

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.

Nicoleta Dumitru: It has been a good quarter for our diversified growth and defensive growth funds. Both portfolios delivered strong absolute returns, close to 5 per cent for the quarter and around 10 per cent year-to-date. This is undeniably a strong outcome in both absolute and risk-adjusted terms, particularly for a strategy that explicitly targets lower volatility. Some of that strength reflected the rally in risk assets supported by stronger-than-expected growth in the United States and a more accommodative Federal Reserve. The portfolios were beneficiaries of that benign environment.

Importantly, there were a handful of longer-term themes that came to the fore over the quarter and provided an additional lift to performance. Take our rare earth investment in our commodity asset class allocation. We have been invested in two major developed market miners, MP Materials in the US and Linus in Australia. China controls around two-thirds of mine output and nearly 90 per cent of refining capacity. And recently, China has been tightening export controls of rare earth materials. That concentration was always part of our rationale. And our expectation has been that the more the geopolitical environment starts to bite, the more valuable the diversified supply starts to become.

Over the summer, the United States Department of Defence agreed to an offtake with MP, locking in demand at attractive prices and providing downside protection. Indirectly, Linus also benefited as underlying rare earth prices began to recover. We trimmed MP and rotated into Linus, keeping overall exposure steady at around 3 per cent. Another example is our investment in Chinese equities. We entered this investment almost nine months ago when valuations were unusually cheap and there were early signs of stronger policy support. In Q3, stronger earnings, improved liquidity, and a set of clearer policy signposts have helped to restore confidence and supported the rally. This remains a circa 3.5 per cent position in our portfolios.

Over the quarter, we made a few deliberate asset allocation adjustments. We reduced the developed market high-yield exposure, where spreads, the compensation that corporate bonds offer over government bonds, had compressed. To us, the tightening of spreads shifts the balance of risk-reward to a point where the investment case no longer stacks up. We've redeployed some of the proceeds to UK and European real estate, where valuations are as low as they have been in past recessions, yet rental growth and cash flows remain resilient. And it is that disconnect between the resilient fundamentals and the low valuations that gives us conviction in the long-term value.

Earlier in the quarter, we also increased our growth equity allocation by 2 per cent to an overall 10 per cent growth equity allocation. This was implemented through our bespoke equity solution. AI-driven capital expenditure remains a powerful tailwind, with margins holding up better than many expected.

Our exposure is not in the well-worn magnificent seven, but in a broader tilt to the growth factor, where earnings resilience supports valuations. This is consistent with our broader investment philosophy of wanting to participate in the structural growth theme while staying disciplined about valuations and risks. Because we tilted into more equity and real assets, we balanced that by raising cash modestly, and we added to an existing credit default swaps position. In our view, CDS provides efficient downside protection without diluting the upside elsewhere, and with greater clarity on the cost along the way.

Looking ahead, our base case is for the macroeconomic environment to remain stagflation light. We expect growth in the United States to moderate under tariffs, as well as under the tighter fiscal settings and reduced immigration. At the same time, we expect inflation to prove too persistent for the Federal Reserve to cut rates quickly. Though, as we have seen, the unemployment data will have a determining effect on where we go from here. At the same time, we are open to a continuation of the reflationary boom if AI investment and commodity demand continue to build.

Importantly, our portfolios are positioned for a wide range of scenarios, with selective equities and real assets to participate in the growth, and with higher cash and CDS protection for resilience, alongside a host of other growth opportunities across a wide range of diversified asset classes.

Diversified Growth

(representative of Multi Asset, Multi Asset Growth, Diversified Return, Defensive Growth)

Annual past performance to 30 September each year (net%)

	2021	2022	2023	2024	2025
Diversified Growth Composite (gross)	11.0	-12.7	-0.8	15.7	7.5
Diversified Growth Composite (net)	10.3	-13.2	-1.3	15.1	6.9
Base rate +3.5%	3.6	4.3	7.6	8.8	8.0

Annualised returns to 30 September 2025 (net%)

	1 year	5 years	10 years
Diversified Growth Composite (gross)	7.5	3.6	4.0
Diversified Growth Composite (net)	6.9	3.1	3.4
Base rate +3.5%	8.0	6.5	5.2

Base rate: UK Bank of England.

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

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Risk factors

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