



meridian
ASSET MANAGEMENT (C.I.) LIMITED

INVESTMENT MEMORANDUM

Despite an unsettled geopolitical and economic background, international equity markets continued their strong performance and fixed interest securities, too, generally showed some strength although we remain cautious on this asset class. Unless there is any downturn in December, 2025 is shaping up to being another good year for international equity investors.

The tables below detail relevant movements in markets :

International Equities 29.08.25 - 28.11.25

Total Return Performances (%)				
Country	Local Currency	£	US\$	€
Australia	-3.9	-1.8	-3.7	-2.9
Finland	+12.2	+13.4	+11.2	+12.2
France	+5.3	+6.5	+4.4	+5.3
Germany	-1.5	-0.4	-2.4	-1.5
Hong Kong	+4.1	+6.3	+4.3	+5.2
Italy	+4.4	+5.6	+3.5	+4.4
Japan	+11.5	+6.9	+4.9	+5.8
Netherlands	+15.9	+17.2	+14.9	+15.9
Spain	+10.8	+12.0	+9.9	+10.8
Switzerland	+4.9	+6.5	+4.4	+5.3
UK	+6.2	+6.2	+4.1	+5.0
USA	+6.2	+8.3	+6.2	+7.1
All World Europe ex UK	+5.1	+6.4	+4.3	+5.2
All World Asia Pacific ex Japan	+7.9	+8.6	+6.5	+7.5
All World Asia Pacific	+9.0	+8.1	+6.0	+6.9
All World Latin America	+10.4	+14.8	+12.5	+13.5
All World Emerging Markets	+7.2	+8.8	+6.7	+7.6
All World	+6.7	+8.1	+6.0	+6.0

Source : FTSE All World Indices

FTSE Actuaries UK Conventional Gilts All Stocks Index (total return) : +3.5%

International Bonds - Benchmark Ten Year Government Bond Yields (%)

	29.08.25	28.11.25
Sterling	4.72	4.44
US Dollar	4.23	4.01
Yen	1.60	1.80
Germany (Euro)	2.72	2.69

Sterling's performance during the quarter ending 28.11.25 (%)

	Quarter Ending 28.11.25
US Dollar	-2.0
Canadian Dollar	N/C
Yen	+4.2
Euro	-1.3
Swiss Franc	-1.7
Australian Dollar	-2.0

Other currency movements during the quarter ending 28.11.25 (%)

	Quarter Ending 28.11.25
US Dollar / Canadian Dollar	+1.7
US Dollar / Yen	+6.2
US Dollar / Euro	+0.8
Swiss Franc / Euro	+0.3
Euro / Yen	+5.4

Significant Commodities (US dollar terms) 29.08.25 - 28.11.25 (%)

	Quarter Ending 28.11.25
Oil	-5.3
Gold	+21.5

MARKETS

- With few exceptions, Australia being one, international equity markets have performed well this quarter.
- Fixed interest securities have been firm although Japanese Government bonds have been an exception with the new Prime Minister's economic policy causing some concern.
- In the foreign exchange markets, the Yen was exceptionally weak for political reasons and sterling was the second weakest currency in our table.
- Gold benefited from geopolitical and economic uncertainty and showed a strong performance.

ECONOMICS

It is important to reflect on your own words and the (almost) end of any year is as good a time as ever to do this. This isn't our year-end summing up of the year in words but, rather, a summing up of words, in numbers. Each month we comment on what we consider to be the most important themes of the day, through the eyes of an investment manager, and by totting up the number of times certain words are used in these reports, a picture is painted. Painting by numbers, if you like. This has been a year of conflict in the conventional sense and also in less direct ways. This has been a year where the relationship between allies has been tested and other allegiances have grown. This has been a year when, much more than any year in living memory, we have really started to worry about debt. The results are in and in the first 10 memoranda of the year the word counts are as follows:

Word used in the memorandum	Number of times used
Tariff	208
Debt	143
Trump	114
Bond	113
Deficit	102
Equities	81
Inflation	51
war/conflict/invasion	16

Looking at these commonly cited words, it's impossible not to be struck by how many of them have a negative connotation, led from the top by tariff, but closely followed by debt, deficit, inflation and, in a distant fifth war/conflict/invasion. Perhaps this isn't surprising and were an international poll of the general public be conducted with the simple question of whether the world had enjoyed a happy and harmonious 2025, a large number would, in all probability, give a negative answer. With only December to go before we know the full year performance of our clients' portfolios, it is pleasing, and perhaps counterintuitive, to note that markets have taken a different slant on the news.

A simple truism that often emerges and most certainly has over the last twelve months shows that complicated politics or conflict do not invariably translate into poor investment returns. Looking at the UK, last year's 30th October 2024 Budget, 'Fixing the Foundation to Deliver Change', prefaced a period of economic slowdown and growth in unemployment, in the short term at least, but over the period from that date to the end of November thirteen months later, the FTSE100 has returned 23.9% on a total return basis. This supports the old investment adage that it is time in the market, rather than timing of the market that supports optimal long term returns.

The second table of numbers is below and takes the thinking in a slightly different direction and seeks to determine to what extent we have avoided the politics of the world. This year more than many, politics has affected economics which, in turn, provides the tail wind or head wind to company performance.

Politicians in the memorandum	Number of times mentioned
Donald Trump	114
Joe Biden	3
Liz Truss	3
Rachel Reeves	2
Mario Draghi	2
Friedrich Merz	2
President Xi	0
Benjamin Netanyahu	0
Emmanuel Macron	0

Keir Starmer gets no mentions, Labour gets one (in a positive tone) and Conservative is not used either. Outside of those counted on this list, the only politicians that are named are all ex-politicians with one mention each for J.F. Kennedy, his brother Robert, Bill Clinton and Harold Macmillan. When a politician as important as the President of the United States chooses to use all of his powers, and perhaps a few more, to target trade as a policy tool, there isn't really any way to avoid mentioning him and the consistency with which he has appeared at a lectern, on Air Force One or on his Truth Social account means that he has featured in every month's review. For the mention count of Trumps to be so much greater than all other politicians summed together is quite revealing.

With the benefit of hindsight, the frequency with which these selected words appear feels about right. When the summary of the year is being written there is little doubt that President Trump has made the most significant contribution to the year's news and there is a wide range of views on Donald Trump's policies and the economic good they will or won't do, though, perhaps a narrower range of views of him as a man. This observation on the economics is important in the context of what we write, as the relationship between the writer and reader of this memorandum is investment manager to client. It is necessary to point out the full range of his policies and their impact measured in dollars, whether good, bad or indifferent. Observations about him as a person are studiously avoided here, for the same reasons and this was caught quite well by a US camera crew when someone quipped to a questioning American news team after voting for Trump last November, despite not obviously looking like he was in the stereotypical demographic of Trump voters, 'I am voting for my President not my priest'.

There are two areas of focus in the context of this November review and, adding to the word count, they are tariffs and debt. Six months or so has passed since the US tariffs were introduced and we are starting to see the consequences of them.

Treasury Secretary Scott Bessent projected that tariffs would bring in over \$500 billion per year but the Congressional Budget Office (CBO), the independent public forecaster, has estimated \$4 trillion over 10 years. So far, receipts have hovered around \$30 billion per month but, interestingly, in submissions to the Supreme Court, which is currently pondering whether the application of tariffs is lawful, the Government has played down the significance of the sums raised. It's difficult to think Mr Trump agrees with that given he posted on his Truth Social in mid-November that monies collected from tariffs would mean "A dividend of at least \$2,000 a person (not including high income people!) will be paid to everyone". The legal argument will not centre on the amount raised but, rather, on the legal point covering whether the measures introduced under the various pieces of legislation on the statute book are constitutional. If the Supreme Court deems that they aren't, there will be a complicated and expensive exercise in paying everyone back.

Going back to the figures, it appears that the amounts collected are below the amounts initially anticipated for a number of reasons that were clearly always going to happen. Imports have been re-routed or manufacturing re-located to countries with lower tariff rates, import volumes have decreased or even their values have been understated, importers have been wily in exploiting loopholes and exemptions and, moving onto the wider picture, it's possible that tax take elsewhere has been impacted where retaliatory measures have reduced US exports or higher prices on tariffed goods have led to lower consumer spending on other goods. It's still too early to say whether we can see the full economic picture but it's worth remembering that the average US tariff on imports is around 18% (before the thawing of relations with China and the temporary relaxing of some reciprocal tariffs) and that the US only imports around 14% of what it consumes. More positively for Mr Trump, a number of pharmaceutical companies and Korean technology companies, amongst others, have committed significant amounts of inward investment into the US. Trump supporters would herald the success that tariff leverage has achieved here and in the example of pharmaceutical companies, it has been 100% tariffs on imported branded or trademarked drugs unless the company commits to new manufacturing plants within the 50 States. On 1st December the UK and US announced an agreement to keep tariffs on drugs at 0% but the NHS will pay more for US medicines. The UK exported £11.1 billion of medicines to the US in the 12 months to September, making up 17.4% of all goods exports in the period. Tariffs have succeeded here and there's probably limited net economic good coming from this but it is higher income for the US and more cost for the UK.

The CBO in its half-yearly view of the US economy, published in September, revised downwards its 2025 real GDP growth figure for the country but revised upwards its 2026 figure, by a similar amount. 2025 growth, it estimates, will be 1.4% (in January it estimated 1.9%) 'primarily, because the negative effects on output stemming from new tariffs and lower net immigration more than offset the positive effects of provisions of the reconciliation act'. The forecast for 2026 is raised from 1.8% to 2.2% as the benefits of the new legislation (a.k.a. One Big Beautiful Bill Act) meet waning tariff policy. It's a shame that more column inches are not devoted to the economic positives of the OBBBA as it will reduce taxation for most households permanently through lower individual rates and higher allowances as well as creating temporary deductions for tips, overtime pay and interest on loans for US-assembled cars. Businesses will get tax breaks on capital investment as well as research and development. There will be cuts to Medicaid and benefits under the Affordable Care Act and \$370 billion of extra spending on defence and border enforcement. US policy centres on stimulating growth that, compounded over a number of years and allowing for inflation, will aim to keep the costs associated with growing levels of debt manageable.

All of this moves us neatly on to this year's second most commonly used key word... debt and the downside to the fiscal loosening associated with the OBBBA in July was that it was necessary to increase the national debt ceiling by \$5,000,000,000,000. Sometimes it's worth writing \$5 trillion in numbers just to see how it looks.

For all the help that, say, \$400 billion of tariffs bring into the US Treasury each year, the country still has a massive spending problem that feeds an oversized debt problem. Perhaps the only positive is that the situation looks less bad because a number of leading wealthy countries have similar issues but it's still very serious. America also has the luxury of being the world's leading reserve currency which brings very special advantages. All countries have foreign exchange reserves and the favourite currency to hold is US dollars. To generate a return, those governments often buy US Treasuries and, along with other foreign holders, currently hold around \$8.5 trillion of US Treasuries. This is very helpful as greater demand increases the price of the debt, which decreases the yield, reducing America's borrowing costs. America can and does run trade deficits but demand for dollars elsewhere, such as Emerging Markets borrowing in dollars to reduce costs, avoids putting unwanted downward pressure on the currency.

America's pro-growth strategy clearly has its risks and all economists have one eye on Treasury yields. You can do deals with political allies, political foes, trading partners and enemies but there is no negotiation process with the debt markets and according to the US Treasury, as at October 2025, the country pays \$1.2 trillion in interest costs per year at an average interest rate of 3.36%. No country would want a significant rise in the interest rate demanded by the market and as long as the market believes there is a credible plan, there is no problem.

Commentators on the UK November Budget, and they number many, have focused on the delivery, what was known when and by whom and, of course, the possible impact of changes to tax and spend. Bond markets' laser focus is, as always, on the margin of safety implicit in lending money to UK Plc and there was some good news as the Chancellor's fiscal headroom was more than doubled from £9 billion to £22 billion. The caution is admirable in this respect, and yields on gilts fell slightly at the time, but the UK and EU approach is tending towards higher levels of taxation as the remedy for higher state spending. The IMF, in its World Economic Outlook assessment of October 2025, estimates US GDP growth in 2025 of 2.0% and then 2.1% next year. The UK's figures are 1.3% and 1.3% and the eurozone is 1.2% and 1.1%. None of these figures are exciting and it is an oversimplification to say current government policies are the sole contributor to those estimated outcomes but the relative performance of stronger markets versus weaker ones is an important consideration in geographic allocation. With world GDP growth estimated at 3.2% (2025) and 3.1% (2026) it is Emerging Market and Developing Economies that carry us forward with 4.2% (2025) and 4.0% (2026) with India supplanting China as the pace setter. As investment managers we seek to invest in those companies that are well positioned to exploit growth in the available market space and no country has a monopoly on good companies, though, Meridian is comfortable with an exposure to American companies that is higher than many peers and, for example, a lower exposure to UK companies, which only represent around 4% of all companies, by market capitalisation. At the same time we exercise caution on aggregate exposure to the Magnificent 7 (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla) as there will be times when more defensive value stocks outshine these megastars of investing.

Just like last year, this year is shaping up to be one where investment returns seem to belie the increase in hostility in the world. How we consume news changes constantly and a grounded sense of proportion in the face of endless dramatic headlines is vital. World economic growth is, and is forecast to remain, reasonably strong providing companies with the opportunity to grow their bottom lines. Meridian continues, where mandates allow, to favour holding a diverse portfolio of stocks that have access to global markets, are across multiple industries and have brands or intellectual property that protect their multiple income lines in their markets and we advise clients to continue to focus on the medium to long term. There are sure to be negative quarters and price ratings on stocks are higher than they have been but for reasons laid out in these memoranda each month, we continue to be confident in the opportunities presented by equities despite tariffs, debt, deficits, inflation and war/conflict/invasions.

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