



IMS Capital

Quarterly
Review

Q3 2025

The main theme over the last quarter continued to be the evolving situation with Donald Trump's tariff theatrics. The initial announcement at the start of April was immediately beset by delays, caused in part by legal wrangling, but primarily by the US president's desire to keep trading partners guessing about his plans. Many countries thought they were close to a deal, only to be blindsided by a social media post or an unexpected proclamation.

Trump's other big project is his expansive "One Big Beautiful Bill", a sweeping package of vast tax cuts and infrastructure spending. The bill is widely seen as facilitating the largest upward transfer of wealth from the poor to the rich in American history. As a result it is set to increase the US national debt by some \$2.4 **trillion** over the next 10 years. This has led to criticism from across the US political spectrum, as well as from ratings agencies which have raised concerns about costs of servicing the ballooning debt pile.

Funding for the bill depends significantly on future tariff revenues and we started to see some evidence of deal making ahead of the 1st August deadline that was set after Trump's tactical retreat earlier in the quarter. (At this stage it is worth noting that this commentary covers the three months up to the end of July and as such doesn't include any thoughts on events after this point.) The UK was the first major economy to secure a deal and this was followed by news of a "massive" trade deal with Japan. At the end of the quarter we had confirmation that an agreement had also been reached with the EU which was according to Trump "*the biggest deal ever reached in any capacity*".

These deals caused markets to jump higher in Japan and Europe as investors responded positively to the reduced uncertainty about the future outlook. US stocks had already been on a strong run ever since the 90-day pause was first announced and these latest deals helped the main American indices to rise to new record highs. However, the rally has yet again been strikingly narrow. This is epitomised by the remarkable rise of chipmaker NVIDIA, which saw it recently become the first company in history to exceed a market capitalisation of \$4 trillion. For context, it was worth "just" \$1 trillion only two years ago, having taken three decades to get to that size.

The original Magnificent Seven (Google, Apple, Nvidia, Microsoft, Amazon, Facebook and Tesla) are close to hitting their highest combined weighting as a percentage of the main US index. As we have noted previously in these updates, this concentration is something which gives us pause as the companies with the highest valuations are under the greatest pressure to deliver. If investors begin to question what the future might hold for the big tech firms (perhaps if the promise of the AI revolution fails to appear) then they could be an easy target.

The events of the past quarter reinforce the importance of diversification and disciplined investing. Market conditions remain complex which means we need to stick to our principles and avoid being distracted by speculation.

To say that the last quarter was the exact inverse of the one that preceded it would be an understatement. Fears about Donald Trump's plans for tariffs turned into reality back in April, leading to an initial drop in global equities of around 16%. Whilst this moderated by the end of the quarter, it still resulted in a double-digit fall. Over the last three months this has completely reversed, with a double-digit rise.

The reason for the recovery was a pause in Trump's trade war. However, tariffs remain in place, many at very high rates. It seems that starting with a very large number, pausing, then finishing on a slightly smaller number was enough for markets to carry on as if nothing had changed. Yet, the rally was once again very narrow, as highlighted above. Global equities, as we have noted before, are dominated by US markets, which are themselves dominated by a handful of exceptionally large companies.

The rapid gains for companies like NVIDIA and Microsoft have left the US market more concentrated than ever, rewarding investors willing to place ever-larger bets on a small group of very expensive companies. Against this backdrop, our portfolios delivered strong absolute returns over the quarter, albeit slightly behind on a relative basis. This is the reverse of the previous period, when markets were negative but our more defensive positioning helped us hold up better.

Returns were boosted by a strong period for Emerging Market equities which benefitted from a weaker US dollar, as well as gains in Europe and the UK thanks to the relative certainty on the trade front.

Portfolio	3 month performance	12 month performance	36 month performance	60 month performance	120 month performance	12 month historical yield
IMS Defensive Income	3.34%	5.88%	14.95%	18.49%	44.46%	4.53%
<i>Performance Comparator</i>	<i>3.60%</i>	<i>5.15%</i>	<i>10.82%</i>	<i>11.02%</i>	<i>29.47%</i>	<i>n/a</i>
IMS High Income	6.38%	8.69%	24.71%	41.96%	81.73%	4.28%
<i>Performance Comparator</i>	<i>7.01%</i>	<i>7.29%</i>	<i>18.54%</i>	<i>30.54%</i>	<i>59.90%</i>	<i>n/a</i>
IMS Cautious	5.38%	6.62%	17.60%	26.04%	60.30%	3.09%
<i>Performance Comparator</i>	<i>5.73%</i>	<i>6.57%</i>	<i>15.70%</i>	<i>23.70%</i>	<i>45.86%</i>	<i>n/a</i>
IMS Balanced	7.22%	6.70%	19.46%	33.29%	78.70%	2.88%
<i>Performance Comparator</i>	<i>8.31%</i>	<i>8.00%</i>	<i>21.43%</i>	<i>37.71%</i>	<i>75.16%</i>	<i>n/a</i>
IMS Growth	8.13%	6.34%	23.21%	40.61%	99.26%	2.37%
<i>Performance Comparator</i>	<i>8.35%</i>	<i>7.85%</i>	<i>20.79%</i>	<i>38.29%</i>	<i>77.70%</i>	<i>n/a</i>
IMS Adventurous	10.98%	7.43%	n/a	n/a	n/a	1.72%
<i>Performance Comparator</i>	<i>11.97%</i>	<i>9.46%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
IMS Future Focused Cautious	5.35%	5.14%	16.61%	n/a	n/a	3.13%
<i>Performance Comparator</i>	<i>5.73%</i>	<i>6.57%</i>	<i>15.70%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
IMS Future Focused Balanced	7.10%	5.16%	17.94%	28.14%	83.12%	2.54%
<i>Performance Comparator</i>	<i>8.31%</i>	<i>8.00%</i>	<i>21.43%</i>	<i>37.71%</i>	<i>75.16%</i>	<i>n/a</i>
IMS Future Focused Growth	8.41%	5.27%	19.50%	n/a	n/a	1.85%
<i>Performance Comparator</i>	<i>8.35%</i>	<i>7.85%</i>	<i>20.79%</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

All data are to 31/07/2025. Source: Financial Express Analytics

Portfolio Change Summary

At every review, the Argentis Asset Allocation Committee (AAAC) meets to set sector weightings for the coming quarter. The underlying Strategic Asset Allocations are provided by Morningstar, a global investment research company with a presence in over 30 countries. They are responsible for providing the long-term growth assumptions which form the core asset allocations that make up our models. The AAAC overlays these allocations with our qualitative insights to reflect current market conditions, ensuring a balanced approach between long-term strategy and short-term opportunities.

Alongside asset allocation, we rigorously assess each fund in our portfolios using a multi-metric ranking system that combines short and long-term performance indicators. This helps us compare funds against their peers and maintain appropriate diversification. Our models incorporate a blend of cost-effective "core" passive holdings focused on key regions like the UK, Europe, and the US, complemented by actively managed "satellite" funds. These satellite funds target specific sectors, styles, or company sizes to add diversification and capture unique opportunities. Sometimes, this means retaining funds that may appear to underperform in isolation, particularly when their investment style is out of favour with prevailing market trends. After all, if all funds performed the same way, they might also decline simultaneously, reducing the resilience of the overall portfolio.

While passive funds often outperform in stable markets, satellite funds play a crucial role during shifting conditions by providing exposure to areas of the market that can behave differently from broad indices. We rely on detailed fund research to ensure they remain suitable, which often reduces the need for frequent portfolio changes when their long-term value remains intact. This approach also helps minimise "time out of the market", which refers to periods when investments are not actively generating returns due to buying and selling. Staying invested allows us to capture growth opportunities as they arise, rather than missing potential gains during market upswings.

At this review we received Morningstar's latest views on the outlook for global markets. This focused on a reduction in cash weightings in favour of Gilts in response to the reduction in cash interest rates. This reflected our views so we implemented this change across the relevant models. In addition, we adjusted the Global Equity allocations on a number of the models. This included a reduction in the allocation to Fundsmith Equity in favour of a new holding in Montanaro Global Select. This move gives us access to a subset of companies which have not grown quite so rapidly as their large cap peers and helps to increase diversification levels. Full details are available on the relevant Fund Change Summary documents which are available on our website.

IMS Capital is a trading style of Argentis Wealth Management Ltd, Active Financial Partners Ltd and Argentis Financial Planning Ltd which are authorised and regulated by the Financial Conduct Authority.

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