Your capital is at risk. Past performance is not a guide to future returns. The following update is based on a representative portfolio. As such, stock examples may not be held in every client portfolio, and performance may differ.

Milena Mileva: The UK equity market delivered a positive return last quarter, building on what was a very strong year for the index. For context, in 2025 the FTSE All Share returned approximately 24 per cent and was one of the best performing equity markets globally.

However, the returns generated by the index were delivered by a small number of companies operating in a narrow range of sectors. Around two-thirds of the index return was driven by just 10 stocks. And these were primarily large, internationally exposed businesses operating in the banking, defence and pharmaceutical sectors.

Why does this matter? With performance being concentrated amongst a small subset of the index, the strong headline returns disguise a stark polarisation in the UK equity market. As long-term quality growth investors, we believe this is presenting us with a compelling opportunity. Let me expand on this.

When we look across the market, many lower-quality, cyclical businesses are now trading near the peak of their long-term valuation ranges, implying their medium and long-term prospects have dramatically improved.

Having examined a lot of these companies, our view is that this is unlikely. Conversely, there are now outstanding UK growth businesses with significant long-term earnings power and exceptional competitive advantages, which are trading at or below market multiples. This does not happen very often. Importantly, we believe some of the very best amongst those are held in our UK equity strategies.

For example, if we turn to performance last quarter, where the UK Alpha strategy underperformed the benchmark, the two main detractors were the online car marketplace Autotrader and the investment platform AJ Bell. In both cases, these are fantastic British businesses with strong long-term growth prospects, which have been delivering very good results.

However, the shares have recently been weighed down by sentiment rather than any deterioration in underlying fundamentals. Autotrader's performance was largely impacted by negative narrative around artificial intelligence. These also weighed on several of our other capital-light data-driven holdings, such as Experian and Baltic Classifieds Group. We recognise that AI is a momentous technological development, which will have a profound impact on many industries, creating both risks and opportunities for individual businesses in ways that are hard to anticipate.

However, Autotrader starts from a position of great competitive strength. Its strong financial position enables it to invest through periods of change and adapt. For example, the management team has made significant investments in data science capabilities over the past five years, has launched many AI-enabled products, and has a robust pipeline of future innovations.

In terms of AJ Bell, the investment platform delivered an excellent set of four-year results. However, its shares fell as the management team announced plans to increase investment in their marketing capabilities. Over the past few years, the company has demonstrated a compelling return on its brand investments. So we view this decision to increase marketing spend as entirely consistent with long-term value creation. The business operates in a large and growing market and is well-positioned to benefit from powerful structural tailwinds. This really helps underpin our enthusiasm for the long-term opportunity ahead.

On the positive side, Games Workshop and 4imprint were the strongest contributors this quarter, with both companies delivering encouraging trading updates.

With Games Workshop, its core miniature business continued to perform well against tough comparisons with last year. Stepping back, we try not to get too caught up in short-term trading momentum. Instead, our conversations with the management team typically focus on what we think will really drive long-term value creation for our clients. With Games Workshop, this includes conversations around its ability to develop its staff, expand globally, and protect its intellectual property.

Periods like the one we are in now do not come around very often. Strong index-level returns disguise a stark polarisation in the UK equity market, and this has created a fantastic opportunity for long-term growth investors.

The UK Alpha strategy continues to exhibit above-average growth and quality characteristics, while starting valuations are now materially lower than in previous years. Historically, this combination has provided a strong backdrop for future outperformance.

UK Alpha
Annual past performance to 31 December each year (%)

	2021	2022	2023	2024	2025
UK Alpha Composite (gross)	0.1	-33.2	14.2	5.3	14.1
UK Alpha Composite (net)	-0.5	-33.5	13.6	4.7	13.4
FTSE All Share index	17.2	-10.9	14.4	7.5	33.2

Annualised returns to 31 December 2025 (%)

	1 year	5 years	10 years
UK Alpha Composite (gross)	14.1	-1.7	4.8
UK Alpha Composite (net)	13.4	-2.3	4.2
FTSE All Share index	33.2	11.3	7.4

Source: Revolution, FTSE. US dollars. Returns have been calculated by reducing the gross return by the highest annual management fee for the composite. 1 year figures are not annualised.

Past performance is not a guide to future returns.

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