGym

CONSUMER STAPLES
Coca-Cola

HEALTH CARE
Edwards Lifesciences

INFORMATION TECHNOLOGY
Halma
Microsoft
Texas Instruments

INDUSTRIALS
Experian
RELX
Schneider Electric
Spirax Group

MATERIALS
Croda International

REAL ESTATE
LondonMetric Property

1.

LondonMetric Property

Equity market cap (M) £ 4,326

Real Estate
Andrew Jones – CEO

We recently met with Andrew Jones, CEO of LondonMetric Property, to discuss how the business has evolved following a period of significant growth and consolidation. A key theme was the company's willingness to move capital between sectors as long-term consumer behaviour changes. Logistics and convenience retail remain the areas of highest conviction, while offices are largely avoided due to the capital expenditure requirements and the risks around changing working patterns.

One of the strongest views expressed during the meeting was around vacancy. Jones described it as the dementor of real estate, highlighting how quickly returns can deteriorate when rental income disappears but operating costs remain. This is an important part of LondonMetric's preference for long leases and 'triple-net' structures, where tenants take on much of the responsibility for property costs and maintenance. It also allows the company to operate with a relatively lean management structure.

Mergers & acquisitions has been another important part of the strategy. LondonMetric has completed five public company acquisitions over the past six years, helping the portfolio grow to around £7.6bn. When considering acquisitions, management focuses on whether the majority of the assets are suitable for long-term ownership, while non-core properties can be disposed of over time. Jones also expects further consolidation across listed real estate, particularly among smaller real estate investment trusts.

Despite the increase in scale, management was clear that preserving the company's culture remains a priority. LondonMetric continues to operate with a flat structure, limited bureaucracy and senior management closely involved in investment decisions. The overall impression was of a business focused on disciplined capital allocation, operational efficiency and avoiding unnecessary complexity.

2.

Schneider Electric

Equity market cap (M) €163,638

Industrials
Graham Phillips – Investor Relations Director

Schneider Electric provides energy management and industrial automation products to end markets including buildings, data centres, industrial facilities and infrastructure. The business therefore has exposure to several structural growth themes, including electrification, automation and digitalisation. Schneider operates across the electrical value chain, from grid connectivity through to equipment used within buildings, factories and data centres, while software is becoming an increasingly important part of the offering.

Data centres were a key focus of the meeting. Demand remains strong and is supported by a broad customer base that includes neocloud providers, sovereign customers and co-location operators as well as the obvious hyperscaler customers. Customer requirements are becoming increasingly complex as data centre architectures evolve, requiring expertise across electrical distribution, power management and facility operations which should strengthen Schneider's positioning. Given exposure to customer capital expenditure, the durability of growth at current levels remains difficult to assess. However, Graham flagged that near term visibility remains strong.

Away from data centres, management highlighted improving trends across other end markets, although conditions remain mixed. Buildings delivered better order growth in the first half, supported primarily by non-residential activity. Residential markets remain softer, particularly in parts of the US, although trends have improved modestly of late. Within Industrial Automation, discrete automation has been gathering momentum for some time now, following an extended downturn, but conditions remain uneven across end markets. Semiconductor-related activity in Asia continues to be supportive, while several hybrid and process industries have remained comparatively subdued. Process automation markets, including oil & gas, cement and materials, have experienced softer demand, although recent order trends have been better.

3.

Texas Instruments

Equity market cap (M) $236,019

Information Technology
Mike Pienovi – Director of Investor Relations

Texas Instruments (TI) is a leading analogue semiconductor manufacturer. Analogue chips are the bridge between the physical world and digital computing, converting and managing real-world signals. TI operates a catalogue model with more than 80,000 largely off-the-shelf products, focused on long-life-cycle applications where reliability, durability and product availability are critical.

The growth opportunity in TI's core Automotive and Industrial markets is the increasing amount of analogue content required in each customer end unit. It believes this trend can support analogue semiconductor growth above underlying end-market growth for many years. In Automotive, semiconductor content is being driven higher by three trends: vehicle electrification, advanced driver assistance systems and software-defined vehicles.

Mike flagged the role of analogue content in data centres, with the rapid build-out of AI infrastructure driving strong demand for analogue chips used in power delivery and signal-chain applications. While data centres remain smaller than TI's Industrial and Automotive markets, the addressable market is expanding, with both evolving and emerging use cases for TI products.

Finally we discussed TI's manufacturing strategy. The company has invested heavily in internal production capacity and transitioned much of its manufacturing to 300mm semiconductor wafers, which provide around a 40% cost advantage versus traditional 200mm analogue wafers. Internal manufacturing reduces reliance on third-party foundries, helping mitigate supply chain risk, though the larger cost base will likely result in higher margin variability.

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.

Wealth Planning

Wealth, wellbeing and purpose in retirement

Charles Barrow
Wealth Planner

For many people, retirement planning is often framed around a single conundrum: *Will I have enough?* While ensuring financial security remains fundamental, research and experience increasingly suggest that a successful retirement is about much more than simply capital accumulation.

As wealth planners, we regularly meet clients who have worked hard, invested diligently and built substantial assets over many decades. What often becomes apparent, however, is that some of the biggest retirement concerns are not always the most likely to occur and as a result many opportunities to enhance retirement can be overlooked.

Three themes continue to emerge from our experience with clients: (i) the perception of long-term care costs, (ii) the tendency for retirees to underspend, and (iii) the importance of wellbeing beyond financial considerations.

1. Care costs: a genuine risk, but not one that should dominate planning

One of the most common concerns raised by clients is the potential cost of long-term care. Stories of care fees running into hundreds of thousands a year can create anxiety and lead some individuals to hold back from spending or gifting wealth during retirement. While care costs represent a genuine financial risk, it is important to place that risk into context.

Many people overestimate both the likelihood of requiring extensive care and the total financial impact that care might ultimately have on their estate. Some individuals will require little or no formal care, while others may receive support from family members or require assistance only for a relatively limited period.

This does not mean care costs should be ignored. For a minority of families, the expense can be significant and can influence long-term financial planning decisions. However, it is often more appropriate to view care funding as a possible risk or a potentially expensive event that may occur, rather than an inevitable outcome.

A balanced planning approach typically involves assessing potential care costs within cashflow modelling and maintaining suitable reserves or accessible capital. It's also worth considering insurance solutions where appropriate, ensuring powers of attorney and legal arrangements are in place and regularly reviewing estate planning strategies.

By addressing care costs sensibly, rather than allowing them to dominate retirement decision-making, clients often feel more confident about using their wealth during their lifetime.

> A balanced planning approach is to assess potential care costs and maintain suitable reserves or accessible capital.

2. Many individuals die wealthier than they expected

Perhaps one of the most striking observations in retirement planning is that many individuals spend far less than they can comfortably afford.

After decades of building wealth and developing prudent financial habits, it can be difficult to transition into a mindset of spending accumulated capital. The behaviours that helped create financial success – saving carefully, avoiding unnecessary expenditure and preserving assets can continue into retirement, even when they are no longer required. As a result, many retirees maintain significant levels of wealth throughout later life and ultimately leave estates far larger than anticipated.

For some families, this may be entirely intentional. Leaving a meaningful legacy to children, grandchildren or charitable causes can be a key objective. However, for others, it is simply the result of caution and uncertainty. As younger generations often face challenges such as rising property prices and education costs, a gift made when recipients are in their thirties, forties or fifties may have a far greater impact than an inheritance received much later in life.

This does not mean reckless spending or gifting beyond one's means. Financial security must remain the foundation of any retirement strategy. However, regular reviews can help identify whether assets are being preserved out of necessity or simply out of habit.

3. Retirement success is about more than money

Financial planning understandably focuses on assets, income, tax efficiency and investment returns. Yet retirement outcomes are influenced by much more than financial factors alone.

In practice, many retirees report high levels of overall life satisfaction, even during periods of market volatility or economic uncertainty. The factors most closely associated with positive retirement experiences often include good health, strong family relationships, social connections and community involvement, physical activity and hobbies.

While financial planning can help create the freedom to pursue these goals, money itself is rarely the ultimate objective. Rather, it is the means by which retirees can enjoy meaningful experiences, support loved ones and achieve personal fulfilment.

A broader view of retirement

At JM Finn, we believe good financial planning goes beyond preserving capital. The most effective retirement plans recognise that wealth is a tool, not an end point. Many retirees have greater financial flexibility than they realise and may benefit from reviewing whether they are making full use of their resources. Ultimately, the goal is not simply to pass away with wealth, but to live well with it and pass it on to future generations where appropriate.

If you would like to speak to me or another member of the Wealth Planning team about your retirement, please get in touch with your investment manager.

Stock in focus

Microsoft

William McCubbin, CFA
Research Analyst

Microsoft has achieved something fairly unusual for a company worth trillions of dollars: it is both enormously important and, to most people, rather boring.

Ask someone what Microsoft does and the answer will probably involve Word, Excel, Windows and perhaps a complaint about Teams. Yet the company now sits behind a much wider part of the technology stack. It provides email, cybersecurity, cloud computing, databases, developer tools and business software, often to the same customer. Much of it is the digital plumbing of modern business: rarely noticed when it works, immediately noticed when it does not.

There is an irony here. The more successful Microsoft has become, the less visible much of its business is. Nobody arrives at work particularly excited that their employer uses Azure, Active Directory or SQL Server. They simply expect the email to arrive, the spreadsheet to open and the system not to be hacked. That invisibility is partly a consequence of how deeply Microsoft has embedded itself across the corporate technology stack. Its advantage increasingly comes not from every product being clearly better than the competition, but from the fact that so many sit alongside one another and are already woven into the way businesses operate.

This is not a new strategy. Microsoft began by selling software for personal computers and quickly realised the value of becoming the common platform. Its relationship with IBM in the early 1980s was crucial. Microsoft supplied the operating system for the IBM PC, while retaining the ability to license it to other manufacturers. As IBM-compatible PCs spread, hardware companies competed fiercely while Microsoft's software became the layer they had in common.

Companies such as Compaq could build cheaper PCs, but they still needed an operating system. Microsoft licensed DOS on a per-machine basis and benefited from the growth of the wider PC market, regardless of which manufacturer sold the computer. A similar model later emerged in enterprise software. Through the 1990s and 2000s, Microsoft built products around Windows and Office including Exchange, SQL Server and Active Directory. These became increasingly interconnected. Employees used Outlook, Office and Windows, while IT departments relied on Microsoft for identity, security and data. Once several parts of the stack were in place, adding another Microsoft product was relatively painless. Ripping the whole thing out was rather less appealing.

Microsoft also changed how it charged for software. Enterprise agreements bundled products into multi-year contracts, moving the business away from relying on customers buying the latest version of Windows or Office every few years. By 2007, more than half of Microsoft's revenue was estimated to come through annual or multi-year enterprise agreements.

That installed base became particularly valuable when computing moved to the cloud. Azure (Microsoft's cloud computing platform) did not require customers to abandon their existing systems overnight. Companies already using Microsoft software could move gradually, connecting on-premise infrastructure with the cloud. Microsoft also had something newer competitors had to build from scratch: decades-long relationships with corporate IT departments.

This remains one of Azure's important advantages. Microsoft does not need to win each technology cycle from a standing start. It can introduce new products to customers already using several others.

> Microsoft also had something newer competitors had to build from scratch.

AI is the latest example. Microsoft is spending heavily on data centres and computing capacity, but the more interesting question is what it can do with that capacity once it exists. Copilot can sit inside Word, Excel, Teams, GitHub, security products and Dynamics. For a customer, adding AI to software already used across the organisation is easier than buying a separate product and integrating it themselves.

GitHub Copilot gives some indication of how this can work. By the third quarter of Microsoft's 2026 financial year, nearly 140,000 organisations were using the product, while enterprise subscribers had almost tripled year-on-year.

Equity market capitalisation (m)
$3,710,545

52 week high-low
$553.72 — $349.2

Net dividend yield
0.7%

Price/earnings ratio
25

Azure AI Foundry (a platform for designing and building AI tools and agents) is trying to do something similar for companies building AI applications, while keeping that activity connected to Microsoft's cloud, data and security products. The attraction is straightforward: Microsoft can sell more to customers it already has. This is what it has done with Microsoft 365, where customers have moved into more expensive packages containing additional security, compliance and communications tools. AI potentially adds another layer.

There is, however, an important difference. Traditional software was extraordinarily capital light. Once Office had been developed, supplying another customer cost very little. AI requires graphics processing units, data centres, networking equipment and vast amounts of power. If Microsoft builds too much capacity, or demand develops more slowly than expected, returns could disappoint.

Microsoft has already navigated the move from PCs to enterprise software and then to the cloud. AI may be the next transition, but it is a much more expensive one. The question is whether Microsoft can again use the position it has spent decades building to turn the next technological shift into another part of the Microsoft ecosystem.

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The Potting Shed

The number of new businesses in the UK continues to grow year on year. In this series we ask founders to describe how they got their business off the ground.

Wright & Bailey London

Robert Morris
Founder

Robert Morris discusses how his long experience in the eyewear business running William Morris London has proved invaluable in building his latest venture.

I have been in the eyewear business for more than 30 years. My career began with German eyewear company OWP Design, initially in the sales and commercial side of the business rather than design.

In my early thirties, I decided I wanted to row my own boat. I left my role as Managing Director and discovered François Pinton - a small French family eyewear business. Pinton became famous for designing the iconic sunglasses worn by Jackie Onassis, and I worked closely with his son Dominique, who had taken over ownership and design of the brand.

I secured the UK distribution rights and founded William Morris London, after my full name – Robert William Morris. Initially, the business bought collections from François Pinton and sold them to independent opticians throughout the UK. The brand was completely new to the market, so there were no doors open to us in the beginning.

I went back on the road selling and eventually employed two sales agents to work alongside me. During the day I sold products, and at night I picked, packed and invoiced orders. Customers called me directly on my mobile phone because I could not yet afford dedicated customer service staff. In fact, the office was my home! At that point, William Morris London was purely a distribution company.

After around four years, I decided I wanted to create and design my own collection. The William Morris London eyewear brand was born. The design philosophy was simple but effective: "conservatively different" - products that stood out while remaining wearable and accessible. We focused on a premium price point rather than the luxury end of the market.

> London and Great Britain proved to be powerful marketing tools as we developed export markets around the world.

All marketing was created in-house and focused heavily on the London heritage of the brand. We developed our own version of the Union Jack to underline its British roots. London and Great Britain proved to be powerful marketing tools, particularly as we developed export markets around the world.

Several turning points helped transform the business. Investing in the marketing, look and feel of the brand elevated our profile. We moved from using independent sales agents to employing our own sales teams, and expanded our brand portfolio. One of the most significant milestones came when William Morris London was selected by the Government to be part of the GREAT campaign, which promoted Britain and British brands internationally.

Robert Morris (second from left) and team at the launch of the Wright & Bailey London brand launch in Paris (Silmo Exhibition).

Export development became one of the biggest drivers of growth. In the beginning, sales were around 70% UK and 30% export. Over time that flipped to 70% export and 30% UK sales. We sold the brand across Australia, New Zealand, South Africa, the United States and most European markets. The biggest challenge was always finding distributors abroad who believed in the brand as much as we did.

As William Morris London grew, it became increasingly important to the business and we eventually phased out the François Pinton collection, allowing us to focus entirely on our own brands. At its peak, we employed around 40 people in the UK and operated our own sales team in Germany. Turnover reached approximately £10 million before Covid. The objective was always the same: build the brand and sell.

Following the sale of William Morris London in 2022 and the completion of a two-and-a-half-year non-compete period, I decided to create a new brand: Wright & Bailey London. The design philosophy remains unchanged. We continue to create eyewear that is conservatively different, but this time with a strong vintage and retro influence. The shapes and colours are inspired by iconic 1950s fashion, and each frame is named after a famous figure from the era, including models such as The Sinatra and The Monroe.

The marketing uses black and white imagery and, for the first time, we are embracing artificial intelligence to help create the visual identity around the brand. Wright & Bailey London is also our first business that sells directly to consumers as well as to opticians. Our flagship store and showroom provides direct feedback from consumers on shapes, colours and design trends.

We are launching into the United States this autumn and plan to enter France and Germany by the end of the year. We have also started working with distributors in Greece, Sweden, South Africa, Australia, Denmark and Poland, alongside continuing to develop the UK market.

> The objective was always the same: build the brand and sell.

The lessons learned from building William Morris London remain highly relevant today: outsource as much as possible, control costs carefully, invest early to support growth and expansion, and find suppliers who are genuinely invested in your success and want to grow alongside you. Those principles are helping shape the future of Wright & Bailey London as we embark on the next chapter.

About Wright & Bailey London

Wright & Bailey London is an eyewear brand which designs and crafts its own collections from premium materials. Its flagship store and showroom is in Bishop's Stortford, Hertfordshire.

wrightandbaileylondon.com

Collectives Commentary

THE SABA SAGA

HOW ONE HEDGE FUND REDEFINED INVESTMENT COMPANY ACTIVISM

Samir Shah
Senior Research Analyst (Collectives)

The UK investment company sector has long been proud of its independence, long-termism and specialist access.

But it has also had a nagging problem: too many companies have traded on persistent discounts to net asset value, with boards often asking shareholders for patience rather than offering decisive action. That has created the perfect opening for a new breed of activist investor.

At the centre of this shift is Saba Capital. Its arrival in the UK has been one of the most disruptive developments the sector has seen in years. Activism itself is not new: investors have often bought discounted companies and pushed for buybacks, tender offers or wind-ups to unlock value. Done well, that can be healthy. It reminds boards that discounts are not just an unfortunate market condition; they are a signal that shareholders may want something to change.

What makes the latest wave different is the level of aggression. Saba has not simply asked boards to do more buybacks or improve communication. It has sought to replace directors, reshape boards, challenge mandates and, in some cases, position itself to influence who manages the assets.

Investment companies are unusual structures. Shareholders elect boards, and boards appoint managers. If an activist gains control of the board, it can potentially influence the manager, the fee structure and even the future investment strategy. For investors who bought a trust for a specific exposure such as technology or smaller companies, that is not a minor governance detail. It could change the nature of what they own.

Saba's campaigns have therefore exposed a tension at the heart of the sector. On one hand, activists are applying pressure where it was overdue. On the other, the methods being used raise questions about whether all shareholders are being protected equally.

The uncomfortable truth for boards is that activists have found fertile ground because discounts have been wide. Higher interest rates, weak demand for UK-listed assets, cost-disclosure issues and a lack of natural buyers have all weighed on the sector. But shareholders are increasingly impatient with explanations alone. They want action.

> **THE UNCOMFORTABLE TRUTH IS THAT ACTIVISTS HAVE FOUND FERTILE GROUND BECAUSE DISCOUNTS HAVE BEEN WIDE.**

To their credit, many boards have responded. Across the sector, we are seeing more corporate activity, larger and more regular buybacks, tender offers, continuation votes, mergers and, in some cases, managed wind-downs. Fee pressure has also intensified. Companies that once relied on the strength of their long-term record are now being pushed to prove that their charges remain competitive and that their structure still serves shareholders well. That is a positive development. A trust trading on a stubbornly wide discount cannot simply hope the market will eventually notice its merits. Boards need credible discount-control policies, clear capital allocation discipline and a willingness to return money when the market is telling them the trust is too small, too illiquid or no longer differentiated enough.

The other big lesson is communication. Many companies have large retail shareholder bases, often held through investment platforms. Historically, those shareholders have not always voted. Sometimes they are not aware a vote is taking place; sometimes platform processes make participation harder than it should be. Activists understand this. Low turnout can magnify the influence of a determined shareholder with a sizeable stake. Boards are now learning that shareholder engagement cannot begin only when an activist appears on the register.

The Financial Conduct Authority is now reviewing rules for closed-ended funds, with a particular focus on conflicts of interest, board independence and the role of substantial shareholders. Proposed changes could make it harder for an activist shareholder to replace a board and then benefit from becoming the manager without additional safeguards. Such changes would not end activism, nor should they. Shareholder pressure can be an important force for better governance, narrower discounts and improved capital discipline. But future rules may limit the ability of activists to use voting power to secure influence that looks and feels like control, without going through the usual takeover protections.

> **BOARDS ARE NOW LEARNING THAT SHAREHOLDER ENGAGEMENT CANNOT BEGIN ONLY WHEN AN ACTIVIST APPEARS ON THE REGISTER.**

The real legacy of Saba may not be the trusts it successfully influences, but the trusts that change their behaviour before activists ever arrive. Boards across the sector are now under pressure to justify their existence, their fee structures and their capital allocation decisions in a way that was far less common only a few years ago.

Ultimately however, activism can only go so far. The most effective defence against an activist campaign remains strong long-term performance. Trusts that consistently deliver attractive returns, communicate a clear purpose and maintain investor support rarely become targets, even if discounts occasionally widen.

Please read the important notice on page 1.

Bond focus

The price of patience

Jon Cunliffe
Head of Investment Office

For much of the period following the Global Financial Crisis, bond investors became accustomed to a world of exceptionally low long-term government bond yields.

Central bank asset purchases, subdued inflation and strong demand from institutional investors all helped to suppress the additional return investors would normally require for lending money over longer periods. That environment has now changed.

Although policy rates across many developed economies are comfortably lower than two years ago, longer-dated government bond yields are markedly higher. At first sight, this may appear counterintuitive. Historically, falling central bank rates have tended to pull yields lower across the maturity spectrum. This time, however, longer-term yields have proved more resistant, reflecting forces that extend well beyond the immediate economic cycle.

An important part of the explanation is the re-emergence of the 'term premium': the additional yield investors demand for holding a bond for ten or twenty years rather than continually reinvesting in shorter-dated securities. During the era of quantitative easing, term premiums were compressed to unusually low levels. Inflation was stable, central banks were significant buyers of government debt and fiscal policy in the aftermath of the Global Financial Crisis was, by recent standards, relatively restrained. Investors therefore required comparatively little compensation for taking long-term interest rate risk.

The backdrop today is quite different. In the years following the pandemic, government borrowing requirements have risen materially across much of the developed world. Ageing populations, increased defence spending, investment in the energy transition and persistently large fiscal deficits are all placing greater demands on public finances. At the same time, central banks are no longer expanding their balance sheets and, in many cases, are actively reducing them. As a result, private investors are being asked to absorb a much greater supply of government bonds.

None of the foregoing necessarily points to an imminent fiscal crisis. Most developed economies retain considerable financing flexibility, while their government bond markets remain deep and liquid. An important point that is often missed is that markets are showing little concern about the UK's ability to service its debt. The cost of insuring UK government bonds against default remains stable, is roughly half that of US Treasuries, and is only a small fraction of the levels seen during the Financial Crisis. However, investors may continue to demand greater compensation for lending over longer periods, particularly while the outlook for inflation remains uncertain and public debt levels continue to rise.

> “An important part of the explanation is the re-emergence of the term premium.

For investors, this has important consequences. The higher yields now available across fixed income offer a considerably more attractive source of income than was available for much of the previous decade. But the opportunities are not evenly distributed across the bond market.

In our view, short and intermediate-maturity bonds currently offer a particularly attractive balance. They provide useful levels of income while being less exposed to changes in long-term fiscal expectations and movements in the term premium.

> “Private investors are being asked to absorb a much greater supply of government bonds.

Longer-dated bonds still have an important role within diversified portfolios, not least because they can provide valuable protection in the event of a sharper downturn in global growth. However, the assumption that long-term yields will automatically fall as central banks cut interest rates may prove too simplistic. In a world of structurally higher government borrowing and more normalised term premiums, long-term yields may remain higher than investors became accustomed to during the years after the financial crisis.

Against this backdrop, we believe the most compelling opportunities in fixed income are likely to come from capturing attractive levels of income rather than relying on substantial capital gains from falling yields. In that environment, high-quality short and medium-dated bonds continue to look well placed as part of a balanced portfolio.

Please read the important notice on page 1.

Independent view

How do courts treat assets on divorce?

The Standish effect one year on

Xanthy Papageorgiou
Senior Associate and Mediator, Sinclair Gibson LLP

One year after the Supreme Court's decision in Standish v Standish [2025], family lawyers are still assessing its impact on how wealth is divided on divorce.

While the case involved assets worth tens of millions of pounds, the principles it established are relevant to many families, particularly where one spouse brought significant assets or inherited wealth into the relationship.

The facts of Standish were unusual. During the marriage, the husband transferred investments worth approximately £80 million to the wife as part of an inheritance tax planning arrangement. The intention was that the wife would put the assets into trust for their children, but that never happened. The first court found that the transfer had transformed the assets into matrimonial property available for sharing. Both parties appealed before the matter eventually went to the Supreme Court. The Supreme Court found that the transfer was motivated by tax planning rather than an intention to share the assets between husband and wife. The Supreme Court emphasised that legal ownership alone is not enough to determine whether an asset should be shared on divorce.

The Supreme Court affirmed the distinction between 'matrimonial' and 'non-matrimonial' property. Matrimonial property generally consists of wealth built up during the marriage and is usually shared equally. Non-matrimonial property, such as pre-marital assets, inheritances and gifts from third parties, is treated differently unless it has become 'matrimonialised' through the parties' treatment of it during the marriage.

> “Legal ownership alone is not enough to determine whether an asset should be shared on divorce.

The cases decided since Standish provide useful guidance on how these principles are being applied in practice.

The family home is special

One of the clearest themes emerging from the post-Standish cases is the special status of the family home. In a 2025 case, VP v SP, the husband had owned the property before the relationship began. However, it had been used throughout the marriage as the family home and had been adapted to meet the needs of the parties' disabled child. The court concluded that the property had become matrimonial despite its pre-marital origins.

The decision serves as a reminder that although the source of an asset remains important, the family home is often viewed differently because of its central role in family life.

Matrimonialisation can be partial

In the 2025 case of RKV v JWC, the court considered a property purchased by the wife before marriage using funds provided by her mother. The property was later occupied by the family for a period, but the wife retained the rental income and did not fully integrate it into the parties' finances.

Rather than deciding that the property was either wholly matrimonial or wholly non-matrimonial, the court concluded that only 30% of the property should be treated as matrimonial property.

This case demonstrates that matrimonialisation is not always an all-or-nothing exercise. The court may recognise both the original source of an asset and how it was used during the marriage.

> “One of the clearest themes emerging is the special status of the family home.

Tax planning transfers are unlikely to be enough

The courts have also continued to apply one of the central messages from Standish: a transfer of ownership does not automatically lead to sharing.

In a 2026 case, RRE v JPR, substantial wealth originating from the husband's family and compensation payments had been transferred through trust structures and into the wife's name. The court found that the transfers were made for tax and estate planning purposes rather than to be shared. As a result, the assets retained their non-matrimonial character.

The decision reinforces the principle that the court will look beyond legal title and examine the parties' intentions.

Intent is a key factor

The 2026 case of BS v HC centred around whether a husband's pre-marriage pension had become matrimonialised. The wife argued that the parties had always intended to share their finances equally. However, the court held that a general understanding about sharing was not enough. There needed to be evidence that the pension itself had been treated as a shared asset. The wife was awarded 27.5% of the husband's pension, rather than 50%.

The judgment indicates that courts will increasingly focus on how a particular asset was treated during the marriage and whether both parties regarded it as a shared resource.

> Pre-marital wealth, inheritances and gifts may still be protected, but not where they have become part of the economic life of the marriage.

Assets can still be shared

While Standish has clarified the protection available to genuinely non-matrimonial assets, it has not made matrimonialisation difficult to establish where the facts justify it.

In another case this year, BC v BC, shares that originally belonged to the husband before the marriage were ultimately used to purchase jointly owned property and fund family expenditure. The court found that the parties had treated the wealth generated by those shares as a shared family resource over many years and concluded that the asset had become matrimonialised and should be shared equally.

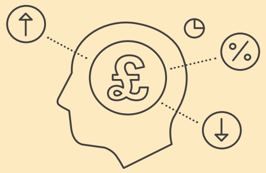
Looking ahead

One year on, Standish has not rewritten the law, but it has brought greater clarity. Courts continue to focus on the source of wealth, while also examining how assets were used during the marriage. Pre-marital wealth, inheritances and gifts may still be protected, but not where they have become part of the economic life of the marriage.

For couples seeking to protect inherited or pre-marital wealth Standish highlights the value of careful planning. While the source of an asset is relevant, the way it is managed during the marriage may determine whether it retains its non-matrimonial character. Nuptial agreements, trust structures and clear financial records can all help reduce uncertainty if a relationship breaks down.

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



Profit versus free cash flow

Jack Summers
Research Analyst, CFA

A discounted cash flow (DCF) model values a business using the present value of free cash flows that the business is expected to generate over a forecast period, and beyond that through a terminal value. Free cash flow to the firm (FCFF) is typically calculated as net operating profit after tax (NOPAT), plus depreciation and amortisation, less net increase in working capital and capital expenditure (capex).

The ongoing build-out of AI infrastructure has led companies competing in this area to sharply increase their annual capex outlay. This dynamic has been particularly visible among hyperscaler businesses such as Amazon and Alphabet. Whilst this isn't necessarily a bad thing, it does create problems when attempting to value such businesses with a DCF.

The key challenge is that a business can remain profitable at the NOPAT level whilst generating little or negative FCFF where capital expenditure is sufficiently high. In this situation, a DCF becomes especially sensitive to assumptions about how long elevated investment persists and the returns it ultimately generates.

For AI-related capex spending, the key consideration is at what point investment translates into future FCFF generating capacity. This is particularly important for terminal value – usually the largest proportion of a DCF's value. A perpetual terminal value cannot sensibly be based on indefinitely negative FCFF. The model must therefore assume that free cash flow generation normalises to a sustainable level in or before the terminal year. The further that normalisation is pushed into the future, the more valuation depends on uncertain long-term assumptions rather than cash flows visible today.

Glossary of key terms

Bond maturity date: The date on which a bond ends and the issuer must repay the original amount loaned (capital) plus (if applicable) any final interest due. Until then, the bond may pay regular interest, depending on its terms.

Defensive investments: Assets or companies that are expected to be more resilient during weaker economic conditions. They often provide essential goods or services, such as utilities, healthcare or consumer staples.

Dividend yield: The income a company pays shareholders through dividends, shown as a percentage of its share price. A higher yield may indicate income potential, but can also reflect share price weakness.

Large caps: Shares in companies with a high market value. Large caps are usually established businesses with significant revenues, broad operations and greater analyst coverage than smaller companies.

Purchasing Managers' Index (PMI): A survey of executives in sectors such as manufacturing and services that is commonly used as a measure of private sector health. A reading above 50 generally signals expansion compared to the previous month, while below 50 suggests contraction.

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.

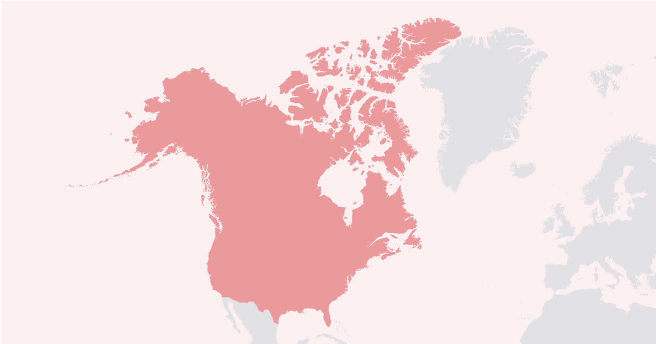
Our Asset Allocation Committee meets every six weeks to formulate views on the macroeconomic and financial market outlook. It provides actionable asset allocation guidance to the investment network by asset class, region, and sector. The combination of these top down and bottom up opinions is an important resource for our investment managers to validate their own investment theses or to generate new investment ideas.

This committee, which forms an important element of our Investment Office, consists of research analysts and a number of investment managers. The output of the meetings remains a suggested stance and it is important to note that the views expressed are those of the committee 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

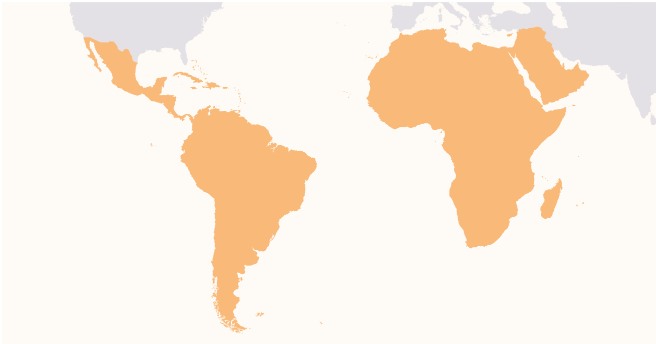
The US economy demonstrates resilience, supported by healthy private sector balance sheets, fiscal support and investment in artificial intelligence infrastructure and data centres. Inflation remains above target – likely to keep the Federal Reserve cautious and the prospect of rate cuts off the table for now. Although valuations are high relative to many international markets and fiscal imbalances persist, the combination of strong earnings delivery and economic resilience and innovation supports a neutral stance.

UK

The investment case for UK equities remains solid. Valuations remain attractive relative to global peers, while generous dividend yields offer an appealing source of returns. Significant exposure to financials, energy and industrials provides diversification away from the higher-valued growth sectors dominating US indices. UK performance has broadened beyond large caps, with the FTSE 250 benefiting from improving domestic confidence and growing investor interest in undervalued UK assets.

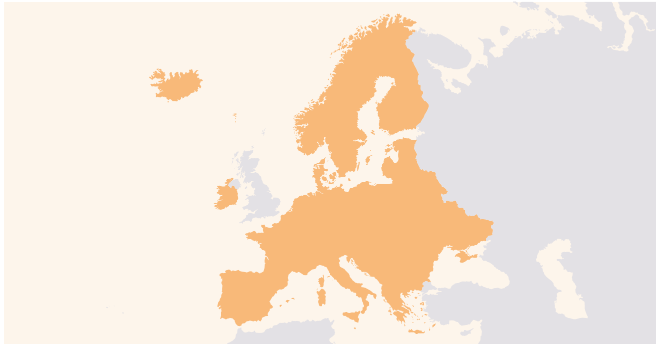
Japan

Corporate governance reforms are increasing shareholder returns and profitability. Japan has emerged from decades of deflation and is operating in a healthier environment characterised by positive wage growth, moderate inflation and improving domestic demand. It also stands to benefit from ongoing investment in automation, advanced manufacturing and semiconductor supply chains. Despite strong recent performance, valuations remain reasonable and international investor participation remains below previous peaks, offering scope for further gains.



Emerging Markets

The outlook across emerging markets remains mixed. Many economies are benefiting from stronger domestic demand, favourable demographic trends and deeper integration into global supply chains. A potentially weaker US dollar and more stable global interest rate backdrop should provide additional support for many countries, although higher resource costs may weigh on some importers. Political risk, policy uncertainty and uneven economic performance continue to create significant divergence between markets. We maintain a neutral overall allocation while favouring specific markets.



Europe

Eurozone equities remain supported by reasonable economic growth, a pickup in corporate earnings and relatively undemanding valuations. However, higher energy prices are feeding into inflation and prompting the European central bank to hike its key policy rate by 0.25%. This is particularly relevant for energy intensive sectors, where margins can come under pressure if costs cannot be fully passed through. More broadly, the bloc's reliance on imported energy leaves it exposed to external shocks. As a result, the recovery is likely to remain gradual.

Asia Pacific

Asia is a key driver of global economic growth and innovation. Strength in the technology cycle supports several key markets, while supply chain diversification is attracting investment into manufacturing hubs. The prospects for a softer US dollar should provide a supportive backdrop for regional currencies and capital flows, while policymakers in several countries retain flexibility to support domestic demand. Combined with generally attractive valuations and favourable long-term growth prospects, this underpins our positive outlook.

Please read the important notice on page 1.

Sector Focus

Overweight Neutral Underweight

Communications

The largest constituents of the sector (Alphabet and Meta) are both heavily exposed to AI and to digital advertising. Performance in both these areas is strong, however the sector continues to see an increase in capital intensity accompanied by as yet unknown returns. Anecdotal examples of AI supporting greater advertising monetisation are encouraging, however with where valuations still sit, we remain underweight given the sector's greater exposure to the uncertainty surrounding AI capex.

Consumer Discretionary

The sector has been mixed, with consumer spending resilient but uneven. Higher-income households continue to support areas such as travel and online retail, while weaker real income growth and higher financing costs are putting greater pressure on lower- and middle-income consumers. We maintain an overweight position, focusing on businesses where demand remains resilient and earnings growth is visible, while remaining selective given the sector's sensitivity to consumer confidence.

Consumer Staples

The sector offers defensive characteristics and resilient cash flows, although the outlook has become more challenging. Consumers remain focused on value, while higher input and logistics costs and growing competition from private label products are putting pressure on margins. We retain a neutral stance, recognising the sector's stability and dependable demand, while balancing these qualities against softer volume growth and more limited pricing power.

Energy

Energy has lost some of its earlier gains as the geopolitical risk premium in oil prices has eased and the supply-demand outlook has become more balanced. Nevertheless, inventories remain low and geopolitical risks support commodity prices, while the sector generates strong free cash flow. We remain neutral due to the sector's cash generation and capital discipline, while acknowledging that limited demand growth and the potential for further normalisation in Middle Eastern supply could constrain current growth.

Financials - Banks

Banks have performed well. Recent results show robust performance in investment banking as mega-IPOs have supported equity-related business. Banks demonstrate robust credit quality and improving loan growth. Concerns around private credit have eased. However, valuation multiples have continued to expand to reflect this improved performance. The UK presents a regulatory overhang amid speculation about additional bank taxes. In light of this we remain neutral.

Health Care

Health care is recovering from poorer sentiment in 2025. The regulatory picture has been more stable of late and the results of several trials in obesity, Alzheimer's and oncology have served to stimulate renewed interest in the sector. Earnings growth in 2026 has been sluggish, however expectations for 2027 are more positive. Whilst policy risk has not completely disappeared, given the sector valuations continue to screen cheaply, we are happy to retain our overweight recommendation.

Industrials

We have seen a broadening out of performance across the Industrials sector beyond businesses exposed to electrification and data centre investment of late. Industrial production growth remains reasonably tepid, but the Purchasing Managers' Index has risen and order growth has been robust. Having said that, industrial valuations which previously appeared rich, appreciated further. This warrants a continuation of our underweight view.

Information Technology

The sector is dominated by AI. Investors question whether investments in AI will yield adequate returns, leading to softening in some valuations. Earnings are strong, with estimates for earnings growth revised higher throughout the year. The large cloud infrastructure providers have increased their spending plans – a tailwind for semiconductor companies. The risk that AI monetisation is below expectations exists, however with lower valuations and performance above expectations, we upgrade to neutral.

Materials

Materials equities have paused for breath of late following a strong start to the year. Copper is appreciating amid strong demand and constrained supply. Iron ore prices have moderated as a result of increases in supply and already high inventories, which has been a headwind in combination with higher fuel prices. Ex-Uk, materials is closely tied to industrial production growth which is tepid in key regions. We remain neutral but appreciate opportunities in mining-exposed equities.

Real Estate

Real estate fundamentals have continued to stabilise, with healthy demand and constrained supply supporting areas such as data centres, logistics, retail and residential assets. However, the sector is sensitive to interest rates, with elevated financing costs weighing on valuations. We retain a neutral stance, balancing improving supply-demand dynamics and attractive valuations against uncertainty around interest rates and the timing of a broader recovery in property values.

Utilities

Whilst we appreciate the role of power utilities in supporting the ever-increasing need for additional power supply over the coming years, we believe this is well reflected in valuations, which could dominate the usually defensive nature of such businesses somewhat. Performance in UK water has been a mixed bag year to date; however, we continue to view the sector as structurally challenged in the long term. With these considerations in mind, we move to underweight.

Please read the important notice on page 1.

Meet the manager

Nina Etherton

Fund Manager

Lives North East London

Family 1 husband, 1 sister, 2 parents

Started at JM Finn January 2020

Hobby/pastime Gardening

Favourite holiday City break

Favourite film Withnail and I

If you weren't a fund manager Medievalist

Favourite book Any PG Wodehouse

Favourite restaurant The Golden Tooth in Newington Green

You have been with JM Finn since 2020 – how has your experience been so far?

My first year at JM Finn was fantastic for meeting people across all parts of the business because I did rotations around various departments including Administration, Research, Compliance and Investment Management. I then joined the multi-asset team. We run a pooled investment service (the Investment Management Service) that has grown considerably from assets under management of £80m when I joined to over £600m today, and we now invest on behalf of 5,000 clients. It has been a busy but exciting time!

Looking back on my seven years here, what strikes me about this company is how perennially positive and friendly everyone is.

As Fund Manager of JM Finn's Investment Management Service portfolios, how do you ensure you achieve a diversified investment strategy?

Diversification is a key tenet of our multi-asset strategy. Clearly, we are diversified by asset class since the portfolios include equities, bonds and alternative assets. We also ensure we hold a range of direct investments (stocks or bonds), active funds and passive funds – the way we think about diversification varies across each type of investment.

For example, with direct equities we need to consider our exposure by sector, market cap or valuation. For active funds we need to think about diversifying style and avoiding 'key person risk'. For passive funds, we are particularly focused on considering counterparty risk.

What do you think the remainder of 2026 could have in store for the global investment environment?

It's easy to be caught up in worrying about risks facing investors. For example, this year we have faced continued war in Ukraine; tariff wars; escalating conflict in the Middle East; volatile energy prices; and another Prime Minister resignation in the UK to name a few! Yet despite this backdrop, markets have delivered strong returns so far, supported by a relatively favourable policy environment and continued corporate profit growth.

Looking forward, one of the key dynamics we are watching is the AI investment cycle. This technology is already transforming how we work and live, but expectations – and valuations in some pockets of the sector – are high. An important question for the remainder of the year is whether the substantial investment in AI can translate into sustainable earnings growth and attractive returns. This is an environment where balance and diversification are particularly important.

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