



IMS Capital

Quarterly
Review

Q4 2025

It is hard to think of a better way to start this update than with a quote from the previous one: *“NVIDIA recently became 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.”* Three months later and the company is now worth \$5tn, the first company in the world to reach this size.

Contrary to popular understanding, NVIDIA is not a chip manufacturer. It is a chip designer and it outsources the production to a firm called TSMC which is based in Taiwan. It's chips (technically graphics processing units or GPUs) are critical in the development of the latest artificial intelligence (AI) models. This continues to be the dominant theme driving returns and it is not just NVIDIA which has benefitted - the Magnificent Seven (the biggest American companies) now make up a record 37% of the US market. The same seven companies are responsible for almost half of the market's gain this year.

As they say, a rising tide lifts all boats. Markets in the UK, Europe, Japan and elsewhere have also been breaking records this quarter. As in the US, the rally has been powered by the largest companies, while those at the other end of the spectrum have not fared as well. This has been the theme for much of the last few years, and although it makes diversification more difficult in the short term, it is encouraging to see markets moving higher. It is important to remember that this level of concentration is rarely sustained. Our portfolios remain built for the long term, ready for when market leadership broadens again.

One of the results of markets being at such elevated levels is that investors demand absolute perfection when companies report their earnings. This was evident when Microsoft, one of the Magnificent Seven, announced its results at the end of October. Despite revenues rising nearly 20%, its shares initially fell 4% because of concerns about the amount they are spending to stay competitive on the AI front. Similarly, Meta, Facebook's owner, reported net income of \$2.7bn in the last three-month period, but its shares fell by 10%.

Markets may be rewarding growth and innovation for now, but they also show how quickly sentiment can shift when expectations are stretched. Even the most profitable companies are discovering that solid results no longer guarantee share price gains if they fall short of what investors have come to expect. This pattern is typical when optimism runs ahead of fundamentals and valuations start to leave little room for disappointment.

Such an environment calls for patience and perspective. While market attention remains narrowly focused, opportunities continue to emerge elsewhere. Our approach is to stay disciplined, ensuring portfolios are positioned to take part in growth where it is sustainable, while remaining resilient for when conditions inevitably change.

While much of the underlying theme of positivity was driven by the world's largest companies, performance over the quarter was strong across most major equity markets. Global indices were buoyed by ongoing enthusiasm for the artificial intelligence theme and the continued strength of the largest multinational firms.

Elsewhere, Japanese and emerging market equities also performed well. Japan continued to benefit from corporate reforms that have made the country more appealing to foreign investors. The recent election of a new prime minister has also boosted hopes of more market-friendly policies. Meanwhile, emerging markets stocks were supported by a weaker US dollar which helped in several ways, including easing debt burdens. Many parts of the sector remain at reasonable valuations compared to the extremes seen in other regions.

In contrast, smaller and mid-sized companies generally fared less well, particularly relative to larger cap stocks. Although valuations in these areas remain attractive, they have struggled against the backdrop of concentrated market leadership and slower domestic growth in several economies. Over time, these segments typically benefit when market confidence broadens, but the past quarter remained dominated by large global names.

In fixed income, bond markets provided a steadier contribution, supported by falling interest rates as major central banks continued their easing cycles. Yields across government and corporate bonds moved lower, lifting total returns and increasing the appeal for income-focused investors.

Portfolio	3 month performance	12 month performance	36 month performance	60 month performance	120 month performance	12 month historical yield
IMS Defensive Income	3.57%	9.50%	24.66%	23.15%	50.20%	4.50%
<i>Performance Comparator</i>	3.53%	8.02%	21.00%	15.46%	35.27%	n/a
IMS High Income	5.51%	14.61%	37.11%	50.16%	92.55%	4.26%
<i>Performance Comparator</i>	5.02%	11.78%	30.69%	37.29%	70.43%	n/a
IMS Cautious	4.52%	12.17%	28.55%	32.22%	68.45%	3.51%
<i>Performance Comparator</i>	4.35%	10.44%	26.99%	29.50%	54.12%	n/a
IMS Balanced	5.32%	13.26%	31.64%	39.08%	89.99%	2.95%
<i>Performance Comparator</i>	5.69%	13.12%	34.46%	45.49%	88.32%	n/a
IMS Growth	6.20%	14.27%	36.14%	46.34%	114.34%	2.37%
<i>Performance Comparator</i>	5.67%	12.88%	33.21%	44.77%	91.51%	n/a
IMS Adventurous	7.53%	16.24%	n/a	n/a	n/a	1.77%
<i>Performance Comparator</i>	5.89%	14.28%	n/a	n/a	n/a	n/a
IMS Future Focused Cautious	3.58%	9.23%	29.16%	n/a	n/a	3.07%
<i>Performance Comparator</i>	4.35%	10.44%	26.99%	n/a	n/a	n/a
IMS Future Focused Balanced	4.11%	9.86%	30.48%	31.64%	94.68%	2.51%
<i>Performance Comparator</i>	5.69%	13.12%	34.46%	45.49%	88.32%	n/a
IMS Future Focused Growth	4.48%	10.52%	32.32%	n/a	n/a	2.03%
<i>Performance Comparator</i>	5.67%	12.88%	33.21%	n/a	n/a	n/a

All data are to 31/10/2025. 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 made a number of changes at an asset allocation level and through our fund assessment process. One of the asset allocation changes was to increase the weighting in emerging market equities on the Balanced model. This is a reflection of the value in the region versus larger developed markets, and it also helps to increase diversification. In addition, we have selectively increased our passive US equity allocation. This primarily addresses an underweight position as well as helping to reduce the relative weight of the satellite fund with which it is paired. We have also taken the decision to fully remove Fundsmith Equity after reducing our allocation to the fund over recent quarters. 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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