As we move into the final quarter of the year, global markets are showing remarkable strength, rallying with impressive momentum and setting the stage for what could be a strong finish to 2025. The economic backdrop remains broadly supportive: growth is still positive, corporate earnings continue to expand, and consumers remain in relatively good health, supported by healthy levels of savings in the middle to upper classes which continue to be the major spending cohorts. At the same time, enthusiasm surrounding artificial intelligence remains intense, with nearly half a trillion dollars having been invested into the sector this year alone. This excitement has helped keep investor sentiment buoyant and markets on a strong upward trajectory.

However, it's important to acknowledge that valuations—particularly in the U.S.—are beginning to look stretched. Over the long term, the U.S. equity market has typically traded at around 16 to 17 times price-to-earnings. Today, that figure has climbed closer to 30 times, largely driven by the technology sector. If technology is excluded, valuations look more reasonable buy still elevates at around 20 times earnings, but U.S. tech itself is trading at roughly 39 times earnings. Despite these elevated levels, investor sentiment remains exceptionally strong. Historically, rallies built on such momentum can be surprisingly resilient, and it's entirely possible that this strength will continue to carry markets through the festive season and into 2026.The upcoming third-quarter earnings season will play a critical role in sustaining this optimism.

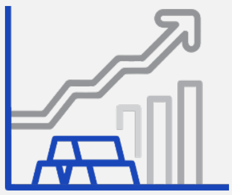
GLOBAL EQUITY MARKETS

16-17x US Equity Market

39x US Tech Market

Looking ahead, we expect the rally to broaden out beyond U.S. technology. Areas such as emerging markets, smaller global companies, and selected U.K. stocks are likely to attract greater investor interest as investor appetite goes in search of higher returning investments. Even within the U.S., there are many high-quality businesses outside of the tech spotlight that are trading at more attractive valuations. TAM has been positioning for this shift throughout the year by investing in high-quality global funds, US (ex-tech) funds all managed by top-tier stock pickers who can identify these opportunities.

MARKETS RISING AND GOLD PRICES ARE CLIMBING



At the same time, we must acknowledge the increasingly exuberant tone of the current market environment. Markets are rising despite clear signs of slowing economic growth, and gold prices are climbing which is an unusual combination that typically signals a need for caution as the drivers of gold and stocks are usually contradict one another. Historically, when markets rally in the face of deteriorating economic data, it can be a warning sign that sentiment has become overly optimistic, and this remains the major flashpoint for concern in Q4. Behind this catch all statement, two factors dominate our risk analysis in this environment, inflation and employment. Markets currently expect further interest rate cuts, based on the assumption that inflation will remain contained and growth will moderate slowly. Investors see softer economic data with managed inflation as a catalyst for central banks to provide support through lower interest rates and thus drive stocks higher. However, if inflation surprises to the upside, that narrative could change quickly. A higher inflation environment would limit the ability of central banks to cut rates, which in turn could expose the economy to a harder landing. This remains one of the key risks we are watching.

If the rally continues into year-end, it's likely that bouts of volatility will increase alongside each new market high If the rally continues into year-end, it's likely that bouts of volatility will increase alongside each new market high as investors sitting on large gains become increasingly skittish about protecting those gains. Our strategy is to keep clients fully invested so they can benefit from the strength of the current rally, while at the same time building in sensible layers of protection which do well when the tide turns. In fixed income, we currently favour corporate bonds over government debt, particularly in the two-year maturity range, which we believe stands to benefit most from expected rate cuts. We also maintain exposure to emerging market debt and selected high-yield bonds through experienced active managers. Government bonds in the U.S. and U.K. remain an important part of portfolios as a defensive cushion against any sharp deterioration in economic growth, and we've added some inflation-protected securities to hedge against the possibility of inflation reaccelerating unexpectedly.

In alternative investments, we continue to view broad commodities, including precious metals as well as conventional commodities as a core part of our portfolios. These assets serve as valuable protection against inflation, high government debt levels, and volatility in major currencies such as the U.S. dollar. We also hold a selection of funds invested into alternative investments such as shorting stocks, hedge funds, infrastructure designed to deliver positive returns in a variety of market conditions, particularly during periods when traditional equity markets come under pressure. This diversified approach allows us to keep equity exposure at full strength to capture more of this momentum driven market, while also ensuring portfolios are resilient should conditions shift unexpectedly.

In summary, today's market is being driven by a unique mix of interest rate cutting expectations and supercharged by enthusiasm around the prospects for Artificial Intelligence. While we are constructive and fully engaged in this enthusiasm, we remain mindful of the risks that come with record-high markets set against a backdrop of slower economic growth. TAM's approach is to balance participation in this powerful rally with disciplined risk management as we are renown for, ensuring that client portfolios are positioned to benefit from opportunities while remaining prepared for any turbulence that may lie ahead as we approach the end of 2025