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Quarterly Review
Autumn 2025

INVESTMENT RISK

Investing in ordinary shares and other assets that will be included in your investment portfolio entails risks to your capital and the income that it might generate. The paragraph below is an important reminder, please always remember that:

The value of investments and the income you get from them may fall as well as rise and there is no certainty that you will get back the amount of your original investment. You should also be aware that past performance may not be a reliable guide to future performance.

The second half of this Review gives information on the Church House fund portfolios that we manage for clients. Some, or all, of these funds feature in most portfolios and the risk warning above is pertinent to each of them. We use these funds in the construction of clients' portfolios, each has a specific 'building block' role and, specifically, they form part of our risk management process. This approach helps to ensure appropriate diversification and that we know in detail the risks that we are undertaking on your behalf - not something that we wish to delegate to others.

These funds are individually authorised by the Financial Conduct Authority under the Collective Investment Schemes regulations, they are all UCITS Schemes. We are required to point out that the main risks faced by them arise from market price and interest rate risk; that they have no borrowings, or unlisted securities of a material nature (so there is little exposure to liquidity or cash-flow risk) and that we review the policies for managing these risks on a regular basis.

We do not make any specific ESG or other claims for our funds, we find many such claims to be spurious and of doubtful value. We do consider that investing in companies with properly sustainable practices and business models and run by people of integrity, is an important part of what we do. We are signatories to the:



Church House Investment Management

Church House Investments Limited is authorised and regulated by:

The Financial Conduct Authority

Quarterly Review

A quarterly review of the economic and market background to investment, edited by James Mahon, Chairman of the Investment Committee, with additional commentary from a number of Church House managers.

Issue no. 102 - Autumn 2025

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SOME HISTORY...

The 1999/2000 'dot-com' boom (and subsequent bust) in technology stocks will be familiar to many. Generated by the excitement and possibilities of the widespread adoption of the internet, numerous new companies were established, and many investors were lured into new issues, notably if they had a '.com' suffix. Traditional valuation metrics were discarded in favour of multiples of sales or, all too often, enthusiastic forecasts of sales. But my point is not to harp on about all those new issues (so many of which disappeared without trace) but to consider the companies of substance that were around in the 1990s.

A good example is **Cisco Systems**, which had been established in California in 1984 and went public in 1990. This was (and still is) a profitable company supplying core equipment for the internet. Here is an extract from their 1999 Annual Report:

“By providing the systems that make the internet work, Cisco is helping customers compete in the explosive Internet economy by implementing Internet business models and building New World communications infrastructures that turn change into competitive advantage. As a result, we have grown faster than all our key competitors. We have been rewarded with one of the top ten market capitalizations in the world, and we have been recognized as the fastest growing, most profitable company in the history of the computer industry.”

Replace 'internet' in that statement with 'AI' and it all sounds so familiar. **Nvidia** is another very profitable California based technology company thanks to huge demand for its chips in the development of AI. Since December 2023 Nvidia's share price has gained 276%. From December 1998 Cisco's share price gained 245% to a peak in March 2000, all this gain was lost over the course of the following year:

Cisco Systems – 1996 to 2002



Source: Bloomberg

THE ECONOMIC & MARKET BACKGROUND

On the one hand we have stock markets going up, bubbling up one might say about some American stocks. On the other hand, we have the price of government bonds going down as the cost of borrowing for hugely indebted countries increases again. There is a limit to how long this can persist.

Our economy is stuck in the slow lane, still struggling with the aftermath of the previous budgets and, depressingly, inflation remains persistent. The Bank of England did cut the Base Rate again (to 4%) but really it is quite caught now with inflation as it is, and it is hard to see many more cuts coming through soon. But, as so often, we are in danger of getting overly pessimistic for the UK. Productivity has actually improved over the first half of the year, and business investment is (finally) improving after years in the doldrums post-Brexit. Energy prices are easing and, if the Chancellor can just avoid any more self-inflicted damage, growth could begin to look up.

After the big fall in the US dollar over the first half of the year, it was much quieter in the foreign exchange markets. But not so for the price of gold, which raced up again in an 'anything but the dollar' mood that can hardly be said to be a healthy sign. I am still concerned with President Trump's attacks on the US Federal Reserve and its independence from political interference, and now he has managed to appoint one more supporter to the Fed's Board, Stephen Miran. His impatience with dissent reached new levels over the summer with the firing of the head of the Bureau of Labor Statistics after some poor employment data, claiming that the figures were "rigged".

The US stock market is strong, but this is focussed on a narrow range of AI related technology stocks, and gauging what is happening in the US economy at present is tricky. Employment seems to be flashing red, but spending is holding up (largely for the better off) and inflation has remained reasonably quiet despite the tariffs. Now, with a US Government shut-down, accurate information is going to be even more elusive. But I must not take from President Trump's achievements in the Middle East where, as I write, it seems that he has been instrumental in bringing about a ceasefire, a release of the Israeli hostages and, hopefully, a lasting end to the misery in Gaza.

Back home, we are being treated to week-by-week analysis of what might be in the autumn budget without, as far as I can see, any real authority or knowledge. Chancellor Reeves faces a difficult situation with little room in the budgetary finances (and her 'fiscal rules') for manoeuvre. The key to unlocking growth lies in being bold, not endless tinkering with new taxes. Simplifying the hugely over-complicated taxation system would do the trick. National Insurance is a nonsense as is Stamp Duty and so much else, tax should be raised via the principal taxes: Income Tax, Corporation Tax and VAT. I wish that I had some confidence that reform of the system might actually be considered though, sadly, that word 'reform' might present a problem.

James Mahon *October 2025*

THE UK ECONOMY AND INTEREST RATES

Cranley Macfarlane writes: The quarter began with the Government passing its welfare reform bill, albeit shorn of all its significant reforms. Even then ninety of its own MPs voted against the denuded legislation. Little over a year since coming to power this demonstrated that despite their large majority, it is a shallow one. With many of its MPs realising that they will likely be in Westminster for just one-term, they are not overly concerned with what their whips tell them to do. As such, the Government's turbulent time in office looks set to continue.

After the shambles of the Truss budget, the Labour party did a good job of persuading the electorate that they had assumed the mantle of budget discipline while promising not to raise taxes on 'working people'. The definition of working people remains unclear, but having proven incapable of cutting spending, then raising income tax, National Insurance or VAT are surely the only way that they can move the dial sufficiently to fund their spending and bridge the gap between the amount they raise in taxation and all that Government spending (the Budget Deficit). Taxing pensions, inheritance or property is just not going to cut it.

The economy failed to grow in July, GDP growth stood at 0.0%, down from +0.4% in June. Growth for the second quarter was confirmed as +0.3%, down sharply from the +0.7% growth in the first quarter. The slowing growth was to be expected as house purchases were pulled forward to avoid the changes to stamp duty, as well as the National Insurance and minimum wage increases in the last budget.

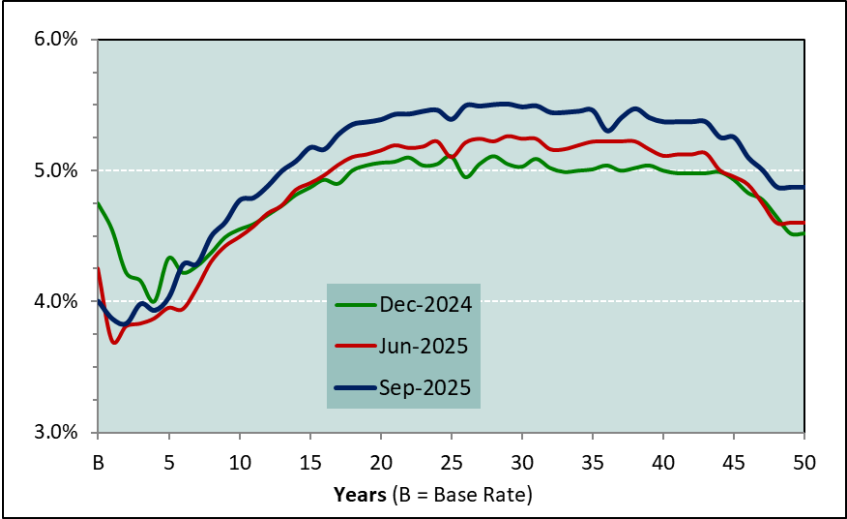
Productivity remains an issue, but one not unique to the UK. However, a tax-raising Labour government that cannot handle the alarming rise in young people unable to work for health reasons, may find it hard to generate higher productivity.

In spite of this backdrop the ever-optimistic equity market climbed to all-time highs, mainly driven by tobacco companies and banks. The move was also helped by the UK market having been unloved and so was trading on a relatively low valuation by comparison to other markets. However, the bond market took its usual 'glass half empty' approach.

Gilt yields rose fairly evenly across the length of the yield curve over the quarter even as the Bank of England lowered their Base Rate to 4.25% in August. There is some distortion at the very short end of the curve thanks to demand for short-dated, low coupon Gilts to benefit from the tax break on capital gains. That aside, the yield curve is suggesting some uncertainty in the near term and the interest rate 'swaps' market is predicting one further rate cut by April 2026, and maybe another in the next twelve months.

Move further out and the curve steepens significantly, which means, like in the US, the market is predicting rates will rise as governments struggle with their finances and will have to pay more to borrow. The move in the long end of the Gilt curve was most apparent in August when UK thirty-year Gilts reached a twenty-seven year high of 5.70%. Traders attempted to take advantage of the August turbulence and the ten-year Gilt auction at the start of September was ten times oversubscribed. Fast forward to the end of the month, however, and as concerns grew about the budget, both five-year and thirty-year auctions saw the lowest demand in two years.

UK Interest Rates – The Yield Curve (Base Rate and the income yield from Gilts)



Source: Church House, Bloomberg

Short-Term	Base Rate	SONIA*	2 years	5 years
Interest Rate	4.00%	4.0%	3.9%	4.1%
Longer-Term	10 years	20 years	30 years	50 years
Interest Rate	4.7%	5.4%	5.5%	4.9%

Source: Bloomberg *The Bank of England's Sterling overnight index average.

If pessimism is not a trait unique to the UK, it is something we excel at. The GfK Consumer Confidence survey shows that for some time our view of our own financial situation is somewhat better than our view of the economy at large, but the gap currently is as wide as at any time in the past ten years. With wages growing faster than inflation for the past two years and interest rates falling, there are the ingredients for a reasonable outlook. Let's just hope the Government decides to try and nurture these green shoots, rather than stamp them out with (more) misguided tax policies.

CREDIT MARKET COMMENTARY – JEREMY WHARTON

The quarter's merger, acquisition and buyout activity has been the busiest for years and we are on track for 2025 to be the next biggest in value since 2021. The recent record \$55bn buyout of **Electronic Arts**, at an all-time high share price, was in stark contrast to the \$10bn **Walgreen Boots** transaction in August at a depressed share price, prompting 'top of the market' commentary. The EA deal was brokered by President Trump's son-in-law and involved Middle Eastern funds who have never been particularly 'price sensitive'. The deal was a triumph for bank lending over private credit as **JP Morgan** provided the entirety of the financing, lending \$20bn. Worries about strains in opaque private credit remain and the recent bankruptcy of **First Brands** hasn't helped.

Tariff fears re-emerged as Trump slapped 100% tariffs on some pharmaceuticals and 25% on big trucks. More recently, he announced an additional 100% tariffs on China and export controls on 'critical software' in response to Chinese restrictions on the export of rare earth minerals, so this saga is a long way from being over.

Whether the Chairman of the Federal Reserve, Jerome Powell, will hang on for his final months of tenure remains to be seen but we know his President doesn't want him to, calling him a 'moron' for holding rates. The race to succeed Powell has lined up a fine array of Presidential stooges so the White House is on track to exert fiscal dominance over the Fed and force rate cuts. The first stooge is Governor Miran, who voted for a half point cut at the last FOMC meeting, they delivered 25bp. The President thinks that rates should be at 1% to reduce debt costs and stimulate economic activity.

Another kind of dominance has shown itself in Trump's America: If the figures don't suit, like weak payroll numbers, sack the messenger - the fate of the head of the Bureau of Labour Statistics. Now, with the US Government shutdown, we have no economic data being released and specifically no September jobs report making the Fed's job even harder.

Stock indices haven't paid much attention to any of this, until recent tariff actions but there are real fears, expressed by many central bankers and prominent investment bankers, that there is over-valuation in the AI sector. Certainly, we are seeing similar behaviour to previous such episodes where highly valued equity is used to perform a raft of transactions of an unsettling circular nature (e.g. **Nvidia** investing \$100bn into **OpenAI**, mainly equity, who then buy their chips). JP Morgan produced some penetrating analysis pointing out that AI-related debt forms 14% of the US\$ Investment Grade Index (\$1.2tn), larger than that of US banks as a sector. This doesn't count the funds extended for AI capex by private credit funding. Over the quarter, US treasuries remained volatile, and the yield curve 'steepened' - where short-end yields fell, and longer-dated yields rose (as in the UK).

The election of economic stimulus advocate Sanae Takaichi as leader of Japan's leading party also caused long dated yields to spike in Japan. China and Russia keep getting closer, politically and economically, and this has led to support for the reintroduction of 'Panda' bonds - where Russian energy companies issue bonds in renminbi to Chinese investors.

EU exports to the US have fallen by 10%, with Germany the hardest hit as a major exporter. This added to a sluggish German economy (contracting by 0.3% in the last quarter), but forward-looking indices are encouraging. Low rates and huge government spending will feed through at some point. Christine Lagarde, President of the European Central Bank (ECB), indicated that they were at the end of their cutting cycle and Dr Nagel, President of the Bundesbank and ECB council member, says the outlook for inflation is 'very stable'.

French sovereign yields suffered as President Macron lost another Prime Minister in short order and the chaos in French politics continues. The French fiscal outlook remains fragile but Asian investors still buy their debt alongside Germany's due to liquidity. This could change if we see more rating downgrades following on from the Fitch downgrade, potentially either this month from Moody's, or next month from S&P, as there would likely be forced selling from Asian institutional investors. On a more constructive note for the Eurozone, energy costs have dropped to pre-Ukraine invasion levels amidst a dramatic rise in LNG imports (as opposed to previously relied upon pipeline supply).

Although headline UK GDP numbers are not inspiring, the services sector has grown 1.5% year on year. The Bank of England held at 4% after their recent 25bp cut (after a re-vote) and, as anticipated, reduced the pace of Quantitative Tightening from £100bn to £70bn. The largest reduction looks to be at the long end, hoping to reduce volatility but the fiscal worries that have pushed thirty-year yields over 5.5% haven't gone away. Governor Bailey indicated that more cuts are on the way but "the timing and scale of cuts are more uncertain than before" with inflation still just shy of 4%. UK growth in Q2 fell to 0.3% as opposed to 0.7% in Q1 with front-loading ahead of tariffs being a contributor. Whatever the size of fiscal shortfall Chancellor Reeves faces, it is large, and no one knows how it will be filled. The Treasury now has a narrative of telling business to talk up the UK economy, this is from a government that actively talked down the UK economy after the 2024 election saying Britain was 'broken'.

After a brief summer lull, sales of new issues in the US investment grade primary market hit a record high of \$172bn in September, amid high demand. We continue to see strong demand for credit across all currencies. Credit spreads have recently backtracked a little but from a very tight level, although sterling has remained the most stable and is well supported.

Jeremy Wharton, October 2025

UK EQUITY MARKETS

Index:	30 Sep 2025	30 Jun 2025	Quarter
FTSE All-Share	5062	4773	+6.1%
FTSE 100	9350	8761	+6.7%
FTSE 250	22016	21626	+1.8%
FTSE Small Cap	7271	7199	+1.0%
FTSE AIM All-Share	783	771	+1.6%

Source: Bloomberg

This quarter, the UK market led the European indices with a buoyant period, hitting several record highs on the way. Once again, it was the flagship FTSE 100 Index that lead, with the smaller domestic indices lagging:

FTSE 100 (dark blue), FTSE 250 (green) and AIM Indices –2025



Source: Bloomberg, FTSE International

Numerically, some of the mining companies led the way: **Antofagasta**, **Fresnillo** and **Endeavour Mining** saw strong gains in the wake of precious (and other) metals prices. But from the point of view of the indices, it was the 19% gain for **HSBC** along with a 14% gain for **British American Tobacco**, 23% for **Rolls-Royce** and 16% for **BP** that really made the difference. The FTSE 100 Index is weighted by the size of its constituent companies, so, gains for these four companies, all of which are in the top ten by value in the UK, has a big impact on the Index.

There were gains for the domestic banks too, notably **Barclays** and **Lloyds**, but HSBC is valued higher than a combination of Barclays, Lloyds and NatWest Group so the index impact is less. Lloyds benefitted as the FCA’s motor finance ‘mis-selling’ ruling came in lower than anticipated, with a redress bill of c.£11bn.

Away from the banks, the other financials were quite mixed. **Aviva** gained 11% after releasing good figures and **Prudential** (now based in Hong Kong) were equally strong but **Legal & General** fell back. **London Stock Exchange Group** was weak throughout the period, they appear to be being viewed as a loser from AI disruption, though dull figures from **FactSet**, the US financial data company, didn't help.

Also moving lower were the housebuilders, **Barratt Redrow**, **Persimmon** and **Taylor Wimpey**, all sank 10% to 15%, worrying about the lacklustre economy, increasing Stamp Duty and what more problems the November Budget might bring. The food retailers were a bright spot in the consumer staples area, both **Sainsbury** and **Tesco** were strong, while **Imperial Brands** followed British American Tobacco higher.

The pharmaceuticals provided some mixed performance, good for the leaders **AstraZeneca** and **GSK**, particularly right at the end of the period after **Pfizer's** deal with the US government to lower drugs prices eased tariff concerns and boosted sentiment towards the sector. **Smith & Nephew** were also a positive feature, gaining 20% over the quarter after revealing much better than expected figures in early August. Going the other way were **Convatec** after an apparent change in the US purchasing process for their medical and surgical equipment, and **Hikma Pharmaceuticals** after their interim figures disappointed.

WPP were hit hard after missing expectation with their interim results, slipping 19% on the day, as revenues declined and management delivered a weaker outlook for global advertising spending. The airline groups provided a contrast this time with **International Consolidated Airlines** (British Airways) gaining 13% while **easyJet** sank 13% as they warned of a dent to profits from strikes and higher fuel costs.

Fundamental Valuation Indicators

These figures for the fundamental valuation metrics of the UK equity market don't reveal much that is new this time. London is not an 'expensive' market in an international context but overall earnings are not moving much.

FTSE All-Share Estimates*	30 Sep 2025	30 Jun 2025	31 Dec 2024
Earnings (per Share)	400	393	415
Price / Earnings Ratio	12.7X	12.1X	10.8X
Earnings Yield	7.9%	8.2%	9.3%
Dividends (per Share)	187	185	187
Dividend Yield	3.7%	3.9%	4.2%
Dividend Cover**	2.1X	2.1X	2.2X

**Bloomberg aggregate earnings estimates for the year ahead. **Company earnings as a multiple of the dividend paid out to shareholders*

INTERNATIONAL EQUITY MARKETS

Index:	30 Sep 2025	30 Jun 2025	Quarter*
US - S&P 500	6688	6205	+7.8%
US - NASDAQ	22660	20370	+11.2%
UK – FTSE All-Share	5062	4773	+6.1%
Germany - DAX	23881	23910	-0.1%
France - CAC 40	7896	7666	+3.0%
Switzerland - SMI	12109	11921	+1.6%
Japan - TOPIX	3138	2853	+10.0%
Brazil - Bovespa	146237	138855	+5.3%
China – Shanghai Comp.	3883	3444	+12.7%
Hong Kong – Hang Seng	26856	24072	+11.6%
Australia – ASX 200	8849	8542	+3.6%

Source: Bloomberg. *Change in local currency

With a steadier US dollar this quarter, American stocks definitely led the way, most notably the NASDAQ Index. The Chinese markets, playing catch-up after a dull first half, also put in a strong performance. The opposite was true for Germany where the market stalled after a strong first half while France is more concerned with its own politics at present. The S&P 500 and NASDAQ Indices, the latter exhibiting more volatility as usual, but having a strong run:

S&P 500 (green) and NASDAQ Composite (red) – 2025

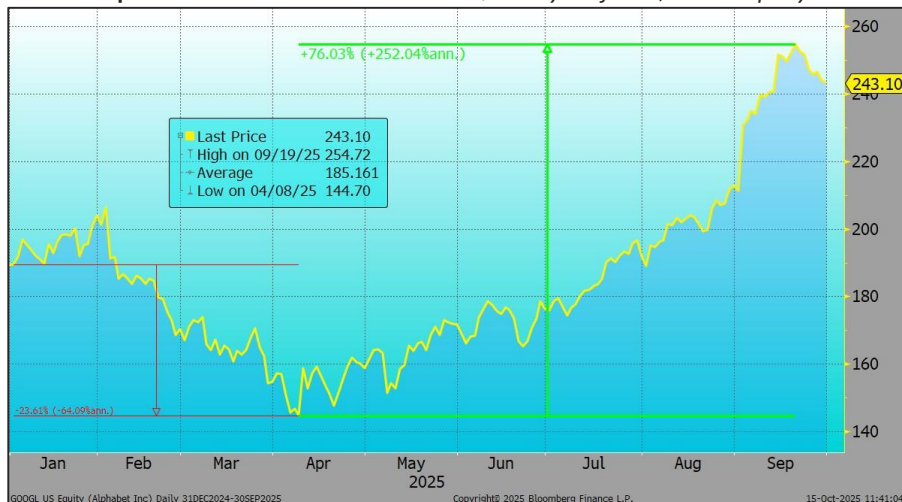


Source: Bloomberg

One of the more notable moves for the period was a 38% gain for **Alphabet** (Google). It does seem somewhat extraordinary that a company of this scale (it is valued at around \$3tn) could be quite so mis-priced as to warrant such a move. As so often at the moment, so much of it is about AI but in this case also worrying about ‘antitrust’ and whether they might have to sell their Chrome web browser. Alphabet’s stock price had been down over the first six months of the year, but this all changed in early September when the courts ruled in their favour, and suddenly they were an AI winner again.

Alphabet Inc. – 2025

Quite a year for a \$2tn Company



Source: Bloomberg

Apple was another huge company (valued at around \$3.5tn) to see this effect, down over the first six months of the year but a 25% jump this quarter. There were some losers in the technology area, **Salesforce** has been weak all year, and their stock was down a further 13% this quarter. **Adobe** fell 8% and some of the older names, such as **IBM** and **Texas Instruments**, were weak too. In Europe, **SAP** came off the boil and fell back 12% but chip manufacturer **ASML** jumped in September to post a gain of 22% for the quarter.

Moving away from technology, the pharmaceutical companies were on a bit of a roller-coaster as the Trump administration, specifically Health Secretary Robert F. Kennedy Jr., toyed with tariffs and ‘deals’. One company did stand out simply for having produced some excellent figures, **Johnson & Johnson** gaining 21%. **Novo Nordisk** sank a further 21%, adding to a miserable year for this company’s share price. The Swiss companies **Novartis** and **Roche** barely moved this time but as with most of the sector, there would appear to be some resolution in sight and they are gaining as we move into October.

CHURCH HOUSE INVESTMENT GRADE FIXED INTEREST

	30 Sep 2025	30 Jun 2025	Quarter
CH Investment Grade* - Inc.	108.1	108.1	0%
iBoxx AA Corporate 5-15 year	76.6	77.3	-0.9%
CH Investment Grade - Accum.	197.2	194.9	+1.2%
iBoxx £ ABS 5-10 year TR**	359.2	356.3	+0.8%

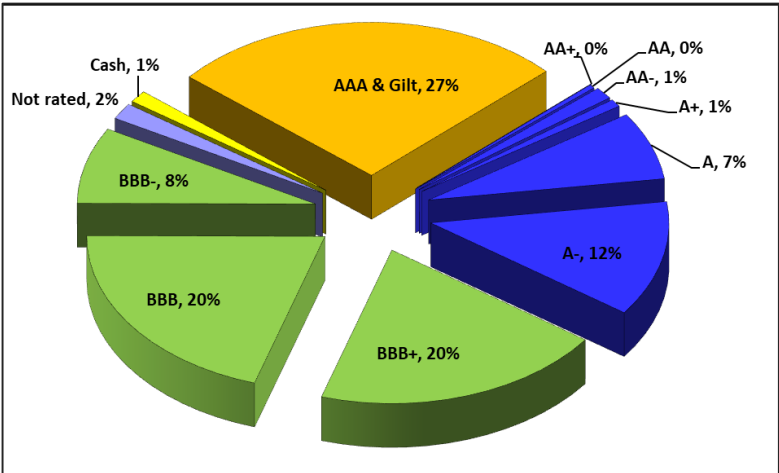
Source: Bloomberg *bid price to bid price, excluding income. **Total Return Index.

The quarter saw an increase in interest rates for most periods, which means lower prices for fixed interest securities, but the Investment Grade Fixed Interest portfolio remained steady. The lower Base interest rate was the exception but highlights the greater security at the shorter-dated end of the range where the portfolio is focussed, as has been the case for a while now:

CH Investment Grade Fixed Interest	Sep 2025	Jun 2025
Short-dated Securities (less than 7 years)	77%	72%
Medium-dated Securities (7 to 15 years)	18%	23%
Long-dated Securities*** (over 15 years)	5%	5%
Duration of Portfolio**	3.3	3.5
Volatility* (past year)	2.6%	2.6%
Number of Holdings	126	125
Yield (historic)	4.7%	4.7%
Portfolio Value	£404m	£394m

*Volatility is annual standard deviation expressed as a percentage, **Duration is defined on page 35, ***Long-dated includes infrastructure holdings

CH Investment Grade Fixed Interest – by Credit Rating – 30 Sep 2025



Source: Church House

Top 15 Holdings - 30 Sept. 2025

Standard Chartered LTII 5.125% 06/2034	1.8%
Bank of America 7.000% 07/2028	1.7%
Bank of Nova Scotia Covered (SONIA)	1.6%
SSE Hybrid 01/14/49 3.740% 01/2026	1.6%
Goldman Sachs Group Inc 7.250% 04/2028	1.6%
BP Pnc5 6.000% 11/2029	1.5%
IFC 4.500% 10/2028	1.5%
EIB 4.000% 02/2029	1.4%
Segro 2.375% 10/2029	1.4%
Whitbread Green 3.000% 05/2031	1.4%
John Deere 5.125% 10/2028	1.3%
Santander UK PLC 5.250% 02/2029	1.3%
Pacific Life 5.375% 11/2028	1.3%
New York Life 4.950% 12/2029	1.3%
Credit Agricole SA 5.500% 07/2032	1.3%

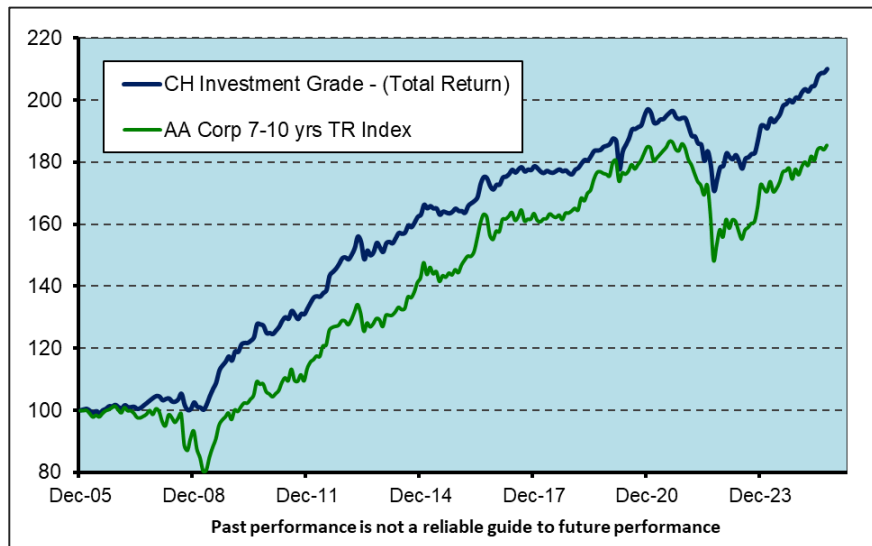
The top holdings in the portfolio are little changed from the end of June, they are doing what they are supposed to do. The **Bank of Nova Scotia** Covered holding (in third place) is new, we acquired this at issue in early September. It is an addition to the floating rate holdings in the portfolio, coming with the top triple-A credit rating. It pays us interest at slightly more than half a percent over the 'SONIA' rate so, currently, 4.5%.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+4.7%	+4.7%	+7.4%	-7.9%	-1.5%	6.0%

Source: Church House, bid price to bid price, accumulation units.

CH Investment Grade Fixed Interest vs AA rated Corporate Securities (Total Return)



Source: Bloomberg, Church House

CHURCH HOUSE UK EQUITY GROWTH

	30 Sep 2025	30 Jun 2025	Quarter
CH UK Equity Growth*	203.0	205.1	-1.0%
FTSE All-Share Index	5062	4773	+6.1%
FTSE 250 Index	22016	21626	+1.8%

Source: Bloomberg * Bid to bid price, excluding distributions of income (capital performance)

Rory Campbell-Lamerton writes: The FTSE 100 Index rose 6.7% over the third quarter, its best performing quarter since 2022. Over the same period, the UK Equity Growth portfolio fell 1%, clearly a disappointment. Most of this failure to keep pace with the market was down to not owning **British American Tobacco**, **HSBC** and **BP**. Not owning these three FTSE heavyweights has hurt, and it is at times like these that we have to remind ourselves why we are not holding these types of company.

Our strategy is to invest in 'quality growth' businesses. These are companies which have demonstrable quality aspects, such as strong balance sheets and the ability to generate strong and growing cash flow. We like businesses that operate in 'asset light' industries with high barriers to entry that can deliver strong margins. Furthermore, we look to invest in companies with more intangible quality characteristics, products with best-in-class brands and intellectual property, and with management teams that are aligned with the long-term interests of their investors. It is hard to see these attributes with an oil and gas producer, a tobacco (and vaping!) company and a bank as big as HSBC (with its ties to China). These three businesses operate in areas where there is strict regulation, government interference and they are 'price takers' (they don't set their own prices). Even though not holding these businesses has stung us in the short-term, for the long-term we wish to stick to our strategy.

It was a busy quarter. In early August we initiated a position in **Coca-Cola EuroPacific Partners**, which manufactures and bottles its eponymous products across Western Europe, Australia, Indonesia and the Pacific. They delivered solid revenue and profit growth over the first half, coupled with a stable dividend and buyback program. They have grown organically at just under 6% p.a. over the past ten years and 7.5% in earnings per share terms. A set-back during August gave us the opportunity to initiate in the stock. We funded this new holding with the sale of **L'Oréal**, which we had held since just before Covid. L'Oréal had performed well for us, especially in the recent tough tariff-led environment. In September, we initiated a position in the online property platform, **Rightmove**, a business we have followed for a long time. The company has a similar subscription model to **Auto Trader** but for estate agents. Our own research shows that this is the most important outgoing for an estate agency in terms of marketing spend and income generation. In 2024, Rightmove had 2.3bn individual website 'hits' and almost one million properties listed.

Top 15 Holdings - 30 Sept. 2025

Diploma	8.8%
RELX	7.7%
Halma	7.7%
Microsoft	4.3%
Beazley	4.0%
AstraZeneca	3.7%
Unilever	3.6%
Auto Trader Group	3.5%
Investor AB	3.5%
Experian	3.4%
Spirax Group	3.2%
London Stock Exchange	3.0%
Alphabet Inc.	3.0%
Ashtead Group	3.0%
Intercontinental Hotels	3.0%

Elsewhere, we trimmed our top position in **Diploma** and in **Alphabet** who have both continued to outperform and reach new all-time highs. We used the proceeds to top up **London Stock Exchange Group** and **Sage**, which have been hit in the past few months, but stand to benefit in an ever-changing AI world with their data-heavy businesses. LSEG had good results but noted slower (though still good) growth in annual subscription value. They have a large, and potentially powerful, data set, and are focussed on delivering the right AI tools to harness its growth. Sage was in a similar boat with good results but a slight slowdown in annual recurring revenue.

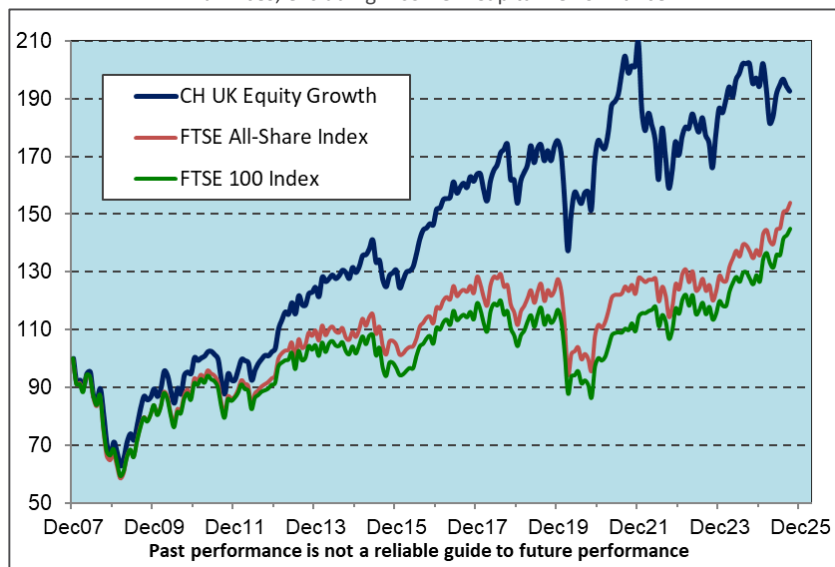
Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
-0.9%	+4.4%	+10.0%	-18.6%	19.7%	0.4%

Source: Church House - bid price to bid price, accumulation units

CH UK Equity Growth vs FTSE Equity Indices

Bid Prices, excluding income – Capital Performance



Source: Church House, Bloomberg

CHURCH HOUSE BALANCED EQUITY INCOME

	30 Sep 2025	30 Jun 2025	Quarter
CH Balanced Equity Income*	190.4	188.2	+1.1%
FTSE Higher Yield Index	4302	4039	+6.5%

Source: Bloomberg *Bid-to-bid price, excluding income payments (capital performance)

Craig Elsworth writes: A steady quarter for the portfolio, which lagged the headline FTSE Higher Yield Index, as oil and tobacco stocks, which we do not hold, performed strongly. Economic data continues to underwhelm, with anaemic growth, persistent inflationary pressures (particularly in food prices) and poor quality of data from the Office for National Statistics (labour market figures and now household savings ratio figures) making it difficult to predict the direction of travel. The Autumn Budget rumour mill appears to be in full flow, with potential policy changes appearing almost daily in the media. One can't help but be sceptical about the sources of this information and more importantly the motivation. Throwing ideas out there and 'seeing what sticks' is less than helpful, for everyone. As ever, it is worth noting that although this is a multi-asset portfolio of UK listed stocks and bonds, a large proportion of its revenues are derived internationally. On a positive note, despite strong performance, UK stocks are still trading on a ~40% relative discount to US stocks, which creates both opportunity and valuation down-side protection.

Turning to portfolio activity, we took the opportunity to take profits in **Unilever**, whose valuation was approaching a five-year high (timely given its subsequent share price weakness), **BAE Systems**, again on valuation grounds, and **AstraZeneca**, whose share price has become increasingly volatile given U.S. health and tariff policy. Trimming these large portfolio positions gave us the opportunity to recycle the profits into some new names. We added **Rotork** to the portfolio, they are a global leader in flow control and 'actuation solutions'. They provide intelligent actuators, gearboxes and valve control products. Given the complexity of their products, service revenue is growing and 'sticky'. These products will also be in high-demand for data centre and small-modular reactor infrastructure. Another new addition is **B&M European Retail**, the value retailer, at a 50% discount to its long-run average valuation. The company is under new leadership and is rapidly expanding in both the UK and France. Finally, we added **DCC**, a diversified energy sales, marketing and distribution group, providing energy products, such as on grid/off grid gas and energy services.

The financials component of the portfolio continues to thrive in a higher interest environment, with both **Barclays** and **Lloyds** producing double-digit percentage returns in the period. Interestingly, the price-to-book valuation (share price relative to the underlying asset value) of Barclays in 2023 reached a low of 0.4x, a far cry from its pre-2008 financial crisis peak of 2.5x. This re-rating has driven exceptional capital returns over the last two years. Similarly, **Aviva**, continues to report exceptional figures, which has seen its position in the portfolio rise to 4%.

Top 15 Holdings - 30 Sept. 2025

Barclays	5.6%
AstraZeneca	4.8%
BAE Systems	4.4%
Aviva	4.0%
RELX	3.9%
GlaxoSmithkline	3.6%
Unilever	3.2%
National Grid	3.1%
Lloyds Banking	3.0%
Sage Group	2.8%
Rio Tinto	2.5%
Phoenix Group	2.3%
Schroders	2.3%
Halma	2.2%
BT Group	2.2%

The new position in **Clarkson** (established last quarter) also added double-digit percentage returns, as concerns over President Trump's tariff policies and their effect on shipping eased. **Sage**, (accounting software for small and medium sized business) was the biggest detractor from performance, as concerns over generative AI's ability to disrupt software providers gathered pace. This led to an indiscriminate downward move in software providers' share prices, which also negatively affected **RELX** (unrivalled legal database LexisNexis). We believe both businesses to have significant competitive and

intellectual property moats.

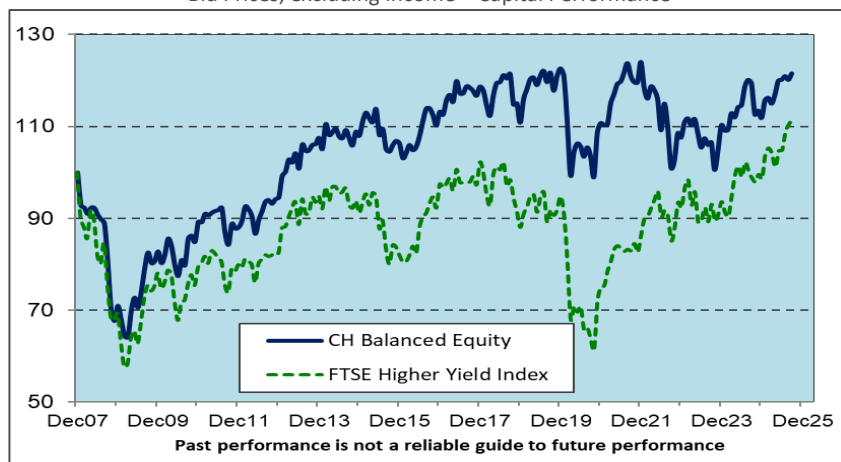
Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+10.1%	+4.7%	+6.4%	-10.6%	14.9%	-7.0%

Source: Church House, bid price to bid price, accumulation units

CH Balanced Equity Income vs. FTSE Higher Yield Index

Bid Prices, excluding Income – Capital Performance



Source: Church House

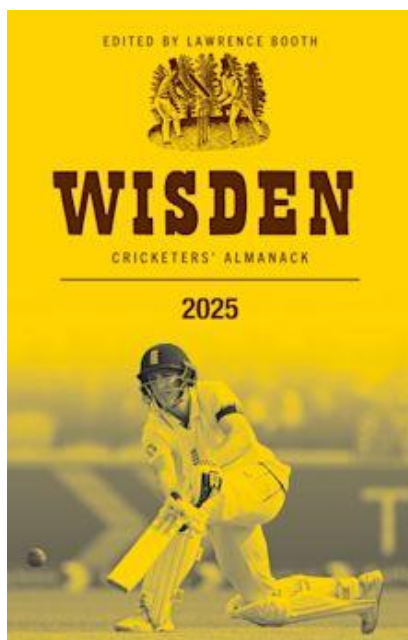
CHURCH HOUSE UK SMALLER COMPANIES

	30 Sep 2025	30 Jun 2025	Quarter
CH UK Smaller Companies*	138.2	147.6	-6.4%
FTSE All-Share Index TR	11557	10861	+6.4%
FTSE AIM All-Share TR	970	951	+2.0%

Source: Bloomberg *Bid-to-Bid 'A' Accumulation Shares, all Indices are Total Return

Fred Mahon writes: It has been a tricky period for our UK Smaller Companies portfolio as a combination of unfavourable market conditions, and some disappointing individual stock news, have hurt performance. In terms of market conditions, UK smaller companies and AIM-listed stocks have continued to be out of favour, and this has been particularly true of the quality growth style that we focus on.

To begin with some positive news. Last quarter, we initiated a position in **Renishaw**, the Gloucestershire-based maker of measurement tools used in precision industries such as aerospace and healthcare, where Renishaw's hardware can measure up to 4,000 points of data per second. Their shares have performed well since and Renishaw is now a core holding for us. This quarter we began building a holding in **Bloomsbury Publishing**, the publisher of Harry Potter, Sarah J. Mass and Wisden Cricketers' Almanack. HBO (Warner Bros) are launching a new Harry Potter TV series next year (hopefully a blockbuster), which will introduce a whole new generation of muggles to JK Rowling's world of wizardry and, crucially for Bloomsbury, lead to the sale of many more books – this is not priced-into the current share price.



We funded the Bloomsbury purchase with the proceeds of our sale of **Pets at Home**, who are continuing to struggle with reduced consumer spending in the UK, even on our dogs and cats. **Greggs** shares have devalued sharply since warning that hot summer weather was hurting sausage roll sales. As a business going through a cyclically softer patch in the much unloved UK Consumer space, their shares have seen ongoing selling and now stand on their lowest multiple in over a decade. We recently met with the management of Greggs and back them to defy their naysayers.

Top 15 Holdings - 30 Sept. 2025

Diploma	8.1%
Beazley	6.5%
Porvair	5.2%
Cranswick	4.6%
Judges Scientific	4.2%
MHA	3.7%
Trainline	3.4%
Raspberry Pi	3.3%
Craneware	3.2%
Softcat	3.2%
Young & Co's Brewery	3.1%
Big Yellow Group	3.1%
Somero Enterprises	3.0%
Greggs	2.9%
Renishaw	2.7%

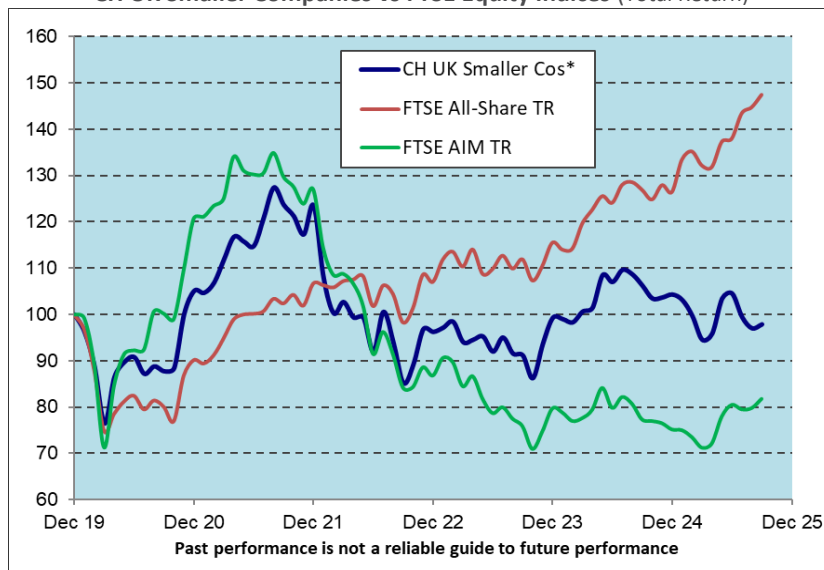
Of names that we continue to hold conviction in, despite poor recent share price performance, **Ashtead Technologies**, the supplier of equipment for offshore energy firms, have had a particularly tough time as a lack of clarity from the UK Government on their North Sea contracts has forced clients to delay commitments until the Budget. **Kainos**, who do software work for the Government (e.g. they built the website for renewing passports), are struggling with similar postponements. Both Ashtead Tech and Kainos are now at rock-bottom valuations, it would not be surprising if an enterprising overseas buyer were to make a bid for either.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
-6.2%	+5.1%	+3.2%	-22.1%	17.5%	5.1%

Source: Church House - bid price to bid price, 'A' accumulation shares

CH UK Smaller Companies vs FTSE Equity Indices (Total Return)



Source: Church House, Bloomberg *Shows the performance of the Deep Value Investment portfolio initially, changes commenced in Feb 2020, the new policy was adopted in Aug. 2020.

CHURCH HOUSE ESK GLOBAL EQUITY

	30 Sep 2025	30 Jun 2025	Quarter
CH Esk Global Equity*	512.9	483.5	+6.1%
CH Global Index in £	1813	1662	+9.1%
MSCI World in \$	4026	4026	+6.9%
FTSE 100 Index	9350	8761	+6.7%

Source: Bloomberg *Bid-to-bid price, excluding distributions of income (capital performance)

Fred Mahon writes: Global markets marched steadily higher over the summer months in a pattern that was suspiciously like the later months of 2024 – mega-cap technology and financial stocks led the way, more than making up for patchy markets elsewhere. Optimists say that we are in the midst of an AI revolution and that this is driving stocks to ever higher highs. We do not deny that AI has its benefits but have no intention of letting investment discipline get carried away on a wave of AI exuberance. Could the *real* reason for US market strength be the fact that the Federal Reserve have been bullied into cutting rates despite persistently high inflation combined with the weaker US dollar bolstering the earnings of US-listed companies with international sales? Call us sceptics, but AI is not the only factor at play.

The Esk portfolio delivered positive performance, albeit we did not quite keep pace with our comparator indices due to our underweight position in technology stocks. Technology is still our largest sector weight in the portfolio and **Alphabet**, **Microsoft**, and **Oracle** have been amongst our top performers for the year. We have been taking some profits from all three of these, most recently trimming our Oracle position on the day their shares rose an extraordinary 36%. Banking stocks have had their best run in a long time, with our holdings in **Standard Chartered** and **Morgan Stanley** enjoying the prospect of higher ‘normalised’ interest rates – as we know, banks are very effective at passing higher rates on to customers. Consumer staples companies have been out of favour, and we took this as an opportunity to sharpen-up our holdings here. We sold our **Unilever** and reinvested the proceeds into a new position in **Kraft Heinz** and added to our existing **Nestlé** investment. Heinz and Nestlé shares are on notably lower multiples than Unilever for what we think are at least an equal (if not better) selection of brands and we see upside for both.

Top 15 Holdings - 30 Sept. 2025	
Alphabet Inc.	5.4%
Microsoft	5.2%
Oracle	4.8%
Amazon.com	4.0%
Mastercard	3.9%
Apple	3.6%
Stryker Corp	3.2%
RELX	3.0%
Investor AB	2.9%
Euronext	2.9%
Sony Group	2.8%
Ferrari	2.7%
Sumitomo Mitsui	2.6%
Intuit	2.6%
Johnson & Johnson	2.6%

We initiated new positions in aerospace supplier **TransDigm** and software acquirer **Constellation Software**. TransDigm increases our exposure to defence markets that (sadly) are seeing a significant increase in spending, while Constellation gives us access to thousands of small software companies via their unique acquisition platform. Both have been excellent long-term performers and there is plenty of room to grow.

Finally, we took the chance to trim our holding in **Swiss Re**, the global reinsurer, at all-time highs for their share price and recycle the cash into **Everest Group**. Everest is also a global reinsurance group, but with relatively more risk written in the US and less in Europe than Swiss Re. Of course, we also hold **Berkshire Hathaway**, which is the world's largest reinsurance company via Berkshire Re, so we have a good balance of holdings here.

Portfolio Statistics

Number of holdings	43	Volatility*	10.4%
Portfolio Value	£79.3m	Income yield	0.3%

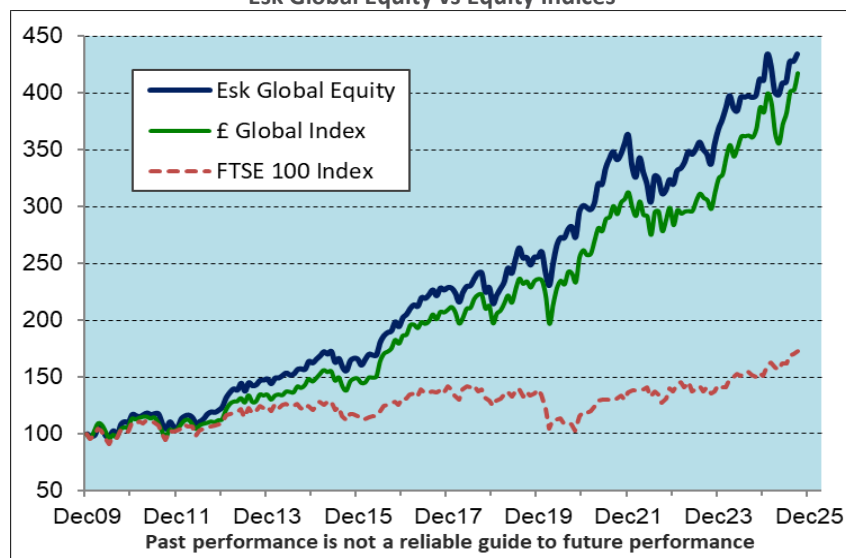
*Annual standard deviation of monthly capital returns expressed as a percentage, past year

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+5.6%	+12.0%	+15.6%	-11.7%	20.9%	18.1%

Source: Church House - bid price to bid price, accumulation units

Esk Global Equity vs Equity Indices



Source: Church House Bid prices of income units (i.e. capital return, excluding income)

CHURCH HOUSE HUMAN CAPITAL

	30 Sep 2025	30 Jun 2025	Quarter
CH Human Capital*	101.1	105.4	-4.6%
CH Global Index in £	1813	1662	+9.1%

Source: Bloomberg *Bid-to-bid price. Income shares

Fred Mahon writes: It has been disappointing to see our shares down over the third quarter, but we want to begin by reassuring clients that our underlying companies are growing steadily and that valuations are attractive.

We spent the summer months scouring the globe for new entrepreneurial, acquisitive, decentralised businesses to add to the Human Capital portfolio and are excited to report that we unearthed some gems. We have strengthened and diversified the portfolio, taking advantage of markets that appear fixated on AI and huge technology companies, to continue offering investors a differentiated approach to global equities.

We added Human Capital's first investments listed in Japan and Switzerland, as well as broadening our holdings in the US and Sweden. The steady stream of new ideas creates healthy competition for places in the portfolio and tightens our 'watch list'.

Our new investments are:

Hikari Tsushin: which invests in consumer-facing businesses in Japan, from energy suppliers to insurance brokers. It was founded by Yasumitsu Shigeta in the 1990s when he was just 22, and today he remains as Chairman and largest shareholder.

Roko: based in Stockholm, Roko was founded by Fredrik Karlsson, who was Chief Executive of **Lifco** from 1998 to 2019. Karlsson wanted to return to his roots of earlier-stage investment and so launched Roko in 2019 with his own capital and went public this year.

Top 15 Holdings - 30 Sept. 2025	
Chapters Group	6.3%
Diploma	5.4%
Lifco	5.0%
Lagercrantz Group	4.8%
Lumine Group	4.4%
Bergman & Beving	4.4%
Topicus.com	4.3%
Addnode Group	4.2%
Kelly Partners	4.2%
Indutrade	4.1%
Savaria Corp	4.0%
Momentum Group	4.0%
Installed Building Prods	3.8%
Addtech AB	3.8%
Brown & Brown	3.7%

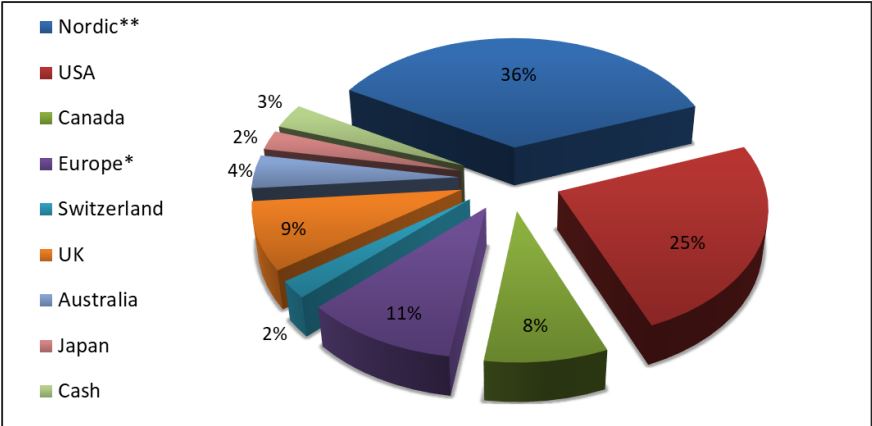
Perimeter Solutions: are the lead supplier of wildfire retardants in California. They have an all-star board who have set out to double the size of the business every five years.

Cicor: a Swiss-listed manufacturer of electrical components. We recently met with their impressive CEO, Alexander Hagemann, and particularly liked the new exposure to increased European defence spending that Cicor brings – sadly, a big growth area.

There were three main causes of the portfolio’s price weakness over the summer months:

- 1. **Judges Scientific:** Judges have been going through a rough patch, caused chiefly by Donald Trump slashing funding to scientific institutions. We have met with their management team several times this year and are monitoring the situation closely.
- 2. **Topicus** and **Lumine** are two Canadian companies that specialise in acquiring small, mission critical software platforms. Their share prices were hit on the shock announcement that the founder and CEO of **Constellation Software**, the majority owner of both companies, would be retiring on health grounds. We feel that the sell-off is overdone and have been adding to both positions on recent weakness.
- 3. Lastly, we have seen a derating of some of our core holdings. This has not been on bad news, just the market’s shift away from mid-caps in favour of AI and big technology. For example, **Lagercrantz**, the acquirer of specialised industrials across Europe, last released results in July where they reported 18% earnings growth and a positive outlook. Since then, their shares have declined steadily. We have seen similar moves from **Lifco** and **Indutrade** in Sweden, **Kelly Partners** in Australia and **Chapters Group** in Germany. These are all exceptional businesses, and we have been adding at these lower levels.

CH Human Capital, Split by Country of Listing – 30 Sep 2025



Source: Church House

Calendar Year Performance:

2025 YTD	2024 part
+2.5%	-1.3%

Source: Church House – Bid price to bid price, accumulation units

CHURCH HOUSE TENAX MULTI-ASSET STRATEGY

	30 Sep 2025	30 Jun 2025	Quarter
CH Tenax Multi-Asset*	184.4	181.2	+1.8%
Cash Return (SONIA)**	117.0	115.8	+1.0%

Source: Bloomberg *Bid-to-bid, Tenax 'A' accumulation shares **Compounded SONIA (BoE)

Cranley Macfarlane writes: The Tenax Fund continued its solid performance for the year, demonstrating its resilience even as market uncertainty increases. The asset allocation of the Fund's portfolio remained fairly steady as equity markets continued to climb 'the wall of worry' that fixed interest markets are warning of:

CH Tenax Portfolio - Allocation to Asset Classes – 2025

2025	31-Dec-24	31-Mar-25	30-Jun-25	30-Sep-25	YTD
Cash	0.5%	0.1%	1.2%	1.0%	0.5%
Gilt / AAA Fixed	1.2%	1.3%	1.3%	1.3%	0.1%
FRN (AAA)	11.5%	11.6%	11.8%	11.6%	0.0%
Floating Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Interest	55.5%	54.4%	53.9%	53.5%	-2.0%
Index-Linked	0.8%	0.8%	0.8%	0.8%	0.1%
Infrastructure	5.7%	5.2%	3.7%	3.5%	-2.2%
Convert / ZDP	4.4%	4.8%	3.6%	3.6%	-0.8%
Alternative / Hedge	0.0%	0.0%	0.0%	0.0%	0.0%
Property / Real	4.5%	4.6%	5.6%	5.0%	0.4%
Equity	15.9%	17.2%	18.1%	19.8%	3.9%

Source: Church House

The equity portion of the Fund increased slightly, despite not being exposed to the higher volatility of the AI trade. This was partly due to the strong underlying performance of the Fund's equity positions. The financial stocks in particular, **Barclays**, **Standard Chartered** and **Aviva** continued to do well. Despite their strong performance this year, these shares still remain reasonably valued, which should continue to support the share prices even as/when rates fall.

A new holding of **BAE Systems** was added during the period. Along with other European defence stocks, BAE's share price has benefited hugely from the commitments to increase defence spending by the European members of NATO. Even if governments fail to meet their current targets, the shift in spend will still be significant, the impact of which will last for many years. We took advantage of a slight pullback in the share price to initiate a position, and pleasingly the shares swiftly

In fixed interest, credit spreads have narrowed considerably over the quarter as Gilt yields moved higher. This was despite the Bank of England cutting the base rate to 4% on 7th August. Much of the action has been at the long-dated end with thirty-year yields reaching a 27-year high in August as the market showed its concern over long-term funding of the Government's spending plans.

The fall in the long end of the fixed interest market was reflected in a poor quarter for other interest rate sensitive assets in the portfolio, namely property and infrastructure. These continue to trade at significant discounts to the value of their underlying assets. While we are mindful of the accuracy of these asset valuations, we remain patient with bond yields at these elevated levels.

Tenax Portfolio – Duration* and Redemption Yield** (Fixed Interest holdings)

2025	31-Dec-24	31-Mar-25	30-Jun-25	30-Sep-25
Overall Duration*	2.9	2.8	2.7	2.7
Redemption Yield	5.7%	5.7%	5.7%	5.3%
Fixed Interest Duration*	3.4	3.3	3.3	3.2
Portfolio Running Yield	4.4%	4.3%	4.2%	4.1%

Source: Church House

As this table indicates, we still can't see any benefit in pushing out the maturity of the bonds that we own, preferring to keep duration* short and volatility low. Duration edged down to 2.7, while the overall redemption yield** moved slightly lower to 5.3% as our bonds gained in value.

Calendar Year Performance:

2025 YTD	2024	2023	2022	2021	2020
+8.1%	+5.2%	+6.2%	-7.5%	1.4%	3.8%

Source: Church House, NAV to NAV, 'A' accumulation shares

**Duration represents the number of 'periods' that it will take to repay an initial investment in a fixed interest security. It is not the same as the life of the bond or time to maturity, which will be longer. It can also be viewed as a measure of the sensitivity of the price of a bond to a change in interest rates.*

***Redemption Yield represents the total return expected from the bond(s) taking into account interest received and capital gain as the bond(s) move to 'par value' (100p) at maturity. The 'Running Yield' shown is the current expected annual income for the whole portfolio, as a percentage.*

A Cinderella Market?

Time to Leave the Ball...?



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Our concerns over valuations in some areas of US technology (along with some uncomfortable echoes of 1999/2000) have been expressed in several places in this report. As so often, Warren Buffett has a pithy and apt observation. Here he is in his letter to **Berkshire Hathaway** shareholders in 2000:

“Nothing sedates rationality like large doses of effortless money. After a heady experience of that kind, normally sensible people drift into behaviour akin to that of Cinderella at the ball. They know that overstaying the festivities – that is, continuing to speculate in companies that have gigantic valuations relative to the cash they are likely to generate in the future – will eventually bring on pumpkins and mice. But they nevertheless hate to miss a single minute of what is one helluva party. Therefore, the giddy participants all plan to leave just seconds before midnight. There’s a problem though: They are dancing in a room in which the clocks have no hands.”

Berkshire Hathaway Inc., letter to shareholders 2000

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