JM FINN

No.55 *Summer 2026*

Prospects

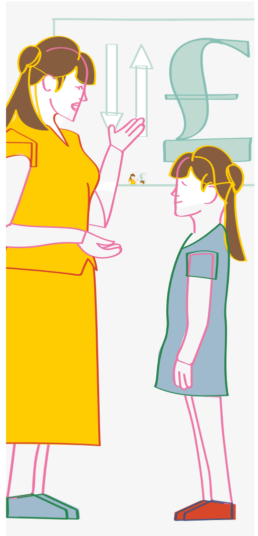
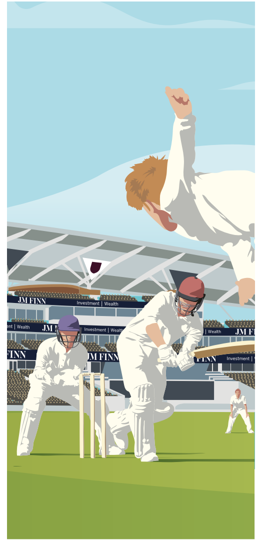
The JM Finn Quarterly Periodical

Diamond industry
Shine vs substance

Wealth transfer
Effective strategies

Cricket culture
An enduring appeal

No.55
Summer 2026

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Welcome

The impact of the US-Iran War has been far-reaching across the world and from an economic perspective the UK is by no means exempt: raised oil and gas prices have led to higher inflation and a less straightforward path to reducing interest rates than had previously been expected.

As is often the case, bond markets have stepped in to call the shots and dictate the course of action needed: shorter-dated gilt yields have risen, pushing up mortgage and corporate borrowing costs and effectively delivering a tighter monetary policy environment without the Bank of England raising interest rates – more on this in our bond focus article from Head of Investment Office Jon Cunliffe on page 20.

Diamonds are forever – but the methods used to produce them are not, as the boom in sales of lab-grown diamonds in recent years has proven. On page 4, Research Analyst Jack Summers tracks the trajectory of the industry over the past 200 years, from De Beers' longstanding domination of global supply through to the shake up the industry has undergone due to man-made disruptors offering vastly cheaper prices than natural equivalents.

While the diamond trade offers a reminder that no industry is immune to disruption, a perennial question for investors is how to achieve growth from a diversified spread of investments in an era where returns are largely driven by stocks related to the biggest disruptor in recent times – the AI revolution. As AI-related stocks continue to wield a disproportionate influence on growth in both US and world markets, our Markets in Focus article covers this issue and the wider global investment climate on page 24.

Should governments ever intervene to try to encourage their countries' investors to opt for domestic equities over the array of options abroad? As the Pension Schemes Act 2026 gives the UK government the power to mandate that pension providers invest a proportion of their portfolios in UK private markets (currently in existence as a voluntary scheme, the Mansion House Accord), CEO Hugo Bedford explains on page 8 why he feels UK equities hold enough merit to attract investors in their own right, without the need for external intervention.

Taking measures to maintain an enduring appeal has also been front of mind for our guest editorial author, Steve Elworthy, CEO of Surrey County Cricket Club (SCCC): on page 10 he explains how SCCC has adapted to modern times. The club continues to draw in record crowd numbers as it celebrates both its 180-year history and a 25-year partnership with JM Finn. Part of that success is due to an ability to foster cross-generational love of the sport by offering formats such as the T20 that appeal to younger fans, alongside more traditional red-ball matches.

Bringing families together in the name of sport might be a decidedly easier task than solving how best to transfer the $124 trillion held by baby boomers globally to their younger family members. Wealth Planner Charles Barrow offers food for thought on page 14 about the available options to pass wealth on in the most efficient way. As regulations around Inheritance Tax are changing, bringing more estates within scope, it can often be a good idea to start discussions around this topic sooner rather than later – and our Wealth Planning team remain on hand to help.

Carrie Lennard
Editor

Editorial

Diamonds in the rough

Jack Summers, CFA
Research Analyst

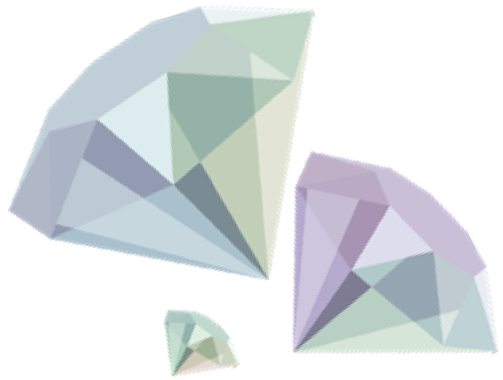
Jack Summers takes a look at the diamond industry, from its history to the present day pressures that the natural diamond market faces from lab-grown disruptors.

For over a century, diamonds have been one of the most highly coveted jewellery gemstones globally, featuring prominently in all types of jewellery, but most notably as a symbol of love and commitment in engagement ring designs. This hasn't always been the case though, with less than 10% of engagement rings sold in the US in 1939 featuring the forever stone.

Diamond is composed of carbon, one of the most abundant elements in the earth's crust and is chemically identical to fellow carbon allotropes such as graphite. Unlike graphite however, diamond is the hardest known natural substance on earth, with a score of 10 on the Mohs Hardness Scale (1-10), at the same time boasting the transparent and glistening properties which make it so desirable for use in jewellery. Diamond owes these unique properties to its molecular structure, whereby each carbon atom is covalently bonded to four other carbon atoms to form a three-dimensional tetrahedral lattice. The natural diamond formation process takes hundreds of millions, if not billions of years under the extreme heat and pressure conditions of the earth's mantle to complete, after which natural diamonds are transported into the earth's crust during kimberlite and other types of volcanic eruption.

Traditionally diamonds have been described as a 'Veblen good', i.e., one where consumer demand typically increases as the price increases, which contrasts with the demand dynamics of most goods. Had you walked into a jeweller or auction house at any point over the past 80 or so years and surveyed the array of sparkly pieces on offer, you would have been forgiven for assuming that the chemistry jargon and extremities of the formation process outlined above meant that natural diamonds were a rare phenomenon. In reality, natural diamonds are quite an abundant resource on earth, particularly relative to many other gemstones, even after considering that only 20% of mined diamonds make gemstone quality. That is not to say that, like with other gemstones, rarity does not exist within the natural diamond supply once the 4Cs (carat, clarity, colour and cut) grading framework is applied to individual specimens. It would however suggest that other factors have historically been at play in the diamond market beyond normal supply and demand dynamics, which warrants a whistle-stop overview of the past 250 years.

In 1776, the Scottish economist Adam Smith presented the value paradox, otherwise known as the diamond-water paradox in his treatise 'The Wealth of Nations'. Smith attempted to explain the value differences observed between water (low value, high utility) and diamonds (high value, low utility). He concluded that the 'real price' of everything was a product of the toil and trouble that went into acquiring it, and that therefore value in exchange exceeded value in use. At the time this wasn't an unreasonable conclusion – diamond mining was limited to unsophisticated and inefficient practices in India and Brazil, leading to a genuinely toil-intensive and scarce supply. This dynamic held until the late 1860s, at which point the first primary diamond deposits were discovered in Kimberley, South Africa, which led to the industrialisation of deep-earth diamond mining, almost a century after Smith's death in 1790.



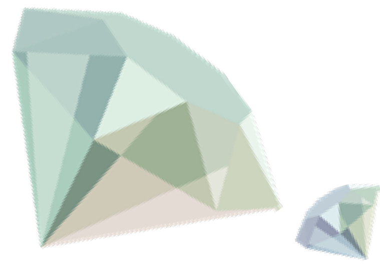
> Diamonds are an abundant resource compared to many other gemstones.

History tells us that the playbook of evolution for many newly emerged capital-intensive industries is often very similar, and diamond production was no different. Many smaller players competed intensely, yet inefficiently, with limited resources and capital whilst ramping up supply as a collective. Supply-demand dynamics saw prices fall, meaning profitable production required either less supply, or lower costs of production. This in turn made scale, with good access to a cornered resource, a key competitive advantage, which ultimately led to industry consolidation.

Enter stage Cecil Rhodes and the company he founded, De Beers Consolidated Mines Ltd. Initially Rhodes rented expensive pumping equipment to small diamond producers who lacked the financial resource to purchase it themselves, reinvesting the profits into the acquisition of diamond claims through the 1880s. In 1888, De Beers was incorporated as a stand-alone company, having acquired monopolistic control of the South African (and, at the time global) diamond supply through its mine acquisitions. Anglo American became De Beers' largest single shareholder in 1926, with its founder Ernest Oppenheimer joining the De Beers board that year and becoming chairman in 1929 having previously been refused a board seat by De Beers. To this day, De Beers' largest shareholder remains the now FTSE100-listed miner Anglo American. Through the Central Selling Organisation (CSO) De Beers retained control of the diamond supply, using intense marketing campaigns to re-establish and maintain diamond's Veblen good status. However, this cornered resource advantage was eroded through time by the discovery of deposits outside of De Beers' traditional channels, and rejections of the CSO's supply controls.

The largest disruptor to date in the natural diamond market however has been the mass commercialisation of lab-grown diamonds (LGDs). General Electric was the first to create a LGD in 1954, as well as the first gem-quality LGD in 1971. The now commercially used 'chemical vapour deposition' method of manufacture, was developed shortly after and refined over the following decades to the extent that the US Federal Trade Commission recognised LGDs as real diamonds in 2018. The problem natural diamonds face when competing against LGDs is the structural price differential, with LGDs of equivalent grade using the 4Cs framework pricing c.72% cheaper than natural equivalents in 2025. This dynamic appears attractive because it allows buyers to purchase equivalent pieces in terms of size or quality with a lower budget, or indeed larger and more complex pieces with the same budget.

From a generational perspective, the price differential appears to have resonated particularly well with millennials and Gen Z consumers. In the US, BriteCo data suggests 50% of millennial engagement ring purchases feature lab-grown diamonds, with this figure rising to two thirds in Gen Z purchasers. Far lower LGD penetration has been observed amongst Baby Boomers and Gen X consumers, for whom the provenance of natural diamonds appears to remain important. The trend of the overall market however points to LGD demand outstripping natural demand, with the overall market share of LGDs across all demographics and new sale categories having consistently increased since 2019.



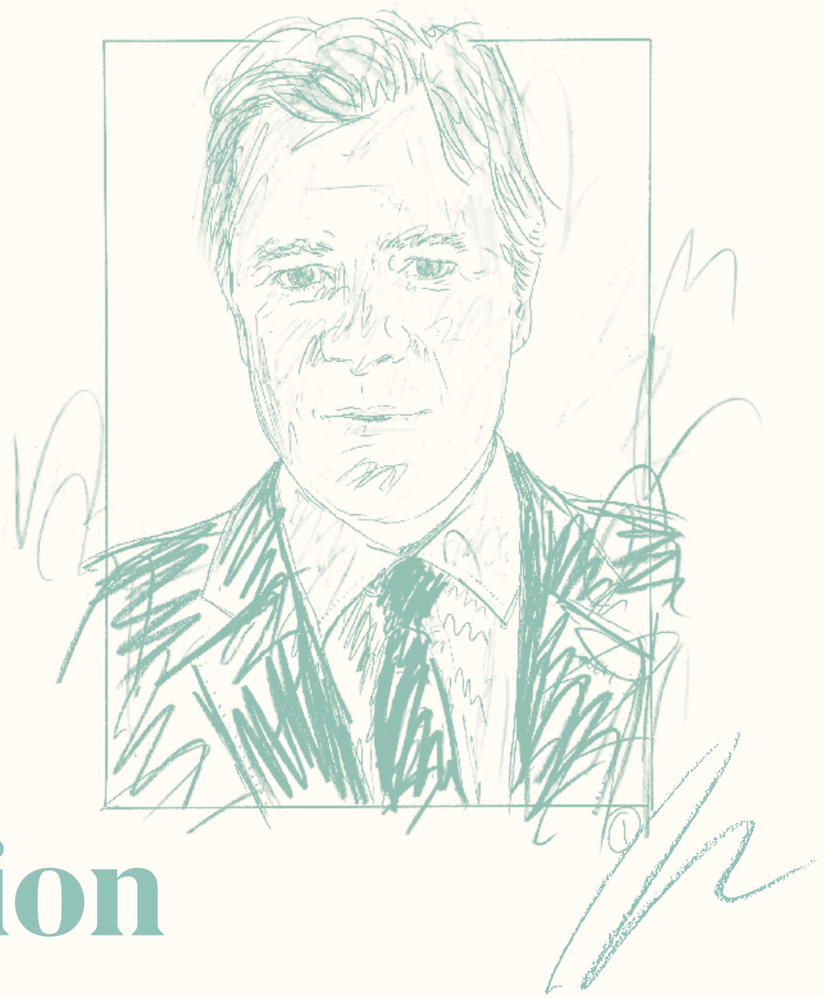
Pressure from LGD supply and a receptive consumer base has led to a surplus of rough diamonds which has weighed heavily on natural diamond prices post-Covid. This has shown up at De Beers, with owner Anglo American writing down the carrying value of the business, a smaller part of the broader group, for a third time in three years in February 2026, having put the business up for sale in 2024 as part of its plans to simplify itself into a copper and iron ore driven business.

> Lab-grown diamonds of equivalent grade were 72% cheaper than natural diamonds in 2025.

Changing consumer trends and tastes may well see natural diamonds have their day in the sun once again. But whatever the future evolution of the broader diamond market going forward, this example is a useful reminder for us as investors to scrutinise the strength and durability of competitive moats, even those centred around the strongest advantages in a world of ever-evolving technological advances.

Please read the important notice on page 1.

PERSPECTIVES



Hugo Bedford
CEO, JM Finn

Conservation challenges

JM Finn CEO Hugo Bedford discusses whether measures to increase domestic equity investment should be taken.

Skomer Island lies off the coast of Pembrokeshire, a bumpy 20-minute boat ride across the Celtic Sea from the mainland. It attracts a vast array of wildlife throughout the year including dolphins and seals – but is perhaps best known for being the largest Atlantic puffin breeding colony in the south of England. In common with the rest of the world, UK Atlantic puffin numbers are in decline: the population has dwindled by 25% since 2000 and the species has been identified as vulnerable to global extinction. Yet Skomer's puffins have bucked this trend for the second year in a row: in 2026 their numbers have hit record highs. Over 52,000 of them now line the cliffs on the tiny island, an increase of over 8,000 from the previous year. Various factors contribute to their success – an absence of ground predators due to its isolated location plays a role, as do careful conservation efforts to keep it that way. Visitor numbers to the island are strictly limited and building has been limited to a single farmhouse – the only accommodation. Stringent rules are also applied to ensure no predators such as rodents are accidentally imported.

Much like the UK's puffins, domestic ownership of UK equities has also experienced a long-term downward trend, with nearly £2 trillion of investment by pension providers and wealth managers moved away from domestic equities in favour of other markets. In the early eighties it was almost a given that UK investors would invest in home-grown stocks: ownership stood at over 96% at the start of that decade. By 2022 that had slipped to 42% as investors increasingly sought opportunities elsewhere in the world.

Few would argue against the conservation efforts on Skomer that are 'artificially' reversing the decline of the species on the island. But the question of whether interventionist measures should also reasonably be applied to boost investment in our domestic equity market is less straightforward.

> "Dividends from FTSE 100 investments are predicted to hit £88bn this year

In 2025, the UK government introduced the Mansion House Accord – a voluntary scheme for UK pension providers. Currently, 17 of the biggest companies are signed up to it – committing themselves to investing 10% of their defined contribution pension portfolios in private markets, including 5% in the UK. So far, so good. Yet the government hasn't stopped there – the Pension Schemes Act 2026 gives it the option to make the scheme compulsory in the future if it feels progress has not been significant enough. It is this Act that many feel oversteps into a breach of the principles of free market economics, namely that governments should not interfere with markets, and that consumers should have the freedom to choose how they invest.

The reason for the introduction of these measures is a desire to further long-term GDP growth: while UK residents opting to invest abroad will not be impacted by the decline in domestic UK equity ownership in their capacity as investors, as citizens they would feel the economic impact from a resulting slowdown in GDP growth if the flow of capital away from UK stocks continues.

Ultimately though, the more obvious and better solution to encouraging investment in home-grown stocks is for the UK market to be attractive enough for domestic investors to want to put capital into it of their own volition. We see the undeniable draw of US markets, with their high technology bias and the US Mega Cap stocks which have continued to deliver. The more defensively positioned UK market with its high underlying overseas earnings and lower valuation does also have its attractions though, and this has held it in good stead in spite of the current political uncertainty. In addition, the income bias of UK stocks certainly appeals to investors: dividends from investments in the FTSE 100 are predicted to hit £88bn this year, an average annual dividend yield of 3.3% compared to 2.1% for America's S&P 500 or the 1.6% average for Japan's Nikkei 225. Even though we see increased opportunities overseas, UK equities will continue to have a place in portfolios. Whilst initiatives to push UK investors to invest in the UK are well intentioned, UK markets need to attract money in their own right.

Guest editorial

Club of the Century

Steve Elworthy
CEO, Surrey County Cricket Club

Surrey County Cricket Club has adapted throughout the course of its 180-year history to maintain an enduring appeal to cricket lovers of all types, writes Surrey County Cricket Club CEO Steve Elworthy.

Cricket is a sport steeped in tradition and history. Just last year, we at Surrey County Cricket Club marked our 180th anniversary year, celebrating our story, our successes, our supporters, our iconic ground, and the wider game itself. Age-old rituals continue to hold an important place in our game, but there is no denying that cricket has also seen and embraced enormous change, especially since the turn of the century.

The game that we at Surrey love and are working to grow looks profoundly different from the one I grew up playing, though the passion among supporters remains the same. The inception and rapid rise of T20 cricket, the arrival and proliferation of franchise leagues, including The Hundred in our own backyard, and the professionalisation of the women's game are some of the macro changes that have transformed the game at every level. Amidst this backdrop, it must be said that red-ball cricket is still at the heart of the sport, certainly in England and Wales, in terms of both creating players who have the skillset and the mindset to succeed in international cricket as well as providing revenue streams through both match-day and broadcast revenues.

At Surrey, we have lived these changes in real time – through on-field highs and lows, through commercial reinvention and venue expansion, and through a widening of the game that would have been almost unimaginable a generation ago. Today, we are a data-driven, year-round commercial business, with a considerable portfolio of global partners and several streams of revenue, but to our core, we are and will continue to be a cricket-first members' club. Our values and objectives ensure that we are always reinvesting our profits back into the sport we champion, so that we are growing the game, producing more and more world-class cricketers for England, fighting for silverware and are constantly elevating the match day experience for our supporters.

> The game that we at Surrey love and are working to grow looks profoundly different from the one I grew up playing.

As we stand in the 2026 season, we firmly believe the sport finds itself in a promising position. The monumental money that has recently come in through private investment in The Hundred can be a lifeline to sustain the 18-county structure of English cricket. Indeed, the combination of four formats in our six-month summer window poses a challenge, but it also presents an opportunity. At Surrey, we are very confident that the way we perceive and promote each format will help us grow the sport and satisfy the needs of every type of cricket fan.

We know that much of this would not be possible without the support of our outstanding partners. We recently continued our long-term association with JM Finn, bringing the connection to 25 years. Having their sustained support both deepens the connection with our fans as well as enabling the Club to plan and move forwards with the surety of that support.

In its first few years, The Hundred has done a commendable job in bringing in families and new fans to cricket grounds by reaching out beyond the usual audiences and thinking outside the box. Putting cricket back on free-to-air television, finding interesting ways to integrate the sport with music, creating conversation through player drafts and now the auction, as well as building strong teams with some of the best players in the world, has given the competition a great headstart. At the Kia Oval, the competition has especially resonated with our audiences, who have shown up in big numbers to cheer on the Oval Invincibles, and we do not doubt that the same will be the case for MI London.

The Kia Oval is also often referred to as the Home of T20 Cricket, and we feel that T20 is the perfect format for those fans who are either new to cricket or follow it casually to enjoy a party-like atmosphere in central London, while also getting an opportunity to form deeper connections to the players and the Club.

> Having JM Finn's sustained support both deepens the connection with our fans as well as enabling the Club to plan and move forwards.

The T20 Vitality Blast is also a brilliant occasion for our generation of fans who are in the early stages of their professional careers, fans who have been with Surrey since their childhood, to rally behind their team with friends and colleagues after finishing their day jobs.

T20 Blast and The Hundred are also terrific platforms for women's cricket to thrive. Having only recently professionalised, women's cricket is one of the fastest-growing sports in the world, and the commercial and sporting opportunities will only keep on growing from here. The Hundred has already done wonders for the women's game in the UK, and we hope with good reason that T20 double-headers will play a similar role and allow our new, fully professional women's team to excel in front of packed-out stadiums.

Red-ball cricket, however, is the beating heart of Surrey and the Kia Oval. It is the format that many of our 20,000-plus members care deeply about. It also forms the pipeline for a strong England Test team, which the broadcasters are paying a fortune to platform, and thereby financially supporting all 18 counties. Through a mix of innovative initiatives, we have been a leading county in terms of crowd attendances for the County Championship. Our numbers have tripled since 2021 and we set a 21st Century Record for the venue last year with over 84,000 fans coming through the gates – we are hard at work to beat that once again this year.

> Women's cricket is one of the fastest-growing sports in the world.

We're extremely proud of how we have kept up with the times at Surrey and the Kia Oval, whilst preserving and upholding the rich history of the sport, as well as cherishing a passionate support base and welcoming a new one. Here's to the good health of our sport and of Surrey County Cricket Club in the next 25 years and beyond.

THE JM FINN STAND

Official Wealth Management Partner to Surrey CCC

JM Finn and Surrey County Cricket Club: a timeline

- **2003** JM Finn begins its relationship with Surrey County Cricket Club as a box holder and advertiser at the Oval.
- **2008** The relationship develops into a formal partnership, expanding across domestic and international cricket, alongside client hospitality and event activity.
- **2013** JM Finn becomes a long-standing official partner, building a sustained presence at the Kia Oval and aligning with the Club's heritage and values.
- **2021** The partnership takes a substantial turn with JM Finn investing in the naming rights to the JM Finn Stand, marking a step change in visibility and commitment.
- **2026** The partnership is renewed, taking the relationship to 25 years. JM Finn continues as official wealth management partner, supporting cricket at all levels from grass roots to world-class, while also hosting clients and guests at the iconic Kia Oval.

Wealth Planning

The generation gain

Charles Barrow
Wealth Planner

Passing wealth on to children and grandchildren is one of the most important financial decisions many families will ever make. With unprecedented levels of wealth expected to move between generations over the coming decades, it is natural to have questions about how best to approach this – and where to start.

For most families, good wealth planning is not just about tax. It is about ensuring long term financial security, supporting family members at the right time, and creating clarity and confidence for the future. Taking a proactive approach can help families avoid surprises, reduce unnecessary tax, and ensure wealth is passed on in line with their wishes.

Understanding Inheritance Tax in everyday terms

Inheritance Tax (IHT) is often one of the first issues families consider when thinking about passing on wealth. In broad terms, it is a tax charged on the value of an estate when someone dies, where that value exceeds certain thresholds. While this may sound straightforward, the way IHT applies in practice can be more complex.

Available allowances, the ability to transfer allowances between spouses or civil partners, and reliefs linked to property can all significantly affect the final liability. As a result, two estates of the same value can face very different tax outcomes depending on how assets are owned and structured.

IHT typically arises where families have seen property values rise over time, built up investment assets, or hold business interests. Understanding where IHT is most likely to apply – and where it may not – is an important first step in identifying whether planning is needed, and what form that planning might take.

Considering family assets as a whole

Every family's circumstances are different, and the types of assets owned often shape the planning options available. The family home, for example, is frequently both the most valuable asset and the most emotive. Decisions about whether to keep, downsize, gift or pass on the home need to balance practical, financial and emotional considerations.

Pensions play an important role in wealth planning and can form a valuable part of a wider intergenerational plan: how pension benefits are nominated and how they fit alongside other assets can make a meaningful difference over the long term. Robust pension planning has now become more important as a result of the changes implemented following the 2024 Autumn Budget whereby pension assets will be included in estates (and therefore liable to Inheritance Tax) from 6th April 2027.

Alongside property and pensions, families may hold ISAs, investment portfolios or trusts. Looking at these assets together, rather than in isolation, helps ensure decisions are aligned with overall family objectives.

> Two estates of the same value can face very different tax outcomes depending on how assets are owned and structured.

Gifting: when, how much and why timing is important

Lifetime gifting can support the next generation and reduce the value of an estate for IHT purposes. However, a key consideration is affordability. Any gifting strategy should be grounded in a clear understanding of future income and expenditure, ensuring that day-to-day living costs and potential care needs can still be met. This is where detailed cashflow planning can add real value.

Protecting family wealth for the long term

As wealth moves down the generations, there are potential risks that can arise if circumstances change. Relationship breakdown, for example, can have unintended consequences for family wealth if assets are not structured appropriately.

Planning in this area is not about removing independence or autonomy, but about ensuring that family intentions are respected and long-term outcomes are protected. Decisions around how assets are gifted, whether control is retained, and how wealth is ultimately accessed can all play a role in managing risk while still supporting loved ones.

How JM Finn supports families

Passing wealth to the next generation successfully requires a coordinated approach. At JM Finn, families benefit from a comprehensive investment management service offered alongside dedicated wealth planning support. This helps to ensure that investment decisions support longer-term estate planning objectives. For some families, specialist longer-term solutions such as our Inheritance Tax Portfolio Service may also form part of this picture.

A practical starting point

The best place to begin is often with a clear overview of assets, family circumstances and objectives. Reviewing existing arrangements – such as wills, nominations and ownership structures – can often highlight quick wins or areas that may benefit from further thought. Regular reviews help to ensure that plans remain appropriate as circumstances change and legislation evolves.

If you would like to explore how these considerations apply to your own situation, a JM Finn Wealth Planner can help you review your current position, discuss your family priorities, and consider practical steps towards passing on wealth with confidence.

The information provided 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

Haleon

William McCubbin, CFA
Research Analyst

Haleon is best understood not by its corporate name, but by products in a bathroom cabinet or on a pharmacy shelf: Sensodyne, Panadol, Advil, Voltaren, Centrum, Otrivin, Theraflu, Parodontax, Polident and Tums are brands that people reach for without much thought. Haleon itself only came into existence in 2022, following its separation from GSK, but its brands have been part of daily routines for decades.

That gives the company an unusual position. It is not a pharmaceutical business driven by patents and pipelines, nor is it a typical consumer goods company selling discretionary items. It sits somewhere in between. Its products are habitual, but the reasons for buying them are often immediate and personal: a headache before work, sensitive teeth after a cold drink, or a blocked nose at night.

When we met Haleon, what stood out was how deliberately the company is trying to lean into that space. It focuses on a group of nine "Power Brands", which account for roughly 60% of sales and closer to 80% of growth. These are the brands where Haleon believes it can build stronger positions over time, supported by clinical credibility and repeat usage. Sensodyne is a good example. It is not positioned as a general toothpaste, but as a treatment for sensitivity. That distinction allows Haleon to operate in a more defined segment where the product solves a specific problem, rather than competing purely on price or branding. It is a subtle shift, but one that runs through much of the portfolio.

The more interesting part of the story is how Haleon sees growth developing, particularly in emerging markets. The opportunity is less about taking share from competitors and more about increasing penetration. In many of its categories, a large proportion of consumers either do not treat conditions at all or use basic solutions rather than targeted products. Management often frames this in simple terms: a third of adults experience sensitive teeth, but only a third of those use a specialist toothpaste; most people experience pain, but only a minority treat it immediately. In markets such as China for example, calcium intake can be materially below recommended levels, yet supplement usage remains relatively low.

These gaps are not short-term inefficiencies. They reflect structural differences in awareness, affordability and access. As incomes rise and healthcare systems evolve, consumers tend to shift from reactive to more proactive behaviour. That might mean trading up from a standard toothpaste to a therapeutic one, adding vitamins to a daily routine, or treating symptoms earlier rather than waiting. Haleon's goal in this process is not just to supply products, but to shape habits through education.

“As incomes rise and healthcare systems evolve, consumers tend to shift from reactive to more proactive behaviour.

This is where scale and local execution are important. Building a category is slower and more complex than gaining share in an established one. It involves working with pharmacists, improving retail presence, adapting pack sizes and price points, and investing in consumer education. In India, for example, Sensodyne has been built over time through a combination of dentist engagement and broader awareness campaigns. In China, supplement brands such as Caltrate are positioned around clear nutritional needs rather than general wellness trends. These are incremental shifts, but they compound.

A recurring theme in our discussions was the role of healthcare professionals in reinforcing that behaviour change. In Oral Health especially, Haleon invests heavily in dentist engagement, conferences and clinical education. The model is less about direct selling and more about building credibility. The company now engages with close to a million healthcare professionals globally, using that network to support recommendations that ultimately feed through into consumer habits.

Equity market capitalisation (m)
£29,417

52 week high-low
£4.20 — £2.74

Net dividend yield
2.1%

Price/earnings ratio
16

That approach creates a degree of resilience, but it does not remove competition. Some categories remain more exposed than others. Vitamins and supplements can attract new entrants quickly. Pain relief and digestive products face generic alternatives. Respiratory categories can fluctuate with seasonal demand.

The company has also shown a willingness to reshape its portfolio over time. Recent disposals, including ChapStick and the nicotine replacement therapy business, reflect a focus on areas where Haleon sees a clearer right to win. The balance sheet, which was a concern at listing, has become less central to the story. With the GSK and Pfizer share overhang now cleared and leverage moving towards more typical levels, the focus has shifted towards capital allocation.

Ultimately, Haleon's progress will be measured in that same bathroom cabinet. Not by new categories, but by how often its products are chosen over others. Growth is about becoming the default option, more frequently, in more households, and in more markets over time.

Collectives Commentary

India: An emerging market like no other

Ben Hudson
Investment Manager

Investment Manager, and Head of Asia and Emerging Markets Collectives Ben Hudson brings insights from a recent research trip to India.

When you step off the plane in Mumbai, it does not take long to sense that India is going through a period of drastic change.

Traffic congestion has long been a major challenge in India. It leads to lost productivity, high pollution, fuel wastage, inefficient supply chains, and restricts the mobility of labour. It is estimated that congestion has cost the country in the region of 1-2% of GDP per annum over recent decades. What was apparent from my visit, is that the government has taken drastic steps to address the issue in recent years.

Since 2016, India has constructed 92 new airports and plans to build another 200 by 2047. The hurdle preventing an even greater rate of construction is an order backlog of 900 aeroplanes that will take around eight years to deliver. It has also introduced new metro systems to 21 cities, trebled the length of the rail network, nearly doubled the length of intercity highways, and invested extensively in port infrastructure.

It does not take long to see the infrastructure spending first hand. On the way to my hotel in Nariman Point, I travelled via the city's new Sea Link Road, an 8.2km expressway bridge built offshore alongside the coast to bypass congestion in the city centre. Opened in 2024, it has cut the journey from the airport to Nariman Point from 1 hour 15 minutes to just 30 minutes.

Even more striking was the scale of Mumbai's metro expansion: seven new metro lines are under construction, in addition to the four that have opened since 2014. Once completed, Mumbai's metro network will be around 25% larger than the London Underground, and dozens of cities across India are also undertaking similar projects. Improved connectivity has fuelled a domestic tourism boom in recent years: more than 99% of tourism in India is domestic, with families taking their first holidays to destinations that were previously too costly or difficult to reach.

During my visit, I spent time with industry experts, macroeconomists, fund managers and representatives from the Bombay Stock Exchange. I met companies spanning sectors such as healthcare, defence, electric vehicles, travel agencies, ecommerce and financial services. What became apparent was that Indian companies, rather than western brands, are providing the innovation in goods and services to support their economy. The penetration of western brands remains low; domestic companies understand the consumer trends and issues that Indians face – and are therefore best placed to resolve them. It is expected that there will be around 180 IPOs in the Indian market this year.

> More than 85% of India's crude oil needs are met through imports.

Perhaps the most exceptional example of Indian innovation has been the rapid expansion in digital payments. In 2016, the National Payments Corporation of India launched a new payments system called 'Unified Payments Interface': instant bank-to-bank transfers between individuals and businesses, executed by scanning a QR code. The system has expanded from handling 100m transactions in 2017, to over 172 billion in 2024 – more digital transactions annually than the US, China and Europe combined.

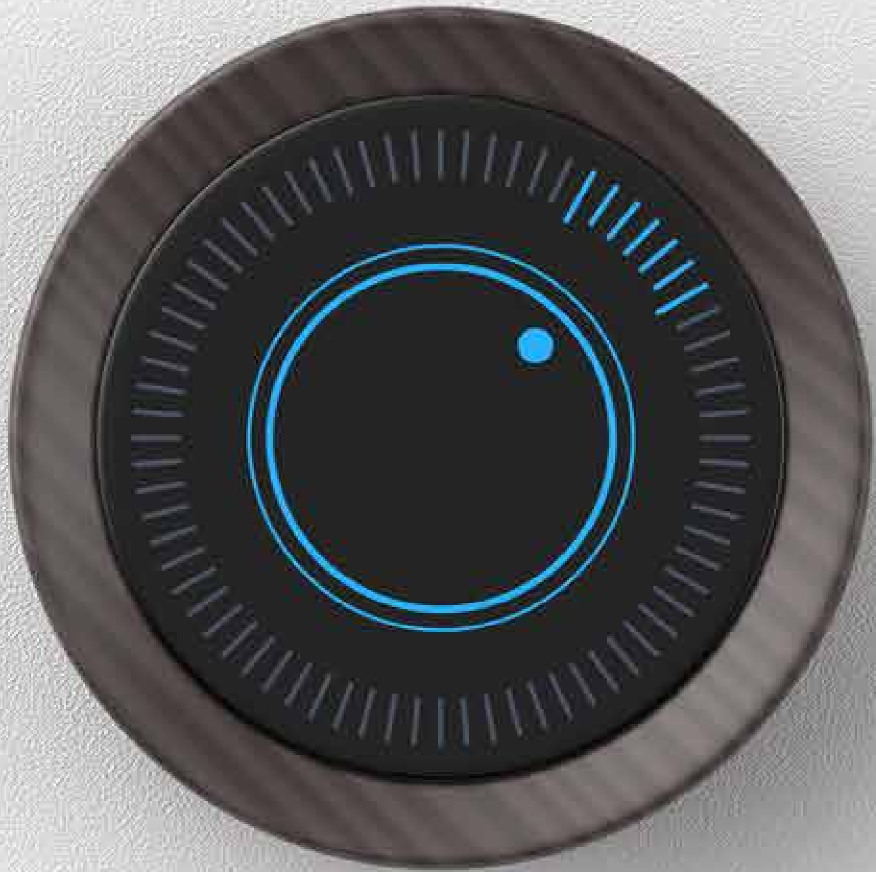
However, India has a number of issues. It has long been a hub for IT services – representing a quarter of the global IT services market and accounting for around 7% of Indian GDP. Many multinational businesses including Google, Microsoft, JP Morgan and Goldman Sachs have back office support centres in India. With the rapid expansion of Artificial Intelligence, the demand for lower value services such as call centres has waned, leading to layoffs. Indian technology firms are also not considered to be AI innovators, and have little involvement in the semiconductor supply chain. These factors have affected investor sentiment to the country.

India remains heavily reliant on imported energy, particularly oil and gas. More than 85% of its crude oil needs are met through imports, with the majority arriving from the Middle East, leaving the economy exposed to external shocks. Higher oil prices that have resulted from the US-Iran war have increased pressure on India's foreign exchange reserves and weighed on the Rupee. There are also growing concerns that rising living costs are affecting households across the country.

Throughout my visit, I was struck by the energy, optimism and entrepreneurial spirit on display. India's median age is just 28 years old, and 45% of its workforce remain employed in agriculture, highlighting the scale of the opportunity in the coming years. The infrastructure expansion will benefit the Indian economy for decades to come. Whilst the war has disproportionately impacted India in the short term, the long-term growth potential remains firmly intact. I came away with a sense that India truly is an emerging market like no other.

Please read the important notice on page 1.

Bond focus



Pricing in

Jon Cunliffe
Head of Investment Office

Jon Cunliffe explains why the recent rise in gilt yields has effectively tightened monetary policy without the Bank of England making a formal move.

Over recent weeks, UK interest rate expectations have shifted materially, with markets moving from anticipating further easing to pricing a prolonged period of tighter policy.

Short-dated gilt yields have risen sharply in response, pushing-up mortgage and corporate borrowing costs and prompting renewed concern around the outlook for the UK economy. The immediate catalyst has been higher oil and gas prices, alongside a more cautious tone from the Bank of England, both of which have pushed near term inflation expectations higher and unsettled what had been a relatively benign disinflation narrative.

At face value, this repricing reflects the view that inflation risks are becoming more entrenched and that the Bank will need to respond more forcefully. However, that interpretation risks overstating the message. The recent rise in inflation is largely energy driven and therefore volatile by nature. While headline Consumer Price Index (CPI) (a measure of inflation) is now likely to remain above target for longer than previously expected, this alone does not imply a structurally higher inflation regime. Much will depend on whether higher energy costs spill over into broader price and wage dynamics.

On that front, the evidence is more reassuring. The UK economy is already slowing, and signs of slack are emerging in the labour market. Wage growth, while still elevated, had begun to decelerate even before the latest rise in energy prices, and forward-looking indicators suggest further moderation ahead. In this context, firms' ability to pass higher costs on to consumers is limited, while workers' bargaining power is weakening. The conditions required for a renewed wage-price spiral – strong demand and tight labour markets – are largely absent.

Instead, the current episode of energy-led inflation is better understood as a tax on consumers. Higher fuel and utility costs erode real incomes, divert spending towards imported energy, and weigh on discretionary consumption. With household balance sheets already stretched and fiscal policy turning less supportive over the balance of the current Parliament, this dynamic is more likely to dampen activity than to embed persistent inflation. Once the direct impact of energy prices fades, inflation should begin to move back towards target, albeit more gradually than previously assumed.

> Once the direct impact of energy prices fades, inflation should begin to move back towards target.

It is also important to recognise that financial conditions have already tightened meaningfully. The rise in gilt yields has fed directly into higher mortgage rates and increased borrowing costs for businesses, effectively delivering an additional layer of policy tightening without any formal move from the Bank. This transmission channel is often underappreciated. Market pricing itself does part of the central bank's work, and the recent repricing has already moved policy into more restrictive territory.

Against this backdrop, the most plausible response from the Bank of England is one of patience rather than pre-emption. Holding rates steady while assessing the extent to which higher energy costs feed through into core inflation would allow policy to remain appropriately responsive without risking overtightening. If, as seems likely, second round effects remain contained, there is scope for the easing cycle to resume later in the year, with a further rate cut a reasonable base case once greater clarity emerges.

> The rise in gilt yields has delivered policy tightening without any formal move from the Bank.

From an investment perspective, the current environment suggests that the front end of the gilt curve may be mispriced. Markets appear to be assigning too high a probability to a sustained tightening cycle, underestimating both the disinflationary impact of weaker growth and the degree of tightening already delivered through financial conditions. As these effects become clearer, there is a credible case for short-dated gilts to outperform cash over the remainder of the year, even against a backdrop of ongoing volatility and geopolitical uncertainty.

Please read the important notice on page 1.

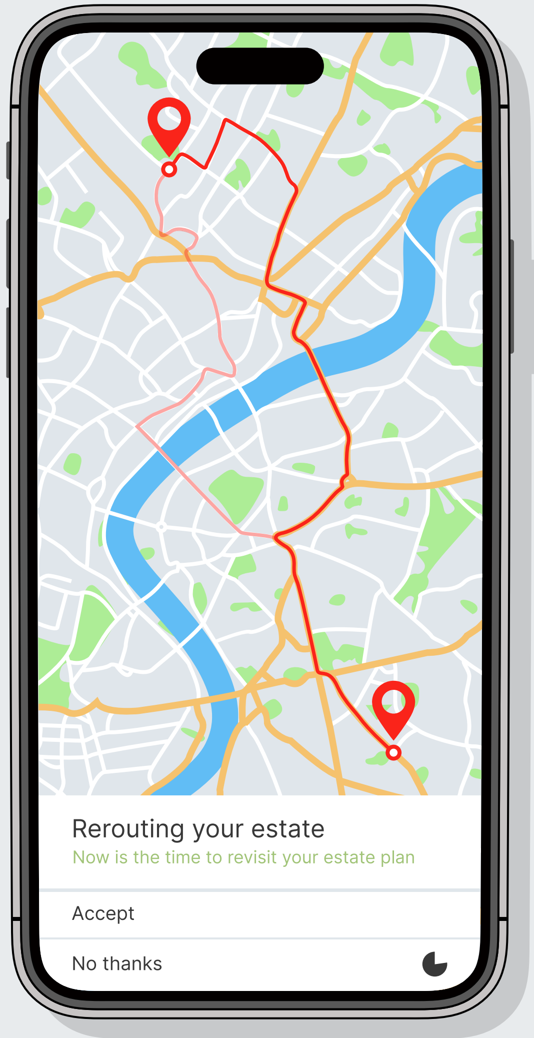
Independent view

Why your domicile is (almost) irrelevant to IHT now

Ben Branson
Tax Partner, Milsted Langdon

Length as a UK resident, rather than domicile, is now the deciding factor in determining if your worldwide estate will be subject to UK Inheritance Tax.

For generations, the concept of domicile sat at the heart of UK Inheritance Tax (IHT) planning. Where you were born, where your parents were born, and where you truly intended to make your permanent home all fed into a legal determination that decided whether your worldwide estate would be subject to UK IHT or, only your UK-situated assets. From 6 April 2025 however, the UK fundamentally rewrote the rules. Domicile has been replaced, for IHT purposes at least, by a new concept: long-term UK residence (LTR). The shift is significant, and every individual who has lived outside the UK at some point should understand what it means for their estate.



The old world: domicile and deemed domicile

Under the previous regime, your domicile status determined whether HMRC could tax your worldwide assets on death or on lifetime transfers. A person domiciled outside England & Wales, Scotland or Northern Ireland was only exposed to IHT on UK-situated assets. The rules included 'deemed domicile': if you had been UK resident for 15 out of the previous 20 tax years, HMRC treated you as UK domiciled for IHT purposes, regardless of your legal domicile. This caught many long-term residents who may have never intended to make the UK their permanent home.

The new world: long-term UK residence

Since the 6th April 2025, this turns on how long you have been a UK resident. An individual is now a long-term UK resident if they have been resident in the UK for at least 10 out of the 20 tax years immediately preceding the tax year in which the chargeable event arises. Once that test is met, their worldwide assets fall within the scope of IHT, and this is considerably sooner than under the old 15-out-of-20 deemed domicile rule.

> Every individual who has lived outside the UK at some point should understand what it means for their estate.

Crucially, leaving the UK does not immediately end your exposure to UK IHT. Long-term UK residents remain within scope for a minimum of three years and up to ten years after departure, depending on how long they have been resident. Those who were a UK resident for 20 years will then need 10 consecutive non-resident years before their non-UK assets escape UK IHT. This makes exit planning considerably more complex than it once was. Of course, UK assets remain within UK IHT indefinitely.

What if you were domiciled in the UK in 2025 but not a long-term resident?

This is where the transition creates a genuinely important planning point. Consider someone who holds a UK domicile of origin, but who has not been UK resident for 10 of the last 20 years; under the old rules, their worldwide estate would have been fully exposed to IHT by virtue of their domicile alone. Under the new LTR test, their foreign assets could fall outside the scope of IHT entirely, even though they remain legally domiciled in the UK under common law.

Domicile does not disappear altogether under the new regulations. It remains relevant for events before 6 April 2025, for certain trust charges, and within double taxation conventions. Individuals who were UK domiciled under common law on 30 October 2024 also move onto the new LTR test from 6 April 2025 without the benefit of certain transitional protections available to non-domiciled individuals. But for the vast majority of ongoing IHT purposes, residence has firmly taken centre stage.

Other significant IHT changes on the horizon

The April 2025 reforms do not stand alone. Agricultural Property Relief and Business Property Relief were significantly curtailed from April 2026. Whilst these reliefs used to be unlimited, now only the first £2.5 million of combined agricultural and business property will continue to attract 100% relief. Any value above that threshold will only qualify for 50% relief, effectively creating a 20% IHT charge on the excess. For farming families and business owners with substantial estates, this represents a material increase in their IHT exposure. Perhaps most significantly, from April 2027, unused pension funds are set to be brought within the scope of IHT for the first time.

The UK's IHT landscape has changed more dramatically in the last two years than in the previous century. The shift from domicile to long-term UK residence catches people more quickly and holds them in scope for longer after departure. Combined with the reforms to agricultural and business reliefs and the looming inclusion of pensions, now is the time to revisit your estate plan with fresh eyes.

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.

About Milsted Langdon

Milsted Langdon is a leading independent accountancy, tax, and business advisory firm, which was established more than 35 years ago, and has grown to 21 Partners and over 200 staff across offices in Bath, Bristol, London, Taunton and Yeovil.

www.milstedlangdon.co.uk

Markets in focus

Finding growth through diversification in the AI era

Jon Cunliffe,
Head of Investment Office

Financial markets moved into the late spring period displaying a degree of resilience that, on the surface, appears at odds with the challenging global backdrop.

Equity markets in the US remain firm, volatility is relatively subdued and credit conditions are orderly. Yet this apparent calm sits alongside heightened geopolitical risk, persistent inflation uncertainty and increasingly narrow drivers of market returns. The result is an environment that is supportive, but also more finely balanced than the performance of headline indices alone might suggest.

Geopolitics remains a prominent source of uncertainty, particularly developments involving the US conflict with Iran, which, at the time of writing, has seen the Strait of Hormuz closed since the end of February. The conflict has evolved in a manner that is difficult for markets to price cleanly, alternating between periods of apparent restraint and moments when escalation risk comes back into focus. Energy markets, in particular, reflect this tension. Oil prices have risen strongly and have remained volatile, moving sharply at times as headlines shift between hopes of diplomatic progress and indications that negotiations may prove more difficult. So far, broader financial markets have taken these developments largely in their stride, reflecting a belief that the major powers involved have strong incentives to prevent a more destabilising outcome. With the US midterm elections coming into view, there is mounting pressure on President Trump to engineer an 'off ramp' before the rising cost of living dents his chances further.

> “The conflict has evolved in a manner that is difficult for markets to price cleanly.

Against the background of what has been at times deafening geopolitical noise, corporate earnings have provided a crucial support for equity markets. The underlying message from recent results has been one of strong profitability, especially among large US companies exposed to long-term investment themes. Earnings growth in the US has been robust, running at a pace that would normally be associated with a much earlier stage of the economic cycle. This strength has helped sustain equity markets even as interest rates remain elevated and economic growth shows signs of cooling.

> “Returns have been narrower, with gains concentrated in a limited number of stocks.

That said, earnings strength has not been evenly distributed. A relatively small group of companies accounts for a sizeable share of overall profit growth, with technology, artificial intelligence and related infrastructure investment the key drivers of overall earnings growth. These businesses benefit from powerful structural drivers, including data centre expansion, automation, defence spending and the early commercialisation of AI technologies. By contrast, earnings growth outside these areas has been more modest: many sectors are seeing only incremental improvement, and some consumer-facing industries continue to face margin pressure.

Europe continues to lag the US in this context. While there are pockets of strength, particularly in industrials linked to defence and energy infrastructure, overall earnings growth has been far more subdued. The region's sector mix, weaker productivity trends and greater vulnerability to energy price swings all contribute to this outcome.

The result has been a clear divergence in profit dynamics between the two regions, which in turn has influenced relative equity performance and international capital flows since early March.

From a macroeconomic perspective, the picture remains mixed. In the US, economic momentum has slowed but remains positive. Labour markets have cooled from their tightest levels, yet continue to show a degree of resilience, helping to underpin consumer spending. Elsewhere, whilst there are growing pockets of weakness in the US labour market, reflecting AI diffusion, this dynamic aligns with improving productivity and upwards pressure on profit margins. Inflation has moderated from earlier peaks, aided in part by earlier periods of lower energy prices, but the pass-through from materially higher energy prices to broader inflation remains a meaningful risk, keeping central banks vigilant even as higher market interest rates do much of the tightening for them.

This combination of reasonable growth and lingering inflation has left interest rates higher for longer than many had anticipated at the start of the year. However, financial conditions have eased in other ways. Equity markets have recovered, credit spreads are tight and investor appetite for risk assets remains healthy. A key factor behind this apparent contradiction is confidence in forward earnings, particularly in sectors where profits are less dependent on near-term economic conditions and more closely tied to long-term capital expenditure and technological change.

The dynamic of the equity rally is therefore an important consideration. After impressive breadth in regional and sectoral performance in the first few weeks of the year, returns have been much narrower, with gains increasingly concentrated in a limited number of stocks and themes. Even where indices are making new highs, a growing proportion of companies are lagging. This pattern is visible across several regions, including emerging markets, and highlights the extent to which recent performance has relied on concentrated leadership rather than broad-based participation.

Positioning indicators tell a similar story. Investor flows remain heavily skewed towards technology, AI-related businesses and other long-duration growth themes. These trades have attracted consistent interest across regions, while more economically sensitive and value-oriented sectors have been comparatively neglected. As a result, valuation and positioning gaps between markets, particularly between the US and Europe, have widened. Such conditions can persist for extended periods, especially when supported by earnings momentum, but they also tend to leave markets more sensitive to disappointment.

Interest-rate markets reflect a comparable balance between optimism and restraint. Having risen sharply in the early stages of the US-Iran conflict, government bond yields have remained within relatively narrow ranges as investors weigh continued economic resilience and sticky inflation against the prospect of eventual policy easing if central banks see limited passthrough of higher energy markets on broad inflation. Elsewhere, real yields remain elevated relative to the pre-pandemic period, a backdrop that would historically have been expected to exert greater downward pressure on equity valuations. The continued strength of equities despite this underscores the importance of earnings growth and cash generation in sustaining market performance.

> Disruption to energy supply has clear implications for inflation, interest rates and risk appetite.

Looking ahead, three factors are likely to shape market outcomes from here. The first is geopolitics. Developments in the Middle East remain the most obvious tail risk, particularly for energy markets. While financial markets have, so far, been willing to look through geopolitical uncertainty, a meaningful disruption to energy supply would have clear implications for inflation, interest rates and risk appetite more broadly. A negotiated outcome remains the most likely outcome, but the path towards it is unlikely to be smooth.

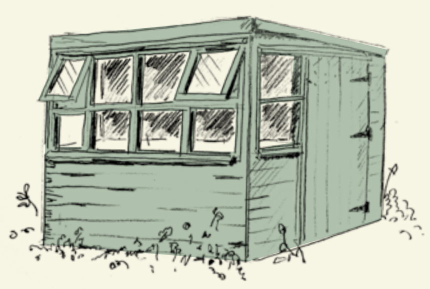
The second is the evolution of corporate earnings. Near-term visibility remains relatively good, especially for large US companies tied to structural growth themes. However, expectations are already elevated, and there is scope for disappointment. Encouragingly, there are tentative signs that earnings growth may begin to broaden modestly, supported by ongoing industrial investment and defence-related spending. A gradual improvement in participation would help to make the market advance more resilient. Conversely, any setback among the dominant earnings contributors is likely to have an outsized impact.

The third factor is policy. To keep a lid on inflation expectations and to restrict the second-round effects of rising energy prices on inflation, central banks have undertaken a hawkish pivot, but we feel that they will be wary about following through with rate hikes given their likely impact on the household and corporate sectors. Elsewhere, fiscal policy continues to have a reflationary impact, with recent stimulus in the US, Europe and Japan all aligned to boosting investment and extending the cycle.

Taken together, these considerations argue for cautious optimism. The environment does not suggest an imminent end to the rally, nor does it justify complacency. Structural growth themes continue to merit exposure, and corporate profitability remains supportive. At the same time, concentration risks are elevated, momentum valuations in some areas are demanding and geopolitical shocks could quickly change sentiment.

For investors, how you spread your money across different types of investments remains key. Whilst it makes sense to stay invested in long-term growth areas, it is just as important to avoid over concentrating, and to be mindful of the market price required to access future earnings growth, As the year goes on, we expect a broadly supportive policy environment to help gains spread beyond the relatively narrow cohort of big tech and AI-related names. In other words, the companies that may do best are likely to be those that use AI to improve how they run their businesses, not just the firms building the largest AI platforms and infrastructure.

Please read the important notice on page 1.



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.

Anna Walker Travel Ltd

Anna Walker
Founder

I grew up in Zambia and Kenya, and the landscapes, wildlife and cultures of Africa have shaped my way of looking at the world ever since.

Much of my career was spent within smaller, entrepreneurial travel companies, helping to build and grow their Africa and wider long-haul portfolios and client bases. Those experiences shaped both my knowledge of Africa and my understanding of what discerning travellers are truly looking for. This year, I've brought that experience together within my own company.

Since launch, the early months have involved the less glamorous side of building a business: securing new supplier contracts, obtaining an ATOL licence, putting foreign exchange hedging in place, designing itineraries from scratch and slowly building a social media presence. Some parts have been more rewarding than others, but the process has been grounding and enormously fulfilling.

Building the business quickly is in large part down to working alongside my husband, Richard, a director of the business. He spent over twenty-five years in marketing and commercial roles and brings a discipline to brand, strategy and financial management that complements my focus on the client and travel design side.

Running a young business with a spouse is all-consuming, and we've had to learn quickly how to keep work and family life properly separated — mostly through better planning, delegation and organisation.

Preservation as the measure

Safari travel has changed enormously in the twenty five years I've worked in it. Once-remote regions are now more accessible, and a new generation of lodges has lifted the standard of guiding, design and hospitality across the industry. But for us, and increasingly for our clients, the defining consideration is preservation. Philanthropic travel is becoming more popular: people no longer want simply to sit in a safari vehicle and watch the animals. They want to be involved, whether that's through tagging wildlife or contributing resources to local schools.

> Safari travel has changed enormously in the twenty five years I've worked in it.

The landscapes, wildlife and communities our clients travel to see are under pressure from climate change, population growth, poaching and the weight of tourism itself. A properly designed journey leaves a place stronger than it found it. So, when we're assessing a lodge or camp to partner with, we ask: who benefits from a visit, what does it help protect, and what does it leave behind? We choose partners who rewild rather than merely manage land, who employ from the surrounding villages rather than from elsewhere, who reinvest in the places they sit on, and who work alongside conservancies, charities and research teams.

What's been hard

Two challenges have shaped our early months. The first is currency. The majority of what we book is priced in US dollars, and a more volatile FX environment makes accurate quoting and margin protection harder than it used to be. We've had to be disciplined about pricing, about when we lock rates with suppliers, and about how transparently we explain currency movements to clients. World events compound that pressure in ways that don't always reach the headlines: the recent conflict in Iran, for instance, has pushed some of our suppliers to pass on increased fuel charges even after a client's itinerary has been costed and paid for.

The second challenge is visibility. Luxury travel is a crowded category on social media and producing writing and imagery that feels distinctive and considered takes time. The platforms also update their features at a pace that requires constant attention. Word of mouth has been critical in securing bookings, and trade events have helped us nurture new relationships.

What's gone right

We've managed our costs carefully and kept the business capital-light, which has given us the freedom to make decisions on quality rather than cashflow. But the strongest signal so far has been the clients themselves. We're early enough that every booking still feels like a small vote of confidence, and the stories clients tell us when they return, and the friends and family they introduce us to afterwards, are what tell us our approach is working.

> We've managed our costs carefully and kept the business capital-light.

Looking ahead, we want to extend to include India and the Far East: regions where the same principles apply. Alongside that, we plan to bring one or two more people into the team.

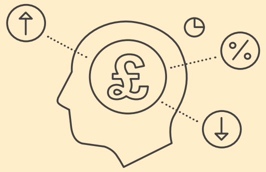
Our goal is to leave people with a more informed and inspired perspective on the places they've visited, and to give them a reason to come back to us when they're ready to ask where to go next.

About Anna Walker Travel

Anna Walker Travel is a bespoke travel consultancy specialising in tailor-made journeys across sub-Saharan Africa and the Indian Ocean.

www.annawalkertravel.com

Understanding finance



Beware of valuation multiples

Henry Birt, CFA
Senior Research Analyst

Valuation multiples compare company value to a measure of profit. The most common multiple is the price to earnings (P/E), where the price per share is compared to earnings (net profit) per share. Intuitively, this makes sense as a way to estimate valuation: when buying a share, we are acquiring a claim on a portion of a firm's profits, and higher profit per unit invested implies better value, all else equal.

The simplicity of multiples is what attracts many investors. However, this simplicity masks a range of underlying assumptions. A business is valuable because of the future cash flows it can generate for its owners. For simplicity, we can think of these cash flows as dividends. The value of a business is therefore the sum of cash flows received today and those expected in the future (adjusted to reflect today's value).

If future dividends are expected to grow, a higher growth rate increases value, all else equal. However, growth requires investment, and the return generated on that investment is critical (i.e. the return on invested capital). Higher cash generation per unit of reinvestment is preferable. Finally, cash today is worth more than cash in the future, so future cash flows must be discounted using an appropriate discount rate.

It should therefore be clear that the price attributed to one unit of profit varies based on several factors. Many investors rely on historical average multiples or peer comparisons. However, without considering differences in growth, returns on investment, and discount rates, this approach can lead to errors. We therefore agree with Morgan Stanley's Michael Mauboussin that the use of valuation multiples must be earned.

Glossary of key terms

Average annual dividend yield: The average yearly income a company returns to shareholders as dividends, shown as a percentage of its share price. It is often used by income-focused investors to compare the cash-generating appeal of different stocks.

EBITDA: Short for earnings before interest, tax, depreciation and amortisation. It is a measure used to assess a company's underlying operating performance by stripping out financing decisions and certain non-cash accounting charges.

Hawkish: A term used to describe a central bank or policymaker that is more inclined to raise interest rates or keep monetary policy tight in order to control inflation, even if that may slow economic growth.

Leverage: The use of borrowed money to increase potential returns. While leverage can amplify gains, it also increases risk because losses are magnified and debt still needs to be repaid.

Tail risk: The risk of a rare but severe event that sits at the extreme ends of a probability distribution. In markets, this refers to unlikely shocks that can still have a significant impact on portfolios.

Volume growth vs value growth: Volume growth refers to selling more units, while value growth means increasing the total revenue generated. A business can grow volumes without growing value if prices fall, and vice versa.

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.

Henry Birt, CFA, Senior Research Analyst
William McCubbin, CFA, Research Analyst

CONSUMER DISCRETIONARY
TechnoGym

CONSUMER STAPLES
Nestlé

FINANCIALS
London Stock Exchange Group

HEALTH CARE
AstraZeneca
Haleon

INDUSTRIALS
BAE Systems
Experian
IMI
RELX
Spirax Group

MATERIALS
Croda International
Rio Tinto

1.

AstraZeneca

Equity market cap (M) £211,897

Healthcare
Isabel Gibson, Louise Pearson – Investor Relations Directors

With operations spanning oncology, biopharma and rare diseases, the company emphasised how this spread reduces reliance on any single area while allowing expertise within each field. Management highlighted that its structure – separate leadership across research & development and commercial units – helps to ensure that scientific merit and commercial viability are embedded in decision-making.

A key focal point was the strength of the pipeline. The team pointed to a high number of late-stage trial successes, alongside continued progress from new molecular entities. Growth is not solely dependent on existing products; new treatments are beginning to contribute. This combination of extending current drugs into new uses and bringing through new assets underpins their confidence in expansion.

Discussion also centred on the company's ambition to reach $80bn in revenue by 2030. They suggested that market expectations have moved closer to this goal. Much of the uncertainty has eased as pipeline assets mature and risks are better understood, reinforcing confidence in delivery.

The team stressed that artificial intelligence is already embedded across AstraZeneca's operations, from molecule discovery through to regulatory submissions. While AI is improving efficiency, they were keen to stress that it will not replace clinical trials. Instead, it is enabling faster and targeted development, allowing more to be achieved with existing resources.

Focus turned to some recent headwinds, notably in China (where a key former executive remains under investigation) and in the US (where drug pricing reforms dominated 2025). The team sounded confident that the China risk was now limited, and that the deal the company signed with the US administration has provided some clarity around drug pricing. However, we continue to monitor these developments closely.

2.

London Stock Exchange Group

Equity market cap (M) £44,358

Financials
Peregrine Rivière, Head of Investor Relations

Many businesses are evolving due to the emergence of artificial intelligence, and the London Stock Exchange Group (LSEG) is no exception. Since its acquisition of Refinitiv in 2019, LSEG has undergone a significant transformation. Rivière was keen to emphasise that it is now firmly positioned as a data and analytics organisation.

The Data & Analytics division accounts for more than 45% of total group revenue. It delivers financial data and insights to clients through three primary channels: firstly, via its Workspace platform (similar to Bloomberg terminals); secondly, through data feeds that integrate directly into clients' internal systems; and thirdly, via third-party distribution, such as supplying data to platforms like BlackRock's Aladdin, which is widely used by investment professionals.

This division has come under greater scrutiny in recent years as artificial intelligence reshapes how data is distributed, accessed and analysed. While there is a risk that AI could disrupt LSEG's traditional business model, management believes the opposite may prove true. They argue that increased AI adoption will expand the number of channels through which data is consumed, ultimately driving demand for high-quality, proprietary datasets – an area where LSEG is a global leader.

Although there is a possibility that LSEG's user interfaces could be bypassed by large language models such as ChatGPT or Claude, the company maintains a platform-agnostic approach. This is demonstrated by its Model Context Protocol (MCP) server, which enables LSEG data to be accessed directly within these AI tools. Early adoption has reportedly been strong. Ultimately, LSEG's future will depend on its ability to remain relevant in an AI-driven landscape, and the company is taking active steps to reinforce its position.

3.

Nestlé

Equity market cap (M) CHF 203,494

Consumer staples
Samuel Tornay and Abigail Lundmark, Investor Relations Managers

We met with Nestlé's Investor Relations team following the Q1 results. A key area of focus was the potential impact of GLP-1 drugs for regulation of blood-glucose levels. Management is watching this closely, particularly in the US where uptake is highest. The exposure is mixed across the portfolio: confectionery, ice cream and some snacking categories are more at risk, while coffee and infant nutrition are relatively insulated.

We also spent time on competitive positioning, particularly around scale. We pushed on what truly sets Nestlé apart if competitors had enough time and capital to catch up. The response focused less on manufacturing or distribution, and more on retailer relationships. Nestlé's presence across multiple categories allows it to act as a 'category captain' in several aisles, which is particularly valuable. This breadth, combined with leading positions in key categories, is seen as much harder to replicate than scale on its own. In emerging markets, this is supported by strong local brands and consistent marketing investment, which help to secure distribution and shelf space over time.

This multi-category footprint also feeds through into day-to-day execution. It allows Nestlé to deepen retailer relationships, share distribution infrastructure, and deploy marketing more efficiently across the portfolio, creating an advantage over more focused peers.

On the balance sheet, leverage has moved closer to 3x EBITDA. Management is comfortable operating within a 2–3x range and expects recent disposals, including water and ice cream stakes, to help bring this down over time. There are signs that demand is starting to settle, while growth is becoming less reliant on pricing, and volumes are beginning to play a more meaningful role again.

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.

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.

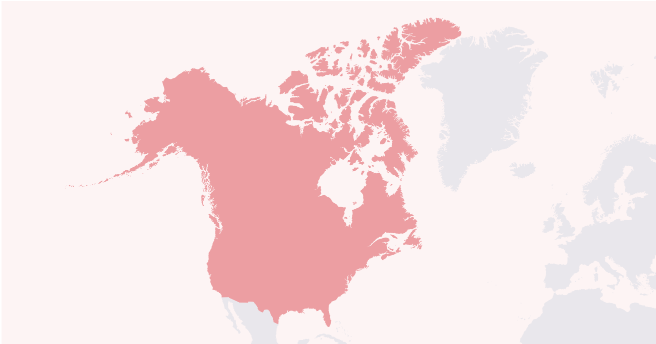
Our Asset Allocation Committee meets every six weeks to formulate views on the macroeconomic and financial market outlook. It provides actionable asset allocation guidance to the investment network by asset class, region, and sector. The combination of these top down and bottom up opinions is an important 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

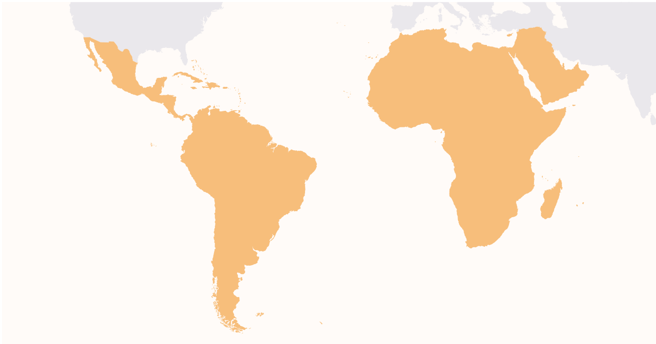
Despite the lengthy blockade of the Strait of Hormuz which caused a rapid rally in the price of crude oil, the US continues to deliver steady growth. However, inflation remains sticky and there is a risk that policy stays restrictive for longer than expected. While there are expectations of eventual easing, the combination of elevated valuations, higher rates, persistent deficits and the prospect of a weaker US dollar suggest relative returns will be greater outside of the US.

UK

The case for an overweight to the FTSE 100 rests on its mix of valuation, income and macro exposure. The market offers a meaningful valuation discount relative to global peers, alongside a high dividend stream. Its sector composition – with greater weight in financials, energy and defensives – provides resilience in periods of higher inflation and interest rates, while its global revenue base reduces reliance on the domestic economy. Taken together, it offers a balanced and diversified return profile.

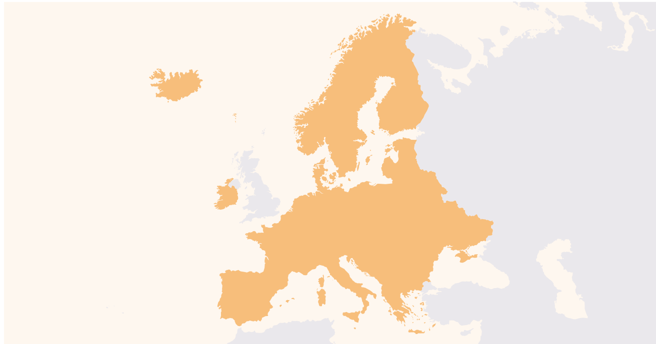
Japan

The bull case for Japanese equities rests on a structural shift in both corporate behaviour and the macro backdrop. Governance reforms are driving improved capital allocation, higher shareholder returns and a sustained lift in profitability. Japan is moving out of deflation into a more normal nominal growth environment, with rising inflation and wages supporting earnings growth. With valuations still reasonable, there remains scope for a gradual re-rating, underpinning a constructive outlook.



Emerging Markets

Conditions across emerging markets remain mixed. Commodity exporters are benefiting from tighter supply and firmer prices, while others continue to face inflationary pressures and political uncertainty. Valuations are generally attractive, particularly in consumption and resource-linked sectors, but currency volatility and sensitivity to global financing conditions remain key risks. A softer US dollar would provide support, though uncertainty around trade and policy direction continues to weigh on confidence. On balance, the opportunity set favours selective rather than broad-based exposure and we currently favour a neutral allocation.



Europe

Eurozone equities remain supported by modest growth and relatively undemanding valuations, but the outlook is finely balanced. Higher energy prices are a key swing factor, feeding into inflation and policy uncertainty, while also increasing input costs for corporates. More broadly, the bloc's reliance on imported energy leaves it exposed to external shocks, with elevated prices weighing on confidence, real incomes and industrial activity. As a result, the recovery is likely to remain gradual, with equity performance sensitive to both the energy complex and the broader geopolitical backdrop.

Asia Pacific

The region continues to contribute a disproportionate share of incremental global expansion, with markets supported by strength in the technology and semiconductor cycle. Elsewhere, supply chain reconfiguration continues to direct capital towards key manufacturing hubs. Corporate reforms in several markets are improving capital discipline and shareholder returns, while valuations remain more attractive than those of developed peers. A softer US dollar and greater policy flexibility reinforce the case for a constructive stance despite ongoing geopolitical uncertainties.

Please read the important notice on page 1.

Sector Focus

Overweight · Neutral · Underweight

Communications

The largest constituents of communications services (Alphabet and Meta) are both heavily exposed to AI and to digital advertising. Performance in both AI and digital advertising continues to be strong, however valuations in the sector are also elevated. Whilst we continue to like the long-term characteristics of the sector, we remain underweight as we see more attractive valuations elsewhere.

Consumer Staples

The sector is stabilising as inflation gradually moderates and supply chain pressures ease. However, consumers continue to shift toward value channels and private label products, and there may be limited scope for companies to pass through further price increases in the current environment. Overall, the sector offers steady defensive characteristics and resilient cash flows, though upside may be limited until stronger real income growth emerges. We retain a neutral stance.

Financials - Banks

Bank results have been solid with investment banking benefitting from the increase in asset volatility and fee revenue from a pickup in capital markets activity. We have a preference for US banks currently given the more favourable economic outlook. In the UK the greater risk of stagflation makes us more cautious. The regulatory environment in the UK is less favourable as additional bank taxes come back into focus. Overall, we remain neutral.

Consumer Discretionary

Consumer discretionary continues to benefit from persistent demand in areas such as travel and online retail. 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, such as digital experiences, travel and premium services, and where valuations remain attractive, while staying selective given the sector's sensitivity to consumer confidence and broader economic cycles.

Energy

The oil price has been volatile over the last few months, with Brent Crude experiencing sharp movements driven by geopolitical uncertainty. Oil company performance has been more resilient, with many majors delivering stronger share price performance. Performance over the short to medium term will be driven largely by geopolitics, which can have a significant impact on oil prices and, in turn, the earnings profile of the sector. We therefore remain neutral.

Health Care

Health care remains a source of defensive earnings with high pricing power and attractive long-term fundamentals. The non-discretionary nature of the products and services, paired with already high gross margins, means healthcare should be able to price effectively. With the alleviation of some of the regulatory overhang from the beginning of the Trump administration, valuations for pharmaceutical businesses have recovered, however we retain our overweight recommendation.

Industrials

Industrials performance continues to be concentrated largely in areas linked to electrification and data-centre related investment. Outside of these pockets, activity has been constrained by global industrial production (IP growth), though higher quality businesses have been able to deliver encouraging order growth numbers in 2026 so far. Despite this, valuations generally continue to look rich in the sector, which drives our underweight view.

Materials

Strong performance in mining equities is being driven by positive price action in key commodities. Copper continues to be supported by the structural theme of electrification against a backdrop of reasonably tight supply.Iron ore continues to be supported by strength in the Chinese economy. Ex-UK, materials is more closely tied to industrial production growth which remains tepid in key regional geographies. We expect these trends to continue near term, which drives our modest tactical overweight.

Utilities

Our long-term preference for power over water utilities has continued to play out in 2026, with power supply an increasingly important component of the world's data centre roll-out. This tailwind appears to be now fully baked into the valuations of power utility equities, which could somewhat dominate the usually defensive nature of such businesses. We continue to see structural problems with the UK water sector alongside these considerations and so overall move to a modest underweight on the sector.

Information Technology

Technology companies have performed well year to date. Tech stocks continue to be driven by AI and 2026 has seen the rise of AI agents that need to consume a lot of computer processing power. This is good for companies that rent out processing power and those selling products used in data centres — notably the semiconductor manufacturers, where performance has been very strong. Whilst we continue to expect the demand for AI to increase, we are also cognizant of the valuations in the sector and so remain underweight.

Real Estate

Real estate markets have continued to recover. The sector is interest-rate sensitive, as changes in rates affect property portfolio valuations. As we look ahead to 2026, there are grounds for measured optimism, incorporating a modest recovery in housing, strong rental growth, and the broader residential investment market. We retain a neutral stance, balancing improving fundamentals against financing costs and valuation sensitivity.

Please read the important notice on page 1.

Meet the manager

Richard Bernstein

Head of Compliance

Lives Loughton, Essex

Family Married, with daughter aged 15 and son aged 12

Started at JM Finn July 2023

Hobby/pastime Watching Leyton Orient

Favourite holiday Porto, Portugal

Favourite film Rocky 2

If you weren't a compliance director A radio sports commentator

Fun fact about you I was a regular in-studio guest on national radio (Talksport) every Saturday night back in the early 2000s

Favourite sporting moment England's 4-1 demolition of the Netherlands at Euro 96. An unexpectedly brilliant performance

Preferred music Anything from the 90s

Favourite book The Challenge Culture by Nigel Travis

Please could you explain what your role entails?

As Head of Compliance, my role is to ensure that JM Finn meets the regulatory standards expected of a discretionary investment manager and that our clients' interests are protected at every stage of their relationship with us. This involves overseeing our policies, monitoring how the firm operates in practice, and supporting colleagues so they can meet their obligations with confidence.

A large part of my work is horizon scanning for regulatory change, interpreting what it means for the firm, and helping to embed those requirements in a way that is both practical and aligned with our culture. I also Chair the industry trade body's regulatory committee, which gives a good insight into sector-wide issues.

Ultimately, my role is about enabling the business to operate responsibly while maintaining the high level of service and protection that our clients expect. I am lucky to be supported by a highly capable and experienced team of compliance professionals.

What areas does JM Finn's compliance department cover and how does it protect clients and prospective clients?

The Compliance team's remit covers every part of JM Finn and every service that we offer to our clients. This includes financial crime prevention, market conduct, data protection, suitability of advice, and ongoing monitoring of how portfolios are managed. We also review communications (including Prospects!), marketing materials and client documentation to ensure they are clear, fair and not misleading.

By maintaining strong controls and providing guidance across the firm, we help ensure that clients are treated consistently and transparently. For prospective clients, our checks and processes ensure that we only take on individuals for whom our services are appropriate and that we understand their needs from the outset.

Consumer Duty became a requirement for financial services firms in 2023 – what does it mean for JM Finn and its clients?

Consumer Duty reinforces principles that have long been part of JM Finn's approach: acting in clients' best interests, providing clear information, and delivering high quality services that meet their needs. The Duty requires firms to demonstrate good outcomes across the entire client journey, from initial engagement to ongoing portfolio management.

For our clients, this means even greater focus on value, transparency and support. For us, it has meant reviewing our processes, communications and products to ensure they consistently deliver positive outcomes and reflect the needs of the clients we serve.

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