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NEWSLETTER | Q3 2025

IN THIS ISSUE





Q3 2025 COMMENT

MARK HAWTIN, HEAD OF THE GLOBAL EQUITIES TEAM

American exceptionalism reasserted itself in the third quarter of 2025 after six months of rotation away from both the Magnificent 7 (Mag 7) and the US equity market. Driven by a significant pickup in AI investment news flow, the animal spirits were back out in force. Nothing showed this more so than the announcement from Oracle that they had obligations for infrastructure assets that increased by 359% to $455 billion. This was a multiple of the expected value and shares of Oracle rallied 26.5% on the day, adding hundreds of billions to its market capitalisation and briefly projecting Larry Ellison into the position of the richest man in the world.

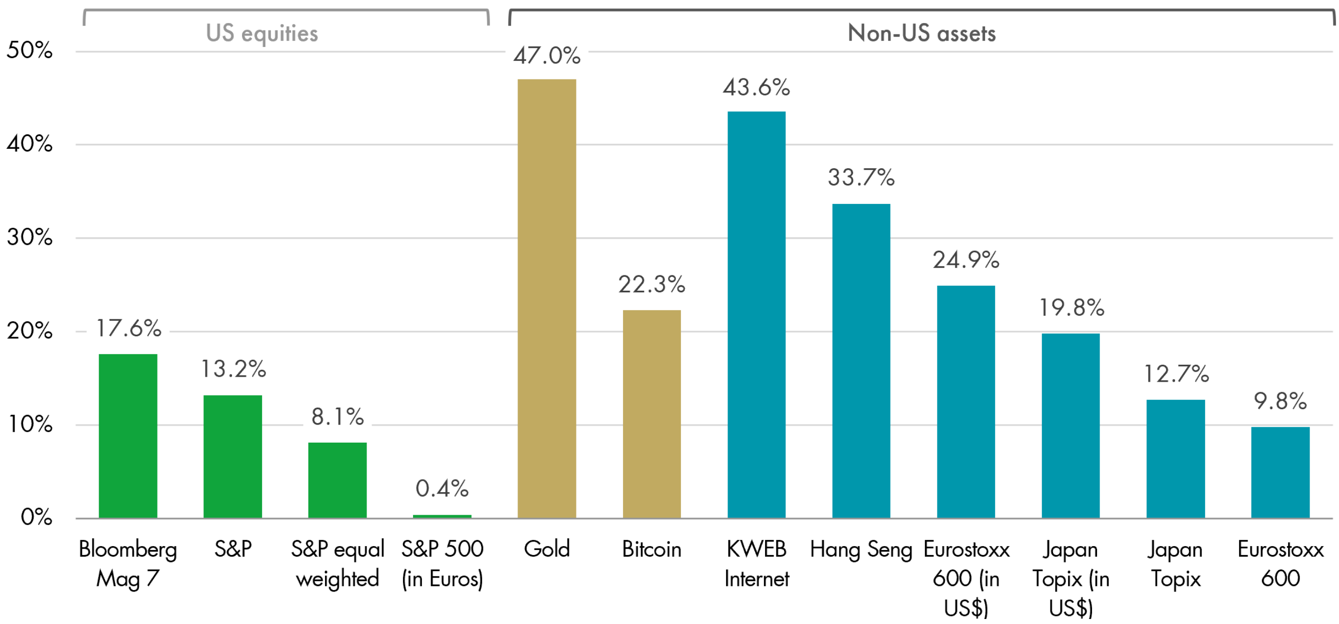
The S&P 500 rose 7.4% in the third quarter; the Goldman Sachs AI basket was up 15.9% and the Bloomberg Mag 7 index up 17.6%. Markets outside the US also continued to do well excluding Europe, which took a pause. China, as measured by the KWEB Internet Index, was up 22.2% and Japan rose 8.4%.

The surge in US tech performance in the third quarter reversed a chunk of the outperformance by other sectors and markets in the first half year of 2025, but the weak dollar year to date (-10% versus the euro) still leaves the S&P 500 in euro terms flat year to date. This means that non-US dollar investors have struggled to get the required returns from the US market.

Within the global equities universe, both year-to-date and third-quarter trends show that the dispersion of returns across sectors has been much less marked. Communication Services (including Meta and Alphabet) and Information Technology lead the year-to-date numbers at 27% and 24% respectively but Industrials, Materials and Financials are not far behind; there were plenty of opportunities outside the most talked about themes.

Dispersion within sectors has increased and this clearly supports the case for diversification. Among single stocks, losers were focused on clear baskets, with the advertising sector seeing Trade Desk and WPP down over 50% each as the dominance of the AI consolidators, Meta in particular, continued. The trend to the weaker mid-to-low-end consumer saw Lululemon and Deckers also down over 50% year to date. The rise of the AI trade in China has delivered strong performance from beaten down names – the BAT trade (Baidu, Alibaba, Tencent) has seen these three names up +56%, +110% and +47%.

Asset price moves – year to end September 2025



Source: Bloomberg, Liontrust, 30 September 2025. Past performance does not predict future returns.

Geopolitical risks continued to mount during the quarter, as well as concerns over rates of growth, interest rates and debt levels in the US economy. This served to feed the continued flight to safe haven assets like gold, which is up 47% in 2025, its best performance in the last 46 years!

As the chart above reinforces, the playing field has been more level in 2025, allowing plenty of investment opportunities outside the Mag 7 names, making the application of Modern Portfolio Theory far more appealing.

The analogue renaissance

DAVID GOODMAN, FUND MANAGER, GLOBAL EQUITIES TEAM

As digital scales endlessly, analogue cuts through by offering presence, scarcity and authenticity. These qualities are shaping the next chapter of consumer markets.

Digital technology has expanded for decades, reshaping how we live and work. From streaming services to social platforms and online retail, growth has seemed unstoppable. But alongside this digital surge, another story is unfolding. Analogue is making a renaissance.

A teenager queues outside a record shop for a vinyl release. A friend gives you a mug with your initials on it. A colleague hands you a leather notebook embossed with your name. What appears to be nostalgia is, in fact, a signal of shifting consumer values. People are rediscovering the weight and permanence of what can be touched, kept and remembered.

The power of the physical

Digital is everywhere but it is weightless. A playlist scrolls past in seconds, and an email is archived and forgotten. Analogue offers something different: a physical encounter.

A record sleeve is artwork you can hold. A book takes up space on a shelf and marks a moment in time. A film print has edges and imperfections that make it unique. Psychologists note that these anchors help people remember and focus in ways digital cannot.

The evidence is clear. UK vinyl sales reached 6.7 million in 2024, the highest in more than 30 years. In the US, vinyl generated more than $1.2 billion, outselling CDs for the first time since the 1980s. Print books still dominate, generating nearly £2 billion in the UK and accounting for more than three-quarters of sales in the US.

Even younger generations raised on apps are returning to notebooks and stationery. Writing by hand engages the brain in a different way. Turning a page slows you down. In a culture driven by speed, the physical makes people pause — and this pause is where meaning sticks.

Scarcity creates value

Digital is infinite. Songs, photos and posts exist in endless supply. Analogue is finite, and that scarcity creates value.

A limited edition record sells out in hours. A first edition book holds its worth. A handmade gift carries meaning because there is only one. In a world of instant availability, people are drawn to what is rare and intentional. Analogue triumphs because it is inherently unique, creating value through its scarcity.

Authenticity and connection

Analogue also signifies care. A handwritten card takes time. A crafted object suggests skill and attention to detail. These qualities feel personal in a world of automation, making the recipient feel truly valued.

This is where personalisation becomes powerful. People respond to objects that feel made for them. A handwritten postcard from a trip, an engraved fountain pen or a framed photo printed on fine art paper carries more weight than any automated message.

This is why marketplaces built around tangible goods are thriving. Platforms such as Etsy, Shopify, Folksy and Amazon Handmade give global reach to artisans. They demonstrate that digital and analogue are not in conflict but instead are in partnership. Digital provides scale. Analogue provides meaning.

Offline, the signals are just as strong. The UK craft market is worth over £3 billion. Younger buyers now make up a third of sales. Craft fairs draw thousands over a weekend as people seek unique items they cannot find in mass market stores. Globally, the arts and crafts sector is projected to reach over $76 billion by 2034.

Even vintage technologies are being personalised. Film photographers create custom albums and families commission handcrafted board games and puzzles. Vinyl has also gone personal, with services offering to press one-off records from playlists. Analogue thrives because it carries a human fingerprint.

The analogue signal

The power of analogue should not be underestimated. It cuts through precisely because it is different. In a world where digital can be copied and forgotten in seconds, analogue offers weight, scarcity and human connection.

For investors, the signals are clear. Vinyl sales continue to climb. Print books remain dominant. Instant cameras are thriving. Craft markets are expanding globally. These are durable markets, not curiosities.

The analogue renaissance is a counterbalance to digital saturation and a reminder of what people value most. Growth will continue in both digital and analogue. The lesson for business leaders is simple: people respond to what is scarce, deliberate and personal. Those who see this shift early will be best placed to capture its value.

Seeing into the future – the smart glasses revolution

PIERAN MARU, FUND MANAGER, GLOBAL EQUITIES TEAM

2012 saw the release of Google Glass, a futuristic looking smart glass equipped with a built-in camera, voice control and heads-up display. Although an early pioneer in the wearable tech space, this experimental prototype was undeniably ahead of its time – both technology-wise and in consumer readiness.

Fast forward to today and we are one step closer to Artificial General Intelligence. We have seen AI fundamentally transform our environment from interaction through voice command processing and immersive context-aware features with object recognition. Meanwhile, attitudes toward public camera use have also shifted dramatically and now largely normalised. Yet the true inflection point for smart glasses was not a radical reinvention – it was a subtle evolution of glasses design currently worn by billons.

Google Glass (2012) versus Meta Ray Ban (2025)

Source: www.ft.com/content/ab339580-c08f-11e1-9372-00144feabdc0

Sources: www.meta.com/en-gb/blog/meta-ray-ban-display-ai-glasses-connect-2025/

Meta's smart glasses success is the result of a strategic partnership with EssilorLuxottica, the global eyewear group behind Ray-Ban and Oakley. EssilorLuxottica manages manufacturing, retail and logistics across 18,000 stores, while Meta supplies the software and AI models. This partnership is redefining the eyewear industry.

By embedding advanced AI into the iconic Ray-Ban frames, we get eyewear that looks like normal premium glasses but features a 12-megapixel camera, Meta's powerful AI engine, open-ear audio and seamless connectivity. Demand for their smart glasses has surged well beyond expectations, with Mark Zuckerberg even admitting the company "dramatically underestimated" interest. For context, one million units were sold in 2024, with sales of Ray-Ban Meta sunglasses tripling in the first half of the year. They are now racing to scale production to 10 million units annually by 2026, with analyst estimates expecting to ship around 35 million units by 2028.

However, despite the impressive momentum, three significant challenges remain:

1. Battery life: Most models struggle to last beyond a few hours, and adding Augmented Reality displays only accelerates power drain.
2. Processing and power: Much of the computing still relies on smartphones, limiting responsiveness.
3. Apps and memory: Native apps are still in their infancy, with many smartphones lacking the bandwidth to support richer, more immersive experiences without hardware upgrades.

Even with these constraints, smart glasses are rapidly emerging as the next everyday computing platform. As we stand at this inflection point, the question is no longer whether they will succeed, but which companies will lead how we interact with the world around us.

Meta's approach to shipping early, iterating publicly, and bending the cost curve stands in contrast to slower, perfection-first rivals. Yet even Apple is shifting gears, reportedly accelerating development of its own AI-powered glasses and pausing work on its next-gen Vision Pro headset to prioritise this shift. First-mover advantage does not guarantee long-term dominance, however.

As hardware becomes increasingly commoditised, the true battleground is software. Competitors like Xiaomi and RayNeo V3 are already matching Ray-Ban Meta's core functions, signalling that differentiation will hinge on AI capabilities, ecosystem integration and user experience. Google has also unveiled Android XR, a dedicated operating system for smart glasses and headsets, offering contextual AI assistance and seamless integration with its existing services.

The trajectory of smart glasses is following that of smartwatches: initially a tied accessory to your phone, they have since evolved into standalone platforms. If this pattern holds, the most important screen of the next decade may be the one you barely notice – lightweight, voice first and worn on your face.

Space – the final frontier

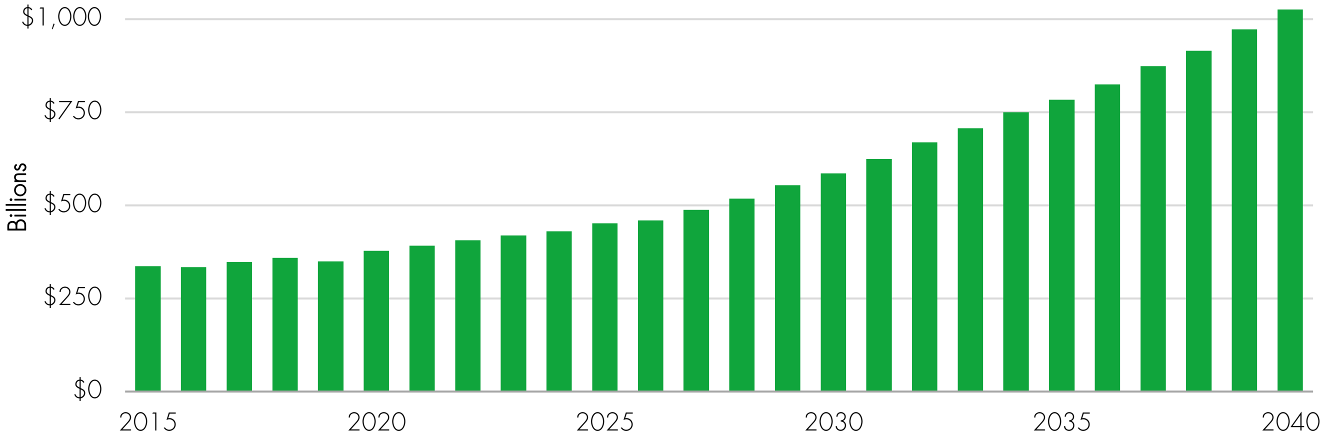
MARK HAWTIN, HEAD OF THE GLOBAL EQUITIES TEAM

With so much investor bandwidth being devoted to the development of AI on Earth, we thought it would be good to look further afield at more futuristic themes and Space in particular.

The rapidly evolving opportunity in Space economics was given a huge boost by the October 2024 'chopsticks' moment when Elon Musk's SpaceX rocket was successfully recovered on landing. This created a step change in rocket transport economics with the ability to reuse significant parts of the infrastructure. In the third quarter of 2025, the stock market fielded the IPO of Firefly, one of the commercial launch companies that competes in this fast-growing market to commercialise the Space economy.

Source: www.teslaoracle.com/2022/08/24/watch-mechazilla-chopsticks-lift-starship-booster-7-elon-musk/ (Credit: Elon Musk / SpaceX via Twitter.)

Global space economy forecast

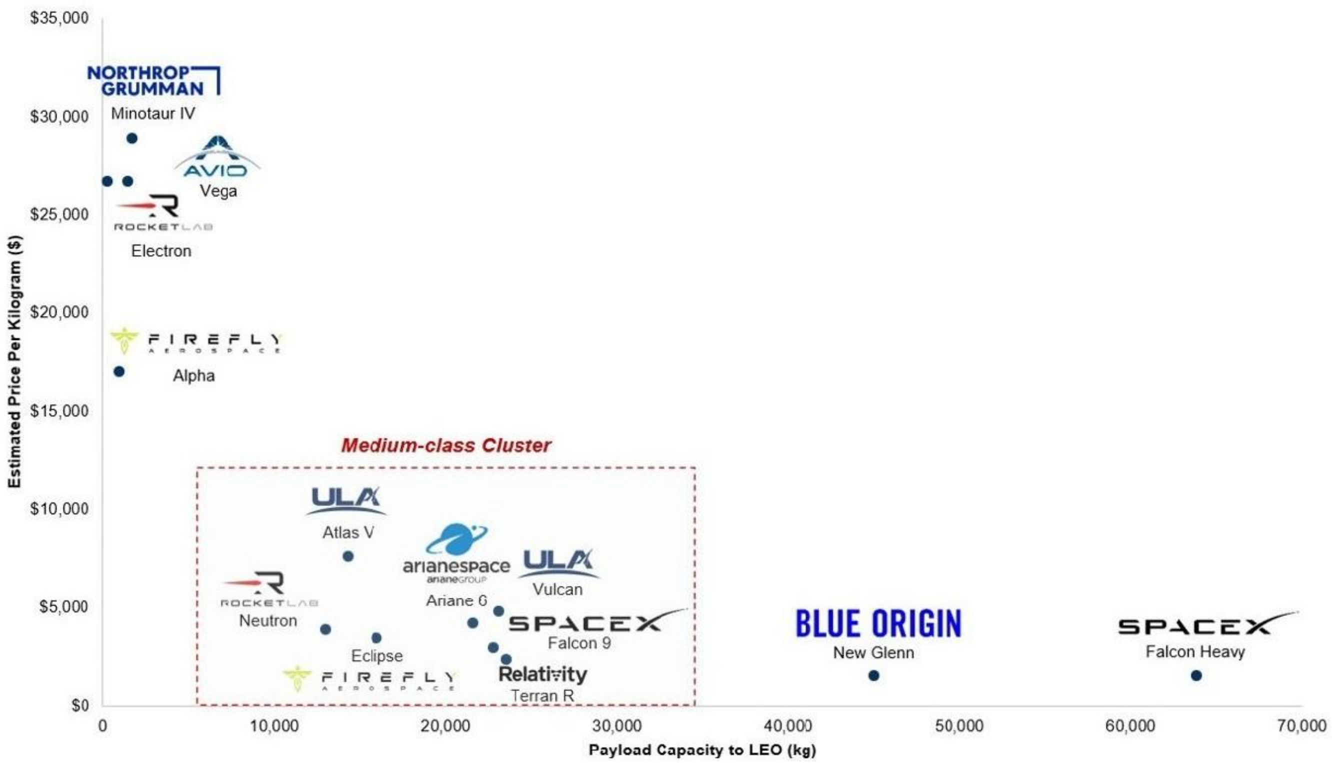


Source: June 2021, Morgan Stanley Research, Haver Analytics. www.libertythroughwealth.com/2021/06/16/the-global-space-economys-meteoric-rise-is-only-getting-started/. Past performance does not predict future returns.

As the chart above shows, the Space economy is expected to grow to over $1 trillion by 2040, with some research suggesting this milestone will be reached far earlier. Within the overall economy, the rocket launch market could take as much as a 10% share or $100 billion of revenue opportunity.

This is the primary way to access the investment opportunity in today's public markets, with Firefly and Rocket Labs as the two leading quoted contenders, in our view. The market overall is divided into three primary segments defined by payload capacity. At the highest end of the market in heavy payloads, SpaceX dominates with its Falcon 9 rocket.

Space Launch Ecosystem



Source: August 2025, Company Data/Filings, Morgan Stanley Research.

SpaceX is expected to have about 175 to 180 launches in 2025 but 80-85% of the payloads will go to internal projects, Starlink in particular. Blue Origin's New Glenn only plans 8 to10 launches so is significantly smaller than SpaceX, with most capacity going to commercial partners.

The medium and small payload market is where other quoted players – Firefly and Rocket Labs – operate. Both companies have had varying degrees of success with their launches and both have aggressive launch ramps for 2025. SpaceX is seen as the world's most expensive private company today with a market value estimated at $400 billion while Firefly and Rocket Labs are much smaller with quoted market values of $5 billion and $25 billion, respectively.

Investing in the Space economy is not for the faint-hearted. Individual launch successes or failures can impact share prices dramatically (see the 20%+ fall in Firefly's share price following a recent rocket failure on the testing launchpad). But we believe there is a tremendous long-term growth opportunity in Space and one that will inevitably capture the imagination of investors as the launch schedules ramp up and as we see more technology defined moments like that of the SpaceX chopsticks rocket capture.

While government-backed agencies in the US and China still command a significant portion of Space spending, commercial companies are coming to the forefront as preferred partners. At the same time, the possible winners are extending beyond the oligarch-backed companies like SpaceX and Blue Origin and this provides an off ramp for companies like Northrop Grumman, Lockheed and NASA to outsource launch activity to more commercial sources. In fact, Northrop is a direct shareholder in Firefly as part of its diversification strategy.

It may be too early to invest in the Space economy via the quoted markets but the opportunities are beginning to emerge in what will clearly be a huge market. In the words of Captain James T. Kirk of the Starship Enterprise, *"You know the greatest danger facing us is ourselves, an irrational fear of the unknown. But there's no such thing as the unknown — only things temporarily hidden, temporarily not understood."*

The journey to understanding Space, while light years long, is well underway!

Emerging markets in a weak dollar world

TOM SMITH, FUND MANAGER, GLOBAL EQUITIES TEAM

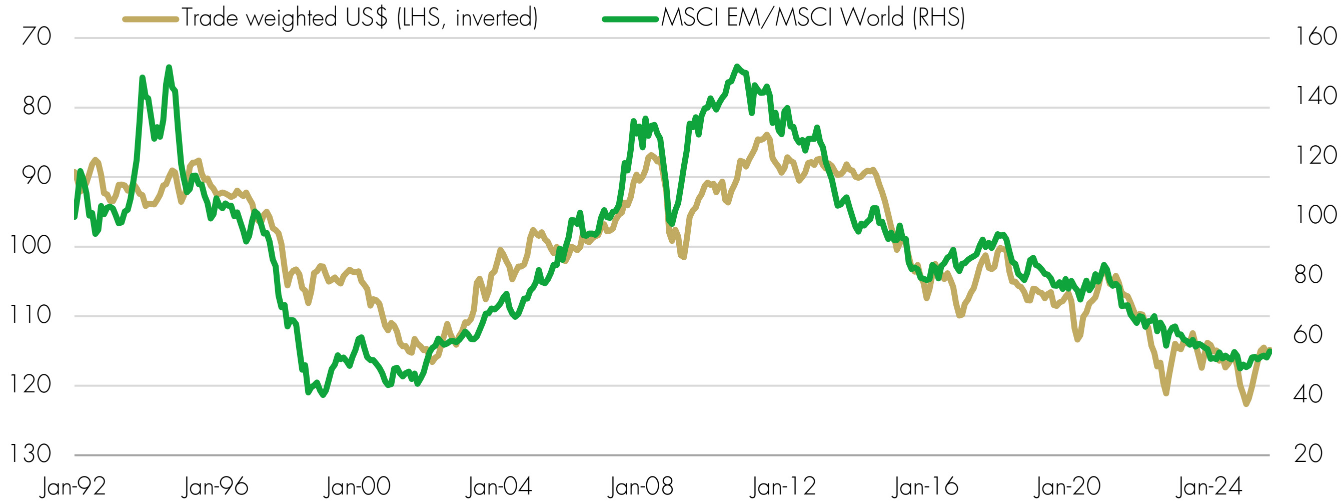
With the broad US dollar down 10% so far this year and some emerging market currencies up significantly (Brazilian real is +16% while the Polish zloty and Mexican peso are +14%), are we in the early stages of a new cycle for emerging markets assets?

A weaker dollar does not just ease pressure on emerging markets, it unlocks investment. FX relief lowers external funding costs, attracts capital flows, cheapens US dollar-priced technology, improves terms of trade for many exporters and cools imported inflation. Together, these forces expand fiscal and corporate bandwidth to build the infrastructure, skills and supply chains needed for AI, electrification and a rewired global economy.

Emerging market assets have tended to do better in dollar-weakening phases as global financial conditions loosen, risk appetite improves and the cost of servicing dollar liabilities falls. The Bank for International Settlements (BIS) finds that the level of the dollar is a strong driver of emerging market capital flows, especially into local-currency assets, over and above traditional risk proxies (global financial conditions or bond/equity volatility).

A softer dollar helps in a number of ways: it tightens emerging market risk premia and attracts flows; lowers prices for US dollar-invoiced capital goods and services; typically aligns with firmer commodity prices that aid many emerging market exporters; and it lowers imported inflation, allowing central banks to ease monetary policy. This all frees up balance sheet and policy space to invest in AI, the energy transition, supply-chain diversification and digital finance.

Trade-weighted US$ versus MSCI EM/DM relative performance



Source: Federal Reserve, Bloomberg, as at 30 September 2025. Past performance does not predict future returns.

The dollar is also a powerful risk-taking thermostat. BIS shows that a weaker US dollar boosts local-currency bond and equity flows to emerging markets; 2025 has seen renewed emerging market portfolio inflows, with August marking the strongest month in nearly a year. Capital inflows and tighter credit spreads reduce the hurdle rate for new economy projects such as data centres, fintech rails and EV supply chains, crowding capital towards growth.

Dollar depreciation also lowers global import prices for US dollar-invoiced goods and services. Things like robotics, semiconductor tools, industrial software and cloud services are commonly priced or benchmarked in dollars and become more affordable to emerging market buyers as the dollar falls. These lower prices accelerate diffusion of AI infrastructure (graphics processing units (GPUs)/servers), factory automation and grid technologies.

Historically, commodity prices have moved inversely to the dollar, boosting terms of trade and fiscal receipts of emerging market exporters when the dollar softens (the Covid pandemic is a notable exception). Strong commodity revenues can fund green capex (transmission lines and renewables), processing upgrades and downstream value-add such as battery materials.

Finally, a weaker dollar reduces imported inflation into emerging market economies. Lower inflation gives central banks room to cut interest rates, supporting domestic demand. After successfully taming inflation, many central banks began easing monetary policy ahead of the Fed.

We are already seeing many of these benefits begin to play out. India's data centre capacity is expected to grow from 1 gigawatt (GW) in 2024 to 1.8GW by 2027, and potentially as high as 8GW by 2030 – a path made easier when US dollar prices of imported servers, networking and power systems are more favourable. Indonesia is accelerating a nickel-to-battery ecosystem, inaugurating an integrated EV battery project in June and clinching a trade deal with the EU that could channel more investment into downstream processing.

Mexico continues to attract new foreign direct investment (FDI) into manufacturing, leveraging its proximity to US demand and a highly competitive manufacturing sector. Historically dominated by the automotive sector, electronics is benefiting from supply chain diversification away from Asia, Mexico has overtaken China as the US's top supplier of medical devices, and aerospace capacity is also expanding. Vietnam's electronics exports are approaching $70 billion for the year to August, up more than 40% year on year, and the country is adding semiconductor back-end capacity with targeted incentives. As US dollar-priced robotics and machine tools get cheaper, emerging market manufacturers can step up automation and packaging/testing in semis, enabling them to climb the value chain.

India's digital public infrastructure (UPI/ONDC/Aadhaar) has scaled to mass usage – UPI processed a record 650 million transactions a day in August – lowering cash friction and enabling new business models at the last mile.

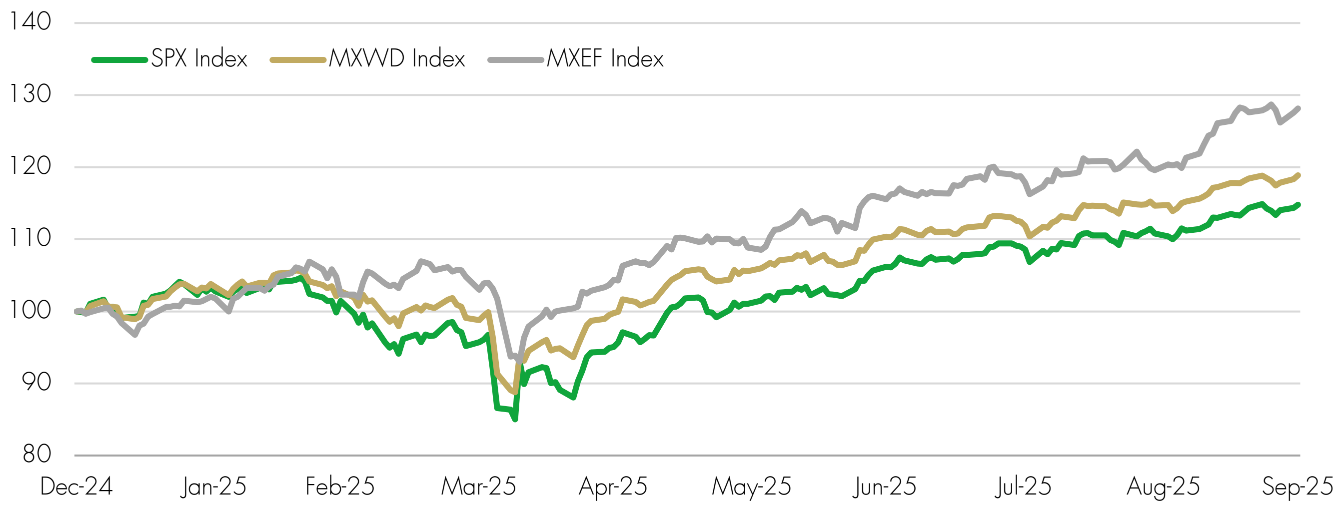
Brazil offers another success story: PIX, the central bank's instant payments rail, is now the country's most popular channel with two-thirds of Brazilians using PIX at least monthly in 2024. New features such as PIX Automatico (recurring payments, June 2025) and PIX Parcelado (instalments, fourth quarter of 2025) deepen merchant acceptance and subscription use cases, especially for consumers without credit cards. In a weaker US dollar environment, both ecosystems benefit from cheaper cloud, security and hardware, plus easier funding conditions – accelerating inclusion and fintech innovation across credit, payments and embedded finance.

Returning to more traditional economic needs, emerging markets have significant infrastructure deficits, with needs spanning power, transport, water/sanitation and digital networks. Many of the products required are priced in dollars, from turbines, transformers and high-voltage equipment to rolling stock and robotics, making these products more affordable, improving project returns and access to financing. Improved infrastructure has immense benefits to the underlying economy, from higher potential growth and productivity, the crowding in of private investment and jobs to fewer bottlenecks easing supply-side inflation, energy security and, ultimately, better fiscal risk profiles.

A softer dollar is not a guarantee of emerging market outperformance. Idiosyncratic risks such as politics, governance or weather/climate events can override the US dollar impulse. But dollar down-cycles historically open a window for emerging markets to invest, raising the probability that governments and corporates convert FX relief into assets, people and products across AI infrastructure, EV and grid build-outs, diversified supply chains and digital finance. The dollar can provide a meaningful tailwind to emerging market economies and assets, but execution on innovation capex will remain key to fully taking advantage.

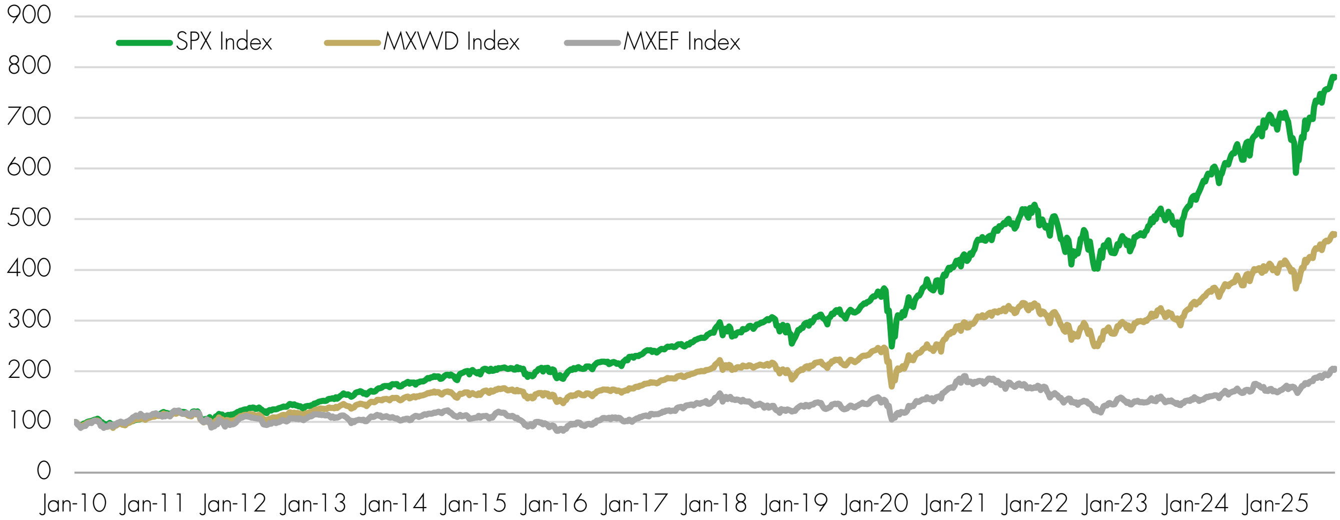
Emerging market equities have had a strong year, returning +28.2% to the end of September, more than 10 percentage points ahead of developed markets' +17.9% return ($). Given the scale of the underperformance recorded over the past 15 years, it could be that we are in the very early stages of a new cycle for emerging markets assets.

S&P 500, MSCI World, MSCI EM – year to date (US$, total returns, gross dividends)



Source: Bloomberg, 31 December 2024 to 30 September 2025. Past performance does not predict future returns.

S&P 500, MSCI World, MSCI EM – 2010 to 2025 (US$, total returns, gross dividends)



Source: Bloomberg, 8 January 2010 to 30 September 2025. Past performance does not predict future returns.

India's tech stack: public rails, private ingenuity

EWAN THOMPSON, FUND MANAGER, GLOBAL EQUITIES TEAM

Historically, when comparing infrastructure in emerging markets with that of developed economies, the common image is one of a nascent development stage. These include unpaved roads winding through dust, patchy power lines and a general sense of (decades hence) catching up to the smooth highways and gleaming skylines of the developed world. The developed market template was there for all to see, and emerging markets merely needed to copy it.

When it comes to digital infrastructure, however, it can be sobering to see this image in reverse. Increasingly, emerging markets' deployment of technology and its integration into daily life is well in advance of developed markets, arguably offering a vision of our own future rather than the other way round.

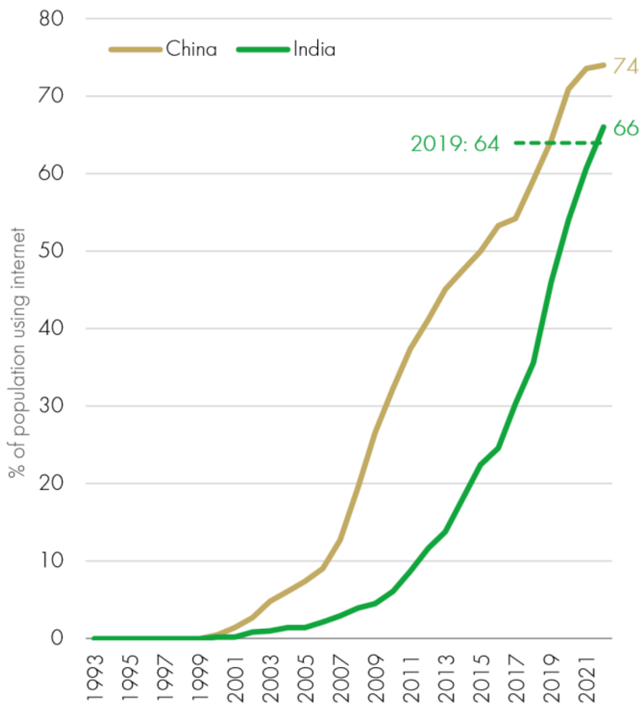
In India, booking a flight increasingly feels like sending a message. A chatbot secures a ticket and checks you in using your preferences, a QR code lands in your WhatsApp, and at the airport your face is the pass. This is DigiYatra (Digital Journey): enrol once and at participating terminals you walk through e-gates with facial biometrics mapped to your ticket – no rummaging for paper or plastic. It is for domestic travel (passports and visas still apply for international legs) but the point stands: the seamless user experience, linking logistics to a centralised identity system, seems worlds away from that in the UK or US.

Source: Ministry of Civil Aviation Government of India.

Indeed, India's tech stack has been developed in conscious opposition to Silicon Valley. Crucially, it is built on public rails – digital infrastructure that any company can leverage. Think Aadhaar (digital ID), UPI (real-time payments), e-KYC, DigiLocker (document vault), Account Aggregators (consent-based data sharing) and now ONDC (an open network for commerce). The philosophy is simple: a standardised national digital backbone allows private companies to build on this open architecture and compete on service and user experience. The result is lower customer acquisition costs, faster onboarding, cheaper payments and relentless experimentation.

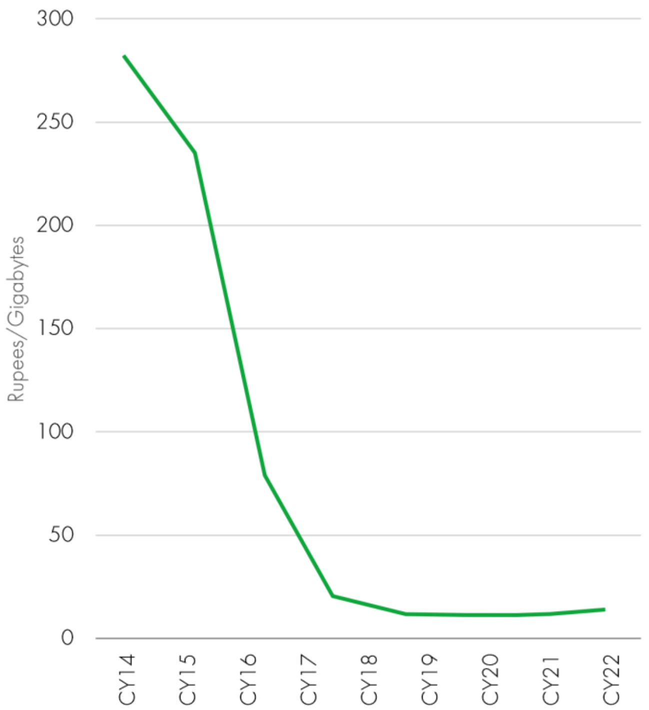
Moreover, India's huge population, high internet penetration and dramatically low data costs – not to mention a notably STEM-oriented higher-education system – provide an extremely fertile ground for technology to flourish. With 1GB of data, only $0.16 (the seventh cheapest in the world, compared to $6.00 in the US), the UPI/India Stack apps keep people online all day, with 95% of users accessing the web through mobile devices. UPI crossed the 20 billion monthly transactions mark in August, moving $300 billion between users, accounting for nearly half of all global daily digital payment transfers. DigiYatra shows a similar trajectory: the programme has logged over 16 million enrolled users and 67 million journeys since launch in late 2022. Adoption is not uniform yet but the direction of travel is clear – identity and movement are going digital end-to-end.

Internet penetration entrenched at an early stage…



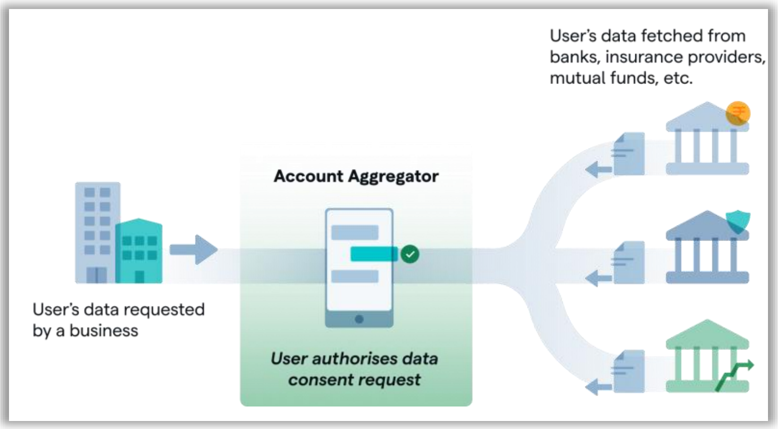
Source: Data, 1993 to 2022. Haver, Statista forecasts, Morgan Stanley Research, February 2022; company reports.

…thanks to the cheapest global data rates



Source: CY = Calendar Year, 2014 to 2022. Haver, Statista forecasts, Morgan Stanley Research, February 2022; company reports.

Contrast this with the US-dominated developed-world system, where access to users and data typically runs through private gatekeepers: app stores, card networks and device ecosystems. Those toll booths are lucrative precisely because they control the pipes. Even as Europe forces changes to Apples's terms, historically this model has delivered up to 30% commissions on in-app transactions. Although innovation has been strong, the benefits have largely accrued to small numbers of extremely profitable companies. The "walled garden" approach enables oligopolistic players to control the network and either prevent new entrants accessing the infrastructure or only allow them in on limited terms and at a high price.

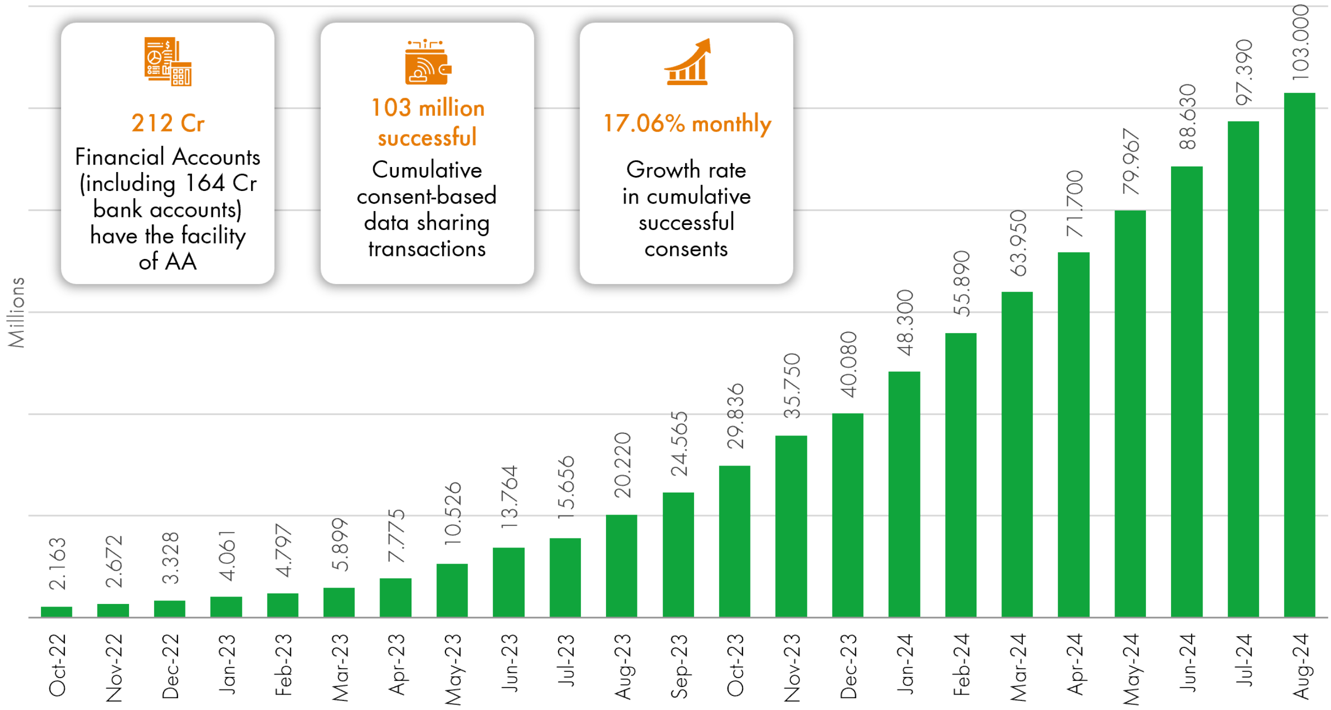


Source: www.docs.setu.co/data/account-aggregator/overview

In India's banking sector, there has been a quiet revolution driven by the Account Aggregator framework (regulated by the Reserve Bank of India (RBI)), which lets consumers move financial data between institutions via a standardised data pipe. The model is opt-in and revocable – essentially

Open Banking but on a national scale. The last financial year saw nearly $20 billion of loans disbursed across over 200,000 loan accounts using such Account Aggregators (AAs), showing how underwriting is shifting from paper documents to digital cash-flow data. A key design choice was the explicit inclusion of the Goods & Services Tax Network as a Financial Information Provider – this means that small- and medium-sized enterprise (SME) sales and tax flows can (with consent) feed into bank credit models, enabling cash-flow-based lending instead of collateral-only. State Bank of India, for example, can now triangulate its own internal data with that of the government, allowing it to slice and dice it to give credit approvals in under 20 minutes compared with four days previously.

103 million cumulative successful consents



Source: Data, August 2024, www.sahamati.org.in/media-article/indias-account-aggregator-framework-crosses-100-million-consents-in-three-years/

Emerging markets also benefit from leapfrog dynamics. There is no sunk cost in cheques, magstripe cards or desktop web. Consumers went straight to smartphones, QR codes and chat interfaces while merchants jumped from cash boxes to UPI with a printed QR and zero set up. The engineering solutions follow the local context: apps handle patchy connectivity, support dozens of languages and use WhatsApp rather than email to drive transactions and support. When the "middle era" never existed, you are not bound by the physical and imaginative restrictions that are its unintentional legacy.

This is the backdrop for a company such as Ixigo – a travel marketplace that is aggressively tech-led and data-centric, providing live feeds for trains and buses, predicting ETAs and wait lists, and stitching together multi-modal routes. In a country where transport delays can sometimes be measured in hours and days rather than minutes, Ixigo has been able to take public data and track trains in real time through cell-tower data, redirecting customers as required, providing a tangible use-case for technology, and driving clear user experience. This is a company of only 500 employees, with 85 million monthly active users, and a service layer where over 60% of voice calls and 88% of chats are resolved by autonomous AI agents.

This is what public rails enable: small teams orchestrating large networks as compressed fixed costs put a data flywheel within the reach of even mid-sized firms. AI then supercharges this process – faster support, smarter pricing, better routing and offering software-like operating leverage in sectors once thought of as operationally heavy.

India – increasingly an object of significant attraction for global tech players, hungry for the vast data lake it offers – provides a clear lesson in digital architecture: build the rails and let banks and startups compete on ingenuity at the edge. India's tech stack has already inspired a global movement, with many countries adopting or piloting similar systems – from Brazil to Singapore, France to Australia. India's experiment goes to show what happens when the state lays the track and thousands of private trains race across it.

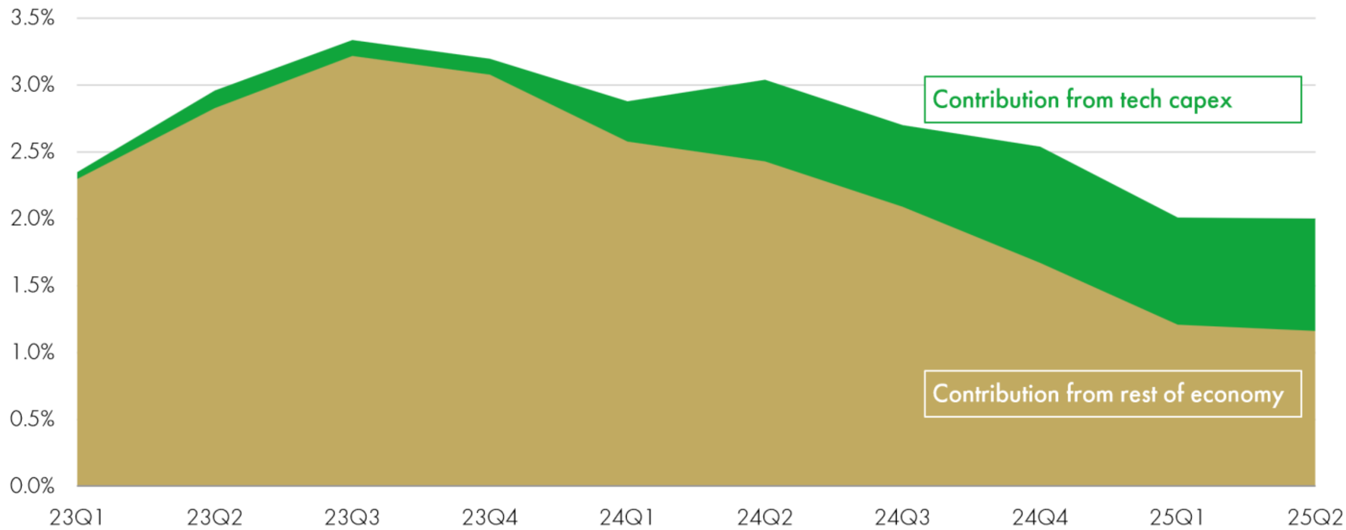
OUTLOOK

MARK HAWTIN, HEAD OF THE GLOBAL EQUITIES TEAM

The outlook for the rest of 2025 continues to present plenty of opportunities for differentiated and diversified returns in equity markets. As we outlined in the review section for the first nine months of 2025, the path to the best returns will likely continue to lie outside the concentrated M7 trade; they now account for 40% of the S&P market capitalisation and this has proved troublesome for active managers bent on finding better alternatives. The evidence of the first nine months of 2025 suggests this is becoming easier.

At the same time, risks are building around the world both in terms of the geopolitical and the economic. Much of the US data remain weak yet headline GDP numbers print at robust levels. The chart from Bridgewater shows one reason for this – the level of capex investment in AI is having a meaningful impact on headline GDP numbers although this has little impact on the low-end consumer.

US real GDP growth contribution from tech capex (%)



Source: Bridgewater, August 2025. Past performance does not predict future returns.

This backdrop adds to the need to work carefully on the risk/reward balance of many trades that have worked well for so many years. While, thematically, we remain positive on the potential for AI and for short-term infrastructure investments, we are concerned that we are in the throws of a bubble. The recent trend of vendor financing highlights this risk and, while in the early stages, acts as a warning sign. Trying to predict the impact of this factor and what the outcome will be is tough but experience is a vital asset; it is surely more valuable to have lived through the boom/bust dynamics of a bubble than merely to have read about them. According to Morningstar analytics, only 4% of the 1,700 US large cap equity managers actually managed money through the dotcom era.

The performance outside the US capex trade has been strong, as shown in the table in the first section of the newsletter, so we believe there are plenty of opportunities to invest across multiple themes, geographies and sectors to mitigate against individual risks.

Our base case is that equity markets globally will remain little changed in the final quarter of the year but there will be plenty of ways to enhance returns beyond the index level. These include the fact that defence spending remains a key theme in Europe, the catch-up trade in Chinese tech/AI versus the US, Japanese digitalisation and emerging markets equities on the back of a weaker US dollar, which provide the geographical diversification for concentrated US portfolios.

Within the US, we take the view the winners of the next 10 years will not be the same as the last 10 and so companies that use AI effectively across multiple sectors offer interesting opportunities. Within technology, we remain cautious on the longevity of the AI capex cycle and favour selective names that support the trends in AI rather than the titans that build it.

The path of the US dollar is a critical component of many investment themes today and we expect the currency to remain weak on the back of government debt levels and the debt servicing bill that is now close to the 4% of GDP level seen by many as an exit velocity level. Assuming this to be the case, any equity investments must be viewed through the lens of a weak dollar, and this is perhaps the biggest factor in deciding geographical exposures as well as other adjacent ideas like the continued success of investing in stores of value like gold, gold miners and crypto.

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For a comprehensive list of common financial words and terms, see our glossary at:
www.liontrust.com/learning/our-guide-to-financial-words-and-terms

Key risks

Past performance does not predict future returns. You may get back less than you originally invested.

We recommend any fund is held long term (minimum period of 5 years). We recommend that you hold funds as part of a diversified portfolio of investments.

All Liontrust Funds carry some degree of risk which may have an adverse effect on the future value of your investment. Therefore, before making an investment decision, you should familiarise yourself with the different types of specific risks associated with the investment portfolio of each of our Funds. There is no certainty the investment objectives of the portfolios or strategies mentioned in this document will actually be achieved and no warranty or representation is given, whether express or implied, to this effect.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

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