

UK Alpha Q2 investment update

July 2025

Investment manager Milena Mileva gives an update on the UK Alpha Strategy covering Q2 2025.

Your capital is at risk. Past performance is not a guide to future returns.

Milena Mileva: Hello, I'm Milena Mileva, manager of the UK Alpha strategy. Welcome to this update covering the second quarter of the year.

The last three months marked another roller coaster period in markets. Following the tariff-induced sell off in early April, major equity indices, including the UK FTSE All Share, ended the quarter higher than they started.

We are pleased to report that your portfolio outperformed, and that performance came from a wide range of companies. In continuation of recent trends, the most notable contributor, however, was your largest position – fantasy tabletop company **Games Workshop**. The business is expected to deliver excellent results again this year, with profits growing in the mid-twenties. This is significantly ahead of our own long-term expectations. Whilst the core miniature franchise continues to perform pleasingly, the real driver in this period has been its smaller but highly profitable licensing business on the back of the outsized commercial success of video game Space Marine 2. While we would caution that the licensing business is lumpy, and this level of growth will, therefore, not repeat next year, we remain as excited as ever by its potential to meaningfully contribute to Games Workshop's financial results in the medium-term.

Your holding in the investment platform **AJ Bell** also made a positive contribution on the back of record half year results, especially in its retail platform business where growth in customers and net flows was very strong. We believe the structural trends in the UK savings market – with long-term savings shifting from corporate defined benefit schemes towards more self-directed defined contribution schemes – provide a favourable backdrop for the main investment platforms and AJ Bell, with its scale, competitive pricing and trusted brand, is likely to be one of the long-term winners in this area of financial services.

Finally, we had a takeover approach by private equity for software company **FD Technologies** which sent the shares higher. Whilst we believe there are attractive long-term opportunities for this database business and it has a differentiated proposition, management execution has disappointed and we, therefore, elected to accept the offer.

The main detractors this quarter were companies we do not hold in the portfolio. The shares prices of major index constituents such as **Rolls-Royce** and **BAE Systems**, for example, continued to benefit from expectations of increased spending in the sector. Tobacco company **BAT** and a range of domestic banks were also detractors. As it currently stands, we are of the view that continuing to have no exposure to these companies will be a source of investment value add over the longer-term.

Our portfolio activity during the quarter related to existing holdings. We made additions to a range of high-quality companies where we think the market's excessive worry over short-term earnings uncertainty has created a compelling valuation opportunity and where attractive medium-term fundamentals remain firmly in place. These include distributor of corporate promotional products **4imprint**, digital greeting cards retailer **Moonpig**, and specialty chemicals company Croda. Those were funded by reductions in holdings like Games Workshop, Experian, AutoTrader, among others, which have enjoyed good share price performance. It is important to note that we very much retain conviction in all these businesses and they remain as the largest holdings in the portfolio.

Looking ahead, while the most extreme scenarios around tariffs seem to have been taken off the table, we can't hide from the fact there will be an effect. The average tariff level imposed by the US will still be far higher than the recent past and this, all else equal, will be a drag on economic growth. Data is so far proving resilient, but some trading activity has been brought forward, and businesses face an uncertain outlook, making decisions on capital investment challenging.

As we have shared many times, we place little faith in our ability to predict the direction of markets over the short term, but we retain conviction in the businesses we own in your portfolio and believe, with a high degree of confidence, that they will grow in the next five years. And that growth will not depend on changes in economic data readings from quarter to quarter, or the whims of a mercurial US president. We continue to resolutely focus on the things that will matter – the strength of business models and the ability of management teams to execute strategy.

UK Alpha**Annual past performance to 30 June each year (%)**

	2021	2022	2023	2024	2025
UK Alpha Composite (gross)	30.5	-39.9	23.7	2.3	17.9
UK Alpha Composite (net)	29.7	-40.3	23.0	1.8	17.2
FTSE All Share index	35.8	-10.6	12.9	12.3	20.5

Annualised returns to 30 June 2025 (%)

	1 year	5 years	10 years
UK Alpha Composite (gross)	17.9	3.2	3.8
UK Alpha Composite (net)	17.2	2.6	3.2
FTSE All Share index	20.5	13.2	5.3

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.

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