

40TH
ANNIVERSARY

Q3
2025

Managed Portfolios Quarterly Investment Commentary

Blended range

Difference
Made.

 Marlborough

 MEARN'S
& COMPANY

A green speech bubble shape containing the text "Q3 2025" in white. The "Q3" is large and bold, with "2025" to its right and slightly smaller.

Q3
2025

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Capital at risk.

Investors should remember that the value of investments and the income from them can go down as well as up and that past performance is not a guarantee of future returns.

This report is only for use by a financial adviser or a client who has received advice on investing in this managed portfolio service.

It is not for use by non-advised investors or any other third party.

For full important information and key risks, please refer to the end of this document.



Awards recognition for our portfolios

Our managed portfolio solutions (MPS) portfolios earned recognition in the Citywire Wealth Manager Investment Performance Awards 2025. Marlborough was named Best Medium Firm, while our Blended MPS Portfolio 3 was shortlisted for Best Cautious Portfolio and our Blended MPS Portfolio 5 was shortlisted for Best Balanced Portfolio.

Introduction

Distinguishing the signal from the noise

“Not everything that counts can be counted, and not everything that can be counted counts.”

William Bruce Cameron, sociologist

In the third quarter, markets reminded us of an uncomfortable truth: the data we rely on is not always reliable. Question marks about the reliability of closely watched economic indicators, underlined the importance of filtering the signal from the noise. In addition, the quarter was marked by growing unease about debt burdens and signs of governments – most notably the US administration – becoming increasingly transactional in their approach to policy and international relations. Against this backdrop, we believe – as ever – that preparation, not prediction, remains the most prudent approach for investors navigating a complex market environment.

Market review

The quarter began with renewed tariff tensions and ended with investors questioning the reliability of economic data, following a significant revision to US unemployment figures. Rates of participation in the surveys used to compile data like this have been falling, and the resulting distortions unsettled markets. Yet beneath the noise, the US economy continued to show resilience, with consumption steady and company earnings robust.

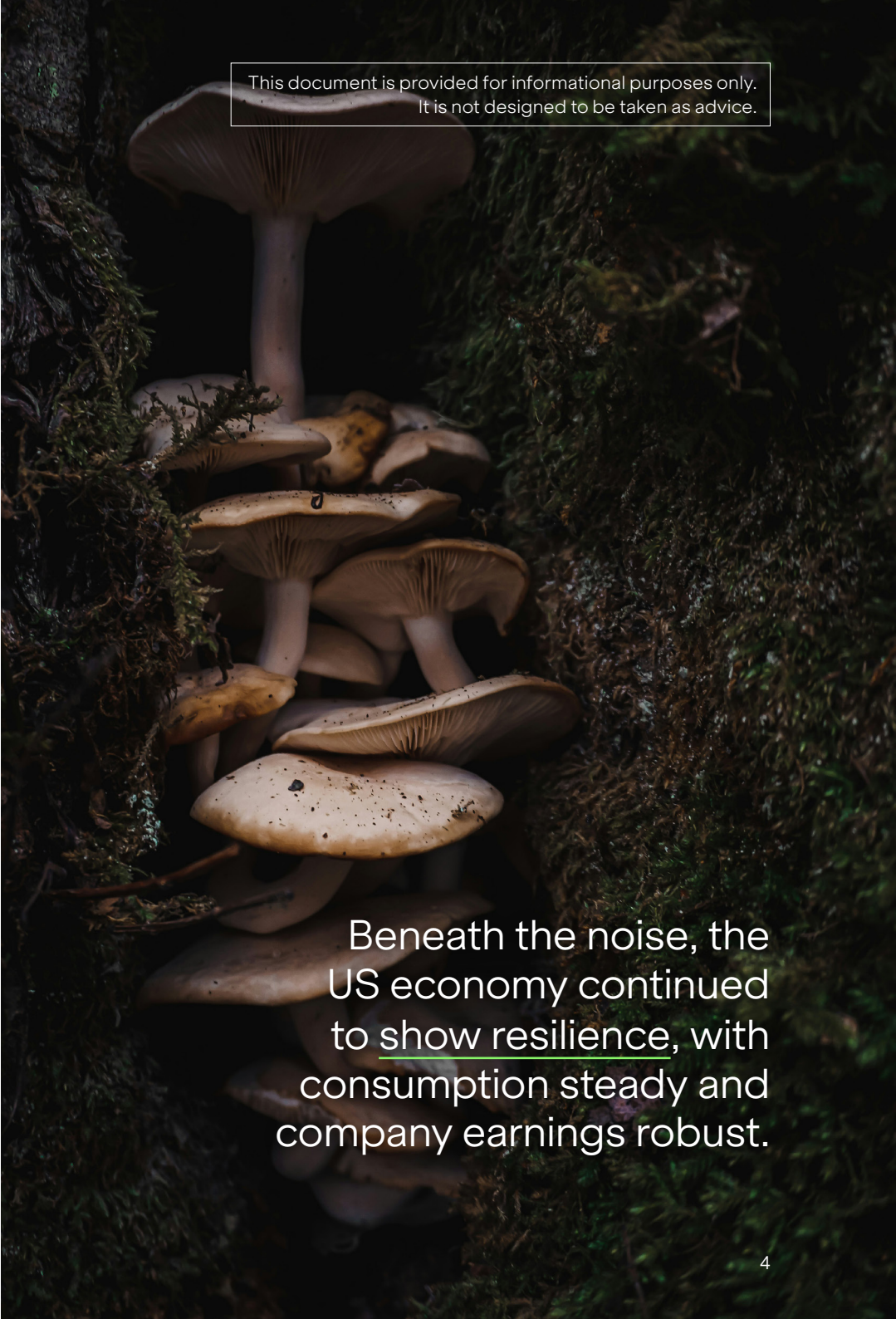
Equities (company shares) weathered the storm. After a volatile July, the US S&P 500 and Nasdaq stock market indices closed the quarter higher, with large technology companies again leading the way. European equities benefited from a weaker euro and improving investor sentiment, while Asian exports proved surprisingly resilient despite tariffs.

Meanwhile, bond* markets signalled concern about debt levels. Yields** on UK government bonds climbed as the Treasury increased borrowing, while another shutdown of federal government services loomed in the US. Amid mounting concern about governments' plans for borrowing and spending, investors demanded higher yields. However, expectations of further falls in inflation helped to cap 'real yields' (yields adjusted for inflation) and bonds were also supported by hints from central banks about further interest rate cuts in the latter stages of the year.

Commodity markets were relatively calm. Oil prices traded in a stable range, with supply resilience outweighing geopolitical risk. Meanwhile, the gold price continued to rise, as investors sought a 'safe haven' asset.

**Bonds are interest-paying financial products issued by governments, companies and other institutions when they want to borrow money from investors.*

*** Yield is the income paid by bonds or other investments. It is usually stated as a percentage of the value of the investment. Yields and bond prices have an inverse relationship, when one rises, the other falls.*



Beneath the noise, the US economy continued to show resilience, with consumption steady and company earnings robust.

Investment themes

01. 'Garbage in, garbage out: when data misleads'

The biggest story of the quarter was not a policy decision or a geopolitical shock - it was a set of figures indicating the health of the US economy. In September, the Bureau of Labor Statistics released figures showing the US economy added 911,000 fewer jobs than previously thought in the year to March. This swing mattered, because it was a stark reminder of how fragile many headline numbers really are.

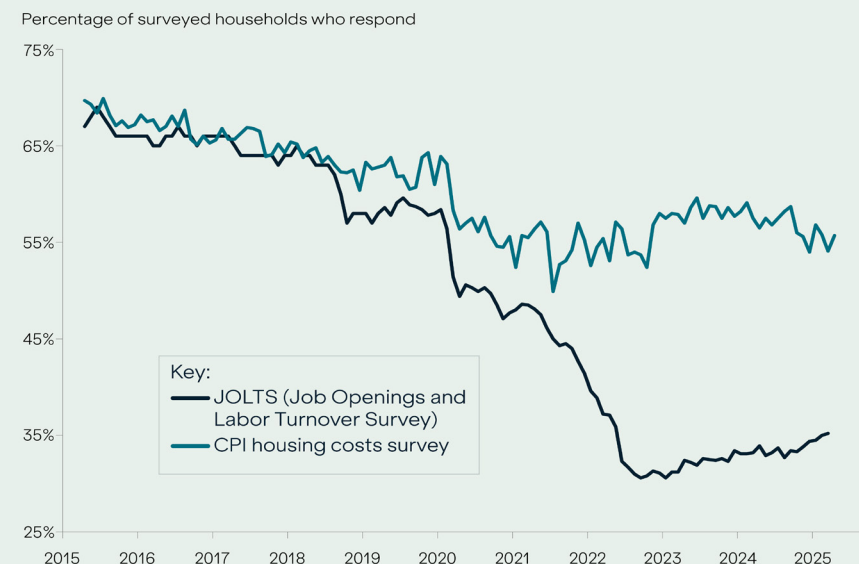
At the heart of the issue is survey quality. Many of the most closely watched economic data releases - such as unemployment, consumer confidence or small-business sentiment - are based on surveys rather than hard transactions. As our chart shows, US survey completion rates have been steadily falling. Lower response rates mean smaller sample sizes, which naturally increases the margin of error.

And it is not just the size of the samples that has shifted, it is the make-up. Participation has become skewed towards older and lower-income respondents. That creates a bias in the results. For example, consumer sentiment surveys are increasingly capturing the views of retirees on fixed incomes rather than younger households with rising wages and higher spending power.

Investors, however, often buy or sell based on the first release of data. Algorithms and headlines amplify the signal, even when it is later corrected. This can create stock market moves divorced from the real economic picture.

Data drought

Response rates are falling for key US economic data surveys



Source: Goldman Sachs Global Investment Research

Takeaway:

Investors should not allow initial releases of economic data, which are often subsequently revised, or other market noise dictate important decisions about how portfolios are positioned for the long term. A clear picture of the health of global economies matters more than the first release of figures, and subsequent revisions often reveal a more accurate and more constructive story.

Investment themes (continued)

02. Transactions speak louder than words

If the announcement of tariffs dominated investors' attention earlier this year, the third quarter was all about deals. The standout example was an agreement between US technology giants Nvidia, Intel and Oracle, brokered with strong encouragement from Washington. The deal was striking because it was not just about private companies maximising profit. It was about aligning the strategy of companies with US national policy priorities. Under the deal:

- Nvidia provided access to its cutting-edge artificial intelligence (AI) chips.
- Intel brought the ability to manufacture them domestically, onshore in the US, reducing reliance on Asian production centres.
- Oracle offered the cloud infrastructure needed to deploy AI capabilities on a large scale.

Together, the three are creating an ecosystem that serves multiple objectives: securing US leadership in AI, reducing strategic dependence on overseas manufacturing and ensuring that the commercial benefits accrue domestically.

In many ways, this was less about free-market competition and more about industrial policy by transaction. Rather than issuing sweeping subsidies or lengthy policy papers, the US government facilitated a deal that delivered tangible positive outcomes in jobs, production capability and technological edge.

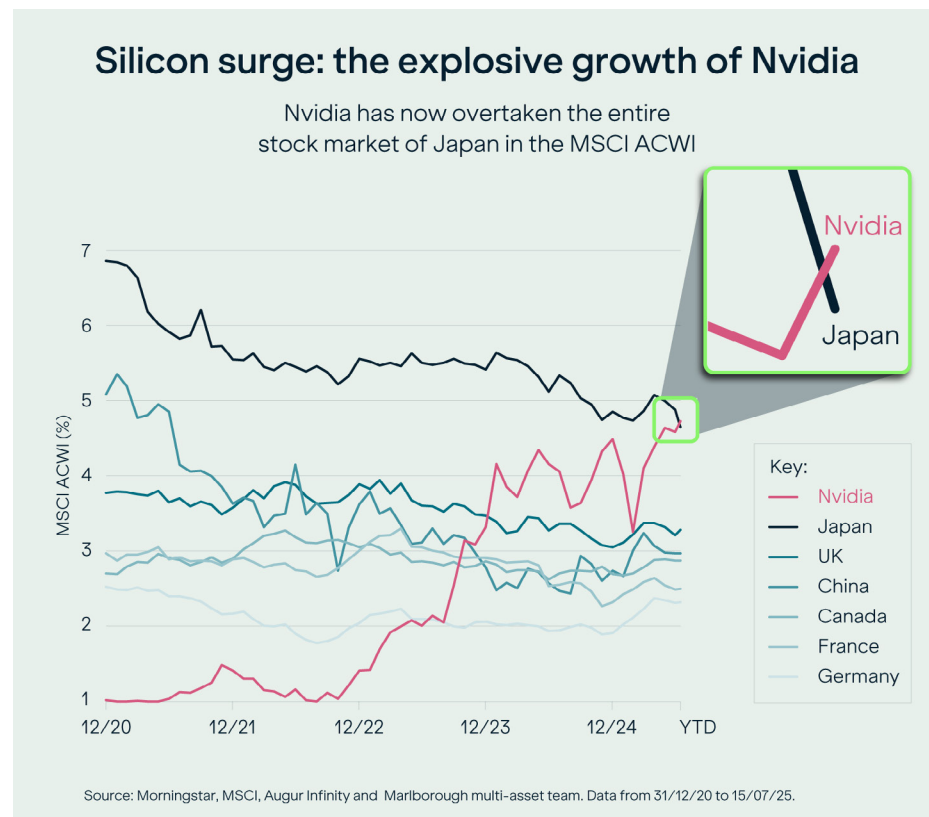
This approach is now spreading beyond the US. In Asia, trade volumes have actually grown despite tariffs, reflecting companies' and governments' willingness to rewire supply chains in pursuit of commercial advantage. In Europe, rising defence spending has been framed as an investment in security and innovation rather than just a fiscal burden.

Nvidia, Intel and Oracle are creating an ecosystem that serves multiple objectives: securing US leadership in AI, reducing strategic dependence on overseas manufacturing and ensuring that the commercial benefits accrue domestically.

Investment themes (continued)

As an analogy, think of it like a football team where the coach (the government) no longer just shouts from the sidelines, but actively brokers a new partnership between strikers. One striker (Nvidia) provides the flair, another (Intel) the work rate and the third (Oracle) links play across the pitch. The outcome is not just goals for the team, but reassurance for the fans that the club has a plan to compete at the highest level.

The deal also underlines the vital role played by cutting edge technology companies like Nvidia, which in the summer saw its stock market value overtake the value of the entire Japanese stock market in the MSCI All Country World Index (ACWI).



Takeaway:

Governments are becoming more transactional, brokering deals that prioritise growth, resilience and strategic advantage. For investors, this creates opportunities in areas aligned with national priorities, such as semiconductors, defence and infrastructure.

03. Why crypto companies are buying government bonds

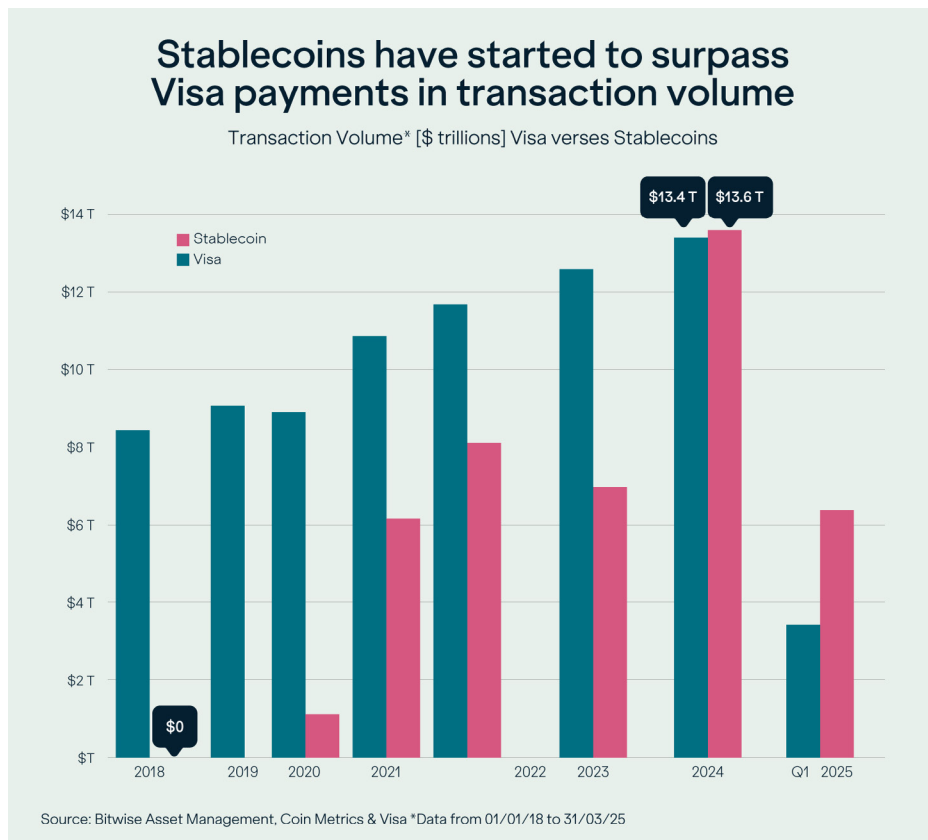
Debt re-emerged as a dominant theme in the third quarter. The increase in the number of UK government bonds (also known as gilts) issued on behalf of the Treasury fuelled concerns about the sustainability of the nation's public finances. With global government debt at record highs, investors are increasingly focusing on questions of how deficits are financed and whether the traditional system underpinning public borrowing is fit for purpose.

This backdrop has brought stablecoins into sharper focus. Stablecoins are a type of cryptocurrency, but what differentiates them from more volatile cryptocurrencies, like Bitcoin, is they are designed to maintain a stable value. Their value is pegged to another asset, such as the US dollar. The most widely used stablecoin, Tether, is designed to maintain a value very close to one US dollar. They are typically backed by 'physical world' assets such as US government bonds (also known as Treasuries), which are bought by the issuers of stablecoins. This is intended to give stablecoins their consistent value and stability.

The use of stablecoins is accelerating and, as our chart on the next page shows, transaction values have now overtaken those of Visa credit card payments.

Investment themes (continued)

The role of stablecoins has so far been limited to payments in the world of digital finance, but their structure creates a natural link to government bond markets. They could support the government bond market by creating additional demand for Treasuries.



Takeaway:

Stablecoins are not yet mainstream, but their growth highlights how bond markets are evolving. Far from replacing government bonds, stablecoins may create increased demand for Treasuries and make them available to a wider range of investors.

Stablecoin could support the government bond market by creating additional demand for Treasuries.

Portfolio construction

Blended

Key buys and sells during quarter 3

US equities

US equities, which remain the largest equity component in our portfolios by a significant margin, continue to demonstrate remarkable resilience and we believe further interest rate cuts could provide an additional boost. We have switched from T. Rowe Price US Large Cap Value into River Road US Large Cap Value Select. River Road is a boutique investment manager based in Kentucky, offering a concentrated value* strategy. The team hold 20 to 30 stocks, seeking to identify excellent companies that have been mispriced by the market. The strategy has delivered strong long-term performance.

BUY

RIVER ROAD US LARGE CAP VALUE SELECT

INCREASE

JPM US RESEARCH ENHANCED AND ROYAL LONDON US EQUITY

SELL

T. ROWE PRICE US LARGE CAP VALUE

SELL

HSBC AMERICAN INDEX (FROM MOST PORTFOLIOS)

**Value investors seek to identify companies where they believe the share price does not reflect the true value of the business.*

UK equities

We have replaced the growth*-orientated Evenlode Income fund with UBS UK Equity Income, which is a value-orientated, high-conviction large-cap** fund that has generated top-quartile performance over three and five years.

BUY

UBS UK EQUITY INCOME

SELL

EVENLODE INCOME

**Growth stocks are typically companies expected to increase their profits and cash flows faster than the wider stock market. As a result, they are typically on higher valuations.*

***Large caps are larger companies, based on their total stock market valuation (market capitalisation).*

Emerging markets

We have switched from JPM Emerging Markets Income into Baillie Gifford Emerging Markets Leading Companies. The former prioritises dividend yield, while Baillie Gifford's strategy focuses on total return* through capital growth, which we expect will be more appropriate in a lower-yielding, growth-driven emerging markets environment with valuations at attractive levels.

BUY

BAILLIE GIFFORD EMERGING MARKETS LEADING COMPANIES

SELL

JPM EMERGING MARKETS INCOME

**A total return investment strategy seeks to maximise the overall return through both dividend income and capital growth.*

Portfolio construction (continued)

UK government bonds

Increased uncertainty about inflation and the UK government's tax and spending policies have made longer duration* UK government bonds, which are also known as gilts, less attractive.

INCREASE

L&G ALL STOCKS GILT

SELL

VANGUARD UK LONG DURATION GILT INDEX

**Duration is a measure of how sensitive a bond's price is to interest rate changes. The price of longer duration bonds falls more sharply when interest rates rise, which often happens during periods of inflation. If investors are concerned about government borrowing this can often push up the yields on government bonds, which means their prices fall.*

Infrastructure

We have switched out of L&G Global Infrastructure Index to increase our holding in IFSL Marlborough Global Essential Infrastructure. The latter has delivered strong risk-adjusted returns, which have been superior to the index. This has reinforced our conviction in the strategy and its role as the core holding within our infrastructure allocation.

INCREASE

IFSL MARLBOROUGH GLOBAL ESSENTIAL INFRASTRUCTURE

SELL

L&G GLOBAL INFRASTRUCTURE INDEX



IN DEPTH

Equities

We have made selective increases to some of our equity positions.

In the US, we have increased exposure to core holdings, reflecting our expectation that earnings growth will broaden beyond the technology sector as interest rates come down and the economy continues to prove resilient. While future moves by policymakers remain unpredictable, the recent wave of trade agreements has provided a more positive backdrop for company profits.

In UK equities, we have modestly increased our exposure to dividend-paying companies, which remain attractively valued and can provide investors with stable cashflows. In addition, many of these businesses are in the energy and mining sectors providing diversification benefits.

Beyond that, our equity exposure remains broadly unchanged. We continue to favour diversified exposure across regions, with a focus on quality, resilient companies.

Infrastructure

We are maintaining our position in infrastructure equities, which we expect to benefit from falling interest rates. Infrastructure projects – such as airports, toll roads and pipelines – are long-term in nature and companies investing in them tend to perform well when interest rates are falling, because this reduces the costs of finance. With economic growth showing signs of modest deceleration and inflation trending lower, central banks are positioned to continue cutting interest rates, creating a supportive environment for infrastructure companies.

Bonds

Bonds continue to present opportunities. We favour government bonds, which offer attractive yields while also being positioned to benefit from further interest rate cuts.

That said, we have reduced exposure to longer-duration bonds in recognition of markets' growing focus on governments' tax and spending policies. We continue to see significant value in government bonds, particularly given the backdrop of easing inflation. However, we are mindful that concerns about government finances could

push down longer-duration bond prices. We continue to see opportunities in UK government bonds, on the basis that inflation is stabilising near target and the Bank of England is on a path to reduce interest rates.

Cash and cash equivalents

Cash and cash equivalents (such as money market funds*) are becoming less attractive as interest rates move lower. We expect government and investment-grade corporate bonds (those viewed as lower risk) to outperform cash as rate cuts continue.

Summary

While the global economy continues to show resilience, the backdrop of increasing concern about government debt levels, questions about the reliability of economic data and uncertainty about trade policy requires a disciplined and adaptable approach. We continue to favour high-quality government bonds and diversified equity exposure, with selective increases to dividend-paying companies in the UK and our core holdings in the US.

*Money market funds invest in short-term debt investments issued by governments and companies.

Featured fund

Here we take a look at one of the funds we expect to help drive the performance of our portfolios.

FEATURED FUND

M&G Japan

01. Experienced team

M&G Japan invests in Japanese equities. Fund manager Carl Vine has 27 years' investment experience and has been running the fund since September 2019. He is supported by a highly experienced team – deputy fund manager David Perrett has 34 years' investment experience.

02. High-conviction approach

The team employ a high-conviction stock-picking strategy, using intensive research to identify companies whose growth potential has not yet been appreciated by the vast majority of other investors.

03. Research-driven process

Using their research-driven investment process, the team have established what we view as a strong track record of identifying undervalued companies with strong prospects. This is achieved through detailed analysis and engagement with company management teams.

Market outlook

Despite volatility, backdrop appears constructive

Looking ahead to the remainder of 2025, we expect market noise to continue – whether it is unreliable economic data, shifting trade narratives or debates about government tax and spending policies. Yet if we tune out the noise, the picture is steadier: inflation is easing, the jobs market looks likely to remain stable and company profits have proved resilient.

We expect falling inflation to pave the way for further interest rate cuts, which are likely to support both equities and bonds. We also believe trade uncertainty is likely to ease as the world becomes accustomed to a more transactional approach by governments. In the equity arena, we anticipate a broadening of returns, with other companies challenging the dominance of the US technology giants.

Risks remain, of course. These include further geopolitical flare-ups, as conflict continues in Ukraine. There is also the potential for ‘fiscal slippage’, where governments spend more than expected and have to increase borrowing. Investors will also be wary of missteps by central banks as they seek to balance inflation and interest rate cuts to stimulate economic growth.

In our view, sharp stock market moves (often referred to as volatility) are likely to remain a feature of the investment landscape. However, this often presents opportunities, and we believe the economic backdrop will be constructive for investment markets, even if the headlines suggest otherwise. As portfolio managers, we will maintain our disciplined investment approach, while keeping a sharp eye on the evolving economic picture. As ever, we will remain focused on long-term opportunities, rather than short-term volatility.

Core view

Our view remains that the most likely scenario for the final months of 2025 is a mild economic slowdown. Falling inflation is expected to pave the way for interest rate reductions, creating a favourable backdrop for government bonds to outperform cash. Meanwhile, we expect a broadening of performance in equities, with other companies challenging the dominance of the US technology giants. Against this backdrop, we believe balanced, diversified portfolios have the potential to perform well.

Potential for continuing economic resilience

Potentially, global economic growth could prove more resilient than we expect. This scenario would provide a positive backdrop for equities, with companies achieving robust earnings growth. Meanwhile, bonds would continue to provide attractive income levels until central banks cut interest rates further. In our analysis, this scenario is more likely in the US than Europe.

What if the outlook deteriorates more sharply?

On the other hand, it is also possible the economic outlook could deteriorate to a greater degree than expected. This would be likely to accelerate the timeline for interest rate cuts, which could drive significant outperformance by government bonds, with prices rising as yields fall. While equities could face initial headwinds in such a scenario, lower interest rates would eventually stimulate economic activity, which would help set the stage for potential market gains.

Market outlook (continued)

This document is provided for informational purposes only.
It is not designed to be taken as advice.

Market scenario probability and asset class assessment

2025 Expected Outcome	Likelihood	GDP	Inflation	Interest rates	Equity	Bonds	Cash
Central Case	65%	Moderate Slowdown	Falls to target	Gradual Reduction	++	++	+
Economy better	20%	Remains Steady	Remains above target	Higher for longer	+	+	++
Economy worse	15%	Material Slowdown	Turns negative	Swifter reduction	-	++	-

Key

++ Positive

+ Mildly positive

- Neutral

-- Negative

Marlborough multi-asset team's assessment of potential market environments and the likely impact on asset classes. Data as at: 30/09/25

Market outlook (continued)

We expect the noise from trade uncertainty to fade as transactional policy goes mainstream

The third quarter of 2025 highlighted the challenges of navigating markets in a world of unreliable market 'noise' and shifting government policy priorities. The wholesale revisions to US labour market statistics reminded investors that headline data is increasingly unreliable, even as the underlying economic backdrop remains resilient. At the same time, significant changes in policy approaches, from semiconductor deals in the US to higher defence spending in Europe, underlined governments' growing role as commercial actors rather than simply passive regulators.

While concerns around government finances added to stock market volatility, inflation has continued to ease, and company earnings have held up better than expected. This mix of economic resilience, easing inflation and supportive government policy provides a constructive backdrop for stock markets, even if headlines remain unsettling.

Conclusion

In the third quarter, markets rewarded investors who looked past the noise of unreliable economic data, government policy shifts and debt concerns. This enabled them to focus on the signal of resilient employment markets, healthy consumer consumption and strong company earnings.

As we enter the final months of 2025, investors again face a noisy environment, but one we believe can be successfully navigated by investors through diversification, patience and preparation. In markets, as in life, those who tune out shorter-term noise and keep their eyes on their long-term objectives often have the potential to come out ahead.

Multi-Asset Solutions Investment Team

SENIOR TEAM

<p>Nathan Sweeney CIO Multi-Asset Experience 25yrs</p> 	<p>Raj Manon Head of Investments Multi-Asset Experience 22yrs</p> 	<p>Edward Kennedy Head of Personal Portfolio Experience 25yrs</p> 
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INVESTMENT ANALYSTS

<p>Andrew Shaw Investment Analyst Experience 16yrs</p> 	<p>Nick Warmisham Assistant Investment Analyst Experience 2 yrs</p> 	<p>James Milward Assistant Investment Analyst Experience 3yrs</p> 
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The whole team are members of CISI

PORTFOLIO MANAGERS

<p>Nick Peters Portfolio Manager Experience 30yrs</p> 	<p>Rory Dowie Portfolio Manager Experience 10yrs</p> 	<p>Sarah Todino Assistant Portfolio Manager Experience 18yrs</p> 	<p>Alex King Assistant Portfolio Manager Experience 10yrs</p> 
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DEALING & DATA SUPPORT

<p>Alan Jones Head of Dealing & Data Analysis Experience 30yrs</p> 	<p>Georgina Hooper-Keeley Dealing & Data Analyst Experience 3yrs</p> 	<p>Allison Gill Dealing & Data Analyst Experience 22yrs</p> 	<p>Jenny Wheeler Dealing & Data Analyst Experience 15yrs</p> 
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Capital is at risk. The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest. Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting portfolios. Investments may include emerging market, smaller company and commodity funds which may be higher risk than other asset classes. Investments in fixed interest funds are subject to market and credit risk and will be impacted by changes in interest rates. Changes in exchange rates may affect the value of the underlying investments. Investments in Property funds carry specific risks relating to liquidity. Property funds can go through periods, known as 'gating', when it may not be possible to trade in or out of the funds and to access your money during such periods. The portfolios may invest a large part of their assets in funds for which investment decisions are made independently of the portfolios. If these investment managers perform poorly, the value of the portfolios is likely to be adversely affected. Investment in funds may also lead to additional fees arising from holding these funds.

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Investor enquiries

For all enquiries, please contact your adviser in the first instance.

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Call us. [0808 145 2502](tel:08081452502)

Email us. service@marlboroughgroup.com

Visit our website. marlboroughgroup.com

Supporting your needs

We have different ways in which we can communicate with you to support your needs and make investing with us easier.

Some of the services we can provide are listed below. However, please contact us using the details on this page so we can discuss your options and provide the right level of support for you.

- ▶ Braille or large print communications and statements
- ▶ Audio transcribed communications
- ▶ Easy read communications

