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With Profits Growth Fund

Quarterly Review Q3 2025

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Market Review and Outlook

Market Review and Outlook

Solid quarter for global markets despite tariff concerns

Despite concerns about US tariffs, it was another solid quarter for markets, with many leading stock market indices hitting record highs. The US Federal Reserve (Fed) cut interest rates for the first time since last year and signalled more reductions are on the way. While there are signs of the US economy slowing and the labour market cooling, unemployment is still near record lows.

In this update, we'll reflect on this and take a look at some of the highlights and lowlights of the quarter, as well as bring our usual funds' view and outlook from our Investments team.

Global market overview

Global stock markets delivered robust gains over the period, supported by solid corporate earnings, hopes of easing trade tensions and expectations of lower interest rates. In July, US equities advanced further, driven by strength in the technology sector and revived confidence in trade talks.

Big tech stocks were the main drivers of market growth, helped by demand for artificial intelligence (AI) and strong earnings results from major companies.

Optimism on tariffs also lifted sentiment, as President Donald Trump unveiled several trade agreements.

Wall Street climbed to fresh records in September after the Fed delivered its first rate reduction in nine months. Leading up to the cut, equities enjoyed a strong run as data on jobs and inflation provided the US central bank with enough leeway to resume its rate reductions.

Earnings season added further momentum, with companies beating forecasts in record numbers. Robust results lifted investor sentiment, with AI-focused firms continuing to set the pace. After a difficult start to the year, the US dollar also steadied.

UK shares stumbled in early July amid speculation that Chancellor Rachel Reeves might resign but quickly regained ground. Later in the month, the FTSE 100 hit a record high as investors looked past trade war worries, with the benchmark index climbing above 9,000 points for the first time. The London stock market has benefited from investors diversifying away from US stocks due to concerns over Trump's trade policies.

Asian stocks climbed in August after Trump issued an executive order delaying additional tariffs on Chinese goods for 90 days. The region also drew support from a wider shift of capital out of US assets.

A trade pact between the US and EU added to the positive momentum for global markets. However, European markets wobbled amid political unrest in France but quickly regained ground following the Fed's decision to lower interest rates.

Bond markets

It has been a volatile year so far for government bond markets, with tariffs and shifting interest rate expectations causing yields to fluctuate. Global bond yields climbed sharply in August, with Japan's 30-year bonds setting a record and UK gilts reaching their highest level since 1998.

Meanwhile, in the eurozone, German and French 30-year yields rose to their highest since 2011, reflecting mounting concerns over fiscal policy and borrowing. US Treasury bond yields also remained elevated over much of the period but dipped ahead of the Fed rate cut.

Inflation and interest rates

The Fed cut interest rates for the first time since last December, lowering its key lending rate by 0.25 percentage points. The move brings the target range down to 4% to 4.25%, its lowest level since late 2022.

Fed officials indicated they expect two more quarter-point rate cuts this year. Meanwhile, US inflation rose slightly in August to 2.9%, up from 2.7% the previous month, as firms started to pass on tariff costs to consumers.

The Bank of England held rates at 4% at its meeting in September after cutting them in August. It was the fifth cut since last summer and took borrowing costs to their lowest since March 2023. UK inflation held steady at 3.8% in August, while food prices rose for the fifth month in a row. The Bank expects inflation to peak at 4% in September, driven by food price rises. One reason food prices have been rising is that supermarkets have been passing on government increases in the minimum wage and National Insurance contributions to shoppers.

The European Central Bank (ECB) kept rates on hold at 2% in September for the second consecutive meeting, arguing the economy remains resilient despite higher tariffs from the US. The ECB has cut the interest rate eight times since

June 2024, bringing it down from 4%. Eurozone inflation was stable at 2% in August for the third month running, in line with the ECB's target. As economic growth remains robust, it is unlikely we will see any more cuts soon.

US economy defies tariff pressures with strong growth

The US economy remains surprisingly resilient despite the predicted damage of tariffs. The economy expanded by 3.8% in the second quarter, its fastest pace in nearly two years. Consumer spending also continues to be strong, with retail spending rising for the third month in a row in August.

The US has made progress on trade, announcing agreements with South Korea, Japan and the EU, while also resuming negotiations with India and reaching commercial terms with China over TikTok. The labour market, however, showed signs of strain. Only 22,000 jobs were created in August, fuelling concerns of a slowdown, though unemployment stayed close to historic lows at just above 4%.

Concerns are mounting over the UK economy, with most economists expecting Chancellor Rachel Reeves to raise taxes in the Autumn Budget as sluggish growth and rising

borrowing costs complicate her efforts to meet fiscal targets. Growth slowed to 0.3% in the second quarter, down from 0.7% in the first, though still above forecasts.

Meanwhile, the jobs market appears to be cooling. UK unemployment ticked up to 4.7% in the three months to July – the highest rate in four years. The number of vacancies in the economy was also down by 119,000 from the previous year.

After months of negotiation, the EU and US agreed a trade deal with 15% tariffs for European exports to America, half the 30% import tax rate Trump had threatened to implement. The bloc's economy slowed in the second quarter after a strong start to the year, with GDP rising just 0.1% between April and June, compared with 0.6% in the first quarter. Even so, demand remains firm despite economic challenges. Retail sales remain high, supported by strong consumer confidence, and employment is still relatively stable.

The US and China extended their trade truce in August for another 90 days until 10 November. It means the US will hold tariffs on Chinese imports at 30%, while China will keep its 10% tariff on American goods. China's economy lost momentum during the period, with domestic

weakness and trade headwinds fuelling concern over the world's second-largest economy.

China's exports in August rose at their slowest rate in six months, as tensions with the US continued to cloud the outlook. Consumer prices also slipped back into deflation, adding to the signs that the economy is slowing. Despite Beijing's stimulus measures, sluggish consumption remains a drag on growth.

sales, property and investment all hit by the trade war. Deflation also continues to be a problem, with consumer prices falling for a fourth straight month in April. As tariffs continue to affect the economy, policymakers announced new measures in May to help stimulate growth, including interest rate cuts and a major liquidity injection.

Spotlight on...

NextWealth – Smoothed funds proposition and distribution report

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Spotlight on...NextWealth – Smoothed funds proposition and distribution report



Investment Specialist, James Tothill, from Wesleyan's Intermediary Distribution team, discusses the results of the recent NextWealth Smoothed Funds Proposition and Distribution Report, that examined the key reasons financial advisers recommend smoothed funds.

Wesleyan recently supported a survey with specialist research and consultancy practice, NextWealth, within the Intermediary market. The aim of the initiative was to carry out a market study on the current views of financial advisers, on smoothed funds.

This is the latest in a host of surveys that demonstrate the growing appetite for smoothed funds.

The results showed several relevant key points – the first being that for new client money, 13% of advisers expect to increase use of smoothed funds in the next year.

Another key point from the NextWealth Survey was that the most popular use of smoothed funds was for 'low risk or cautious investors' at 84%. Despite the fund being a risk profile 5 for Dynamic Planning (DP), Defaqto (and similar for other Risk Profilers), this type of fund can be more attractive to some 'risk-averse' investors, who may need to 'risk up' as some advisers have relayed to me. Smoothed funds can help build confidence to invest long-term, whilst reducing the emotional response to short term market volatility.

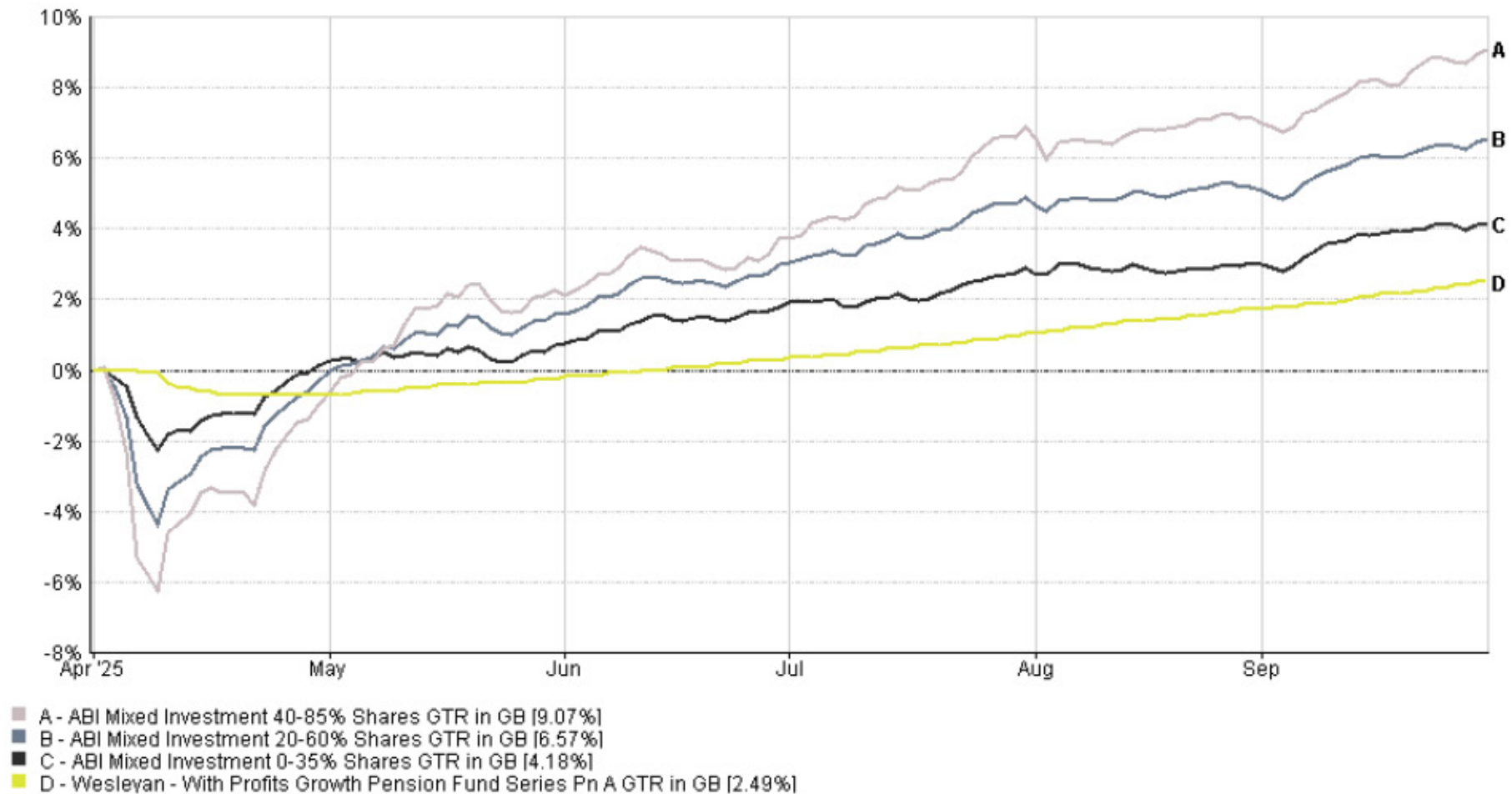
Another interesting point is that financial advisers using smoothed funds tend to work with more than one provider (on average 1.8) and just over half (51%) use a combination of two or more providers. One of the reasons is to dilute the concentration risk for clients and adviser firms of having too much of one particular fund with any one provider. As we know clients are varied, with differing needs and investment objectives and diversification is generally viewed as good practice. Another point to make here is that whilst different smoothed fund providers are all trying to satisfy the same customer outcome - exposure to long-term growth assets without a bumpy ride along the way - there are of course different investment approaches and smoothing mechanisms used to achieve this objective. The Wesleyan smoothed With Profits Growth Fund is transparent and accessible.

A final key point was that smoothed funds are most often used as a core long-term holding in client portfolios. One of the reasons for this, is that the underlying investment growth assets are typically equities, bonds and property - this type of investment mix is generally viewed as more appropriate for medium to long term goals. Of course, all investments come with the risk that you could get back less than you put in, however, when it comes to smoothed funds, time is your friend. The longer you're able to leave your investment to grow, without being distracted by short market, the better.

Fund Performance

Returns Performance - Past 6 Months

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



01/04/2025 - 30/09/2025 Data from FE fundinfo2025

*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. **ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

Returns Performance - Past 3 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/09/2022 - 30/09/2025 Data from FE fundinfo2025

*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. **ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

Returns Performance - Past 5 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



30/09/2020 - 30/09/2025 Data from FE fundinfo2025

*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. **ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

Returns Performance - Past 10 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

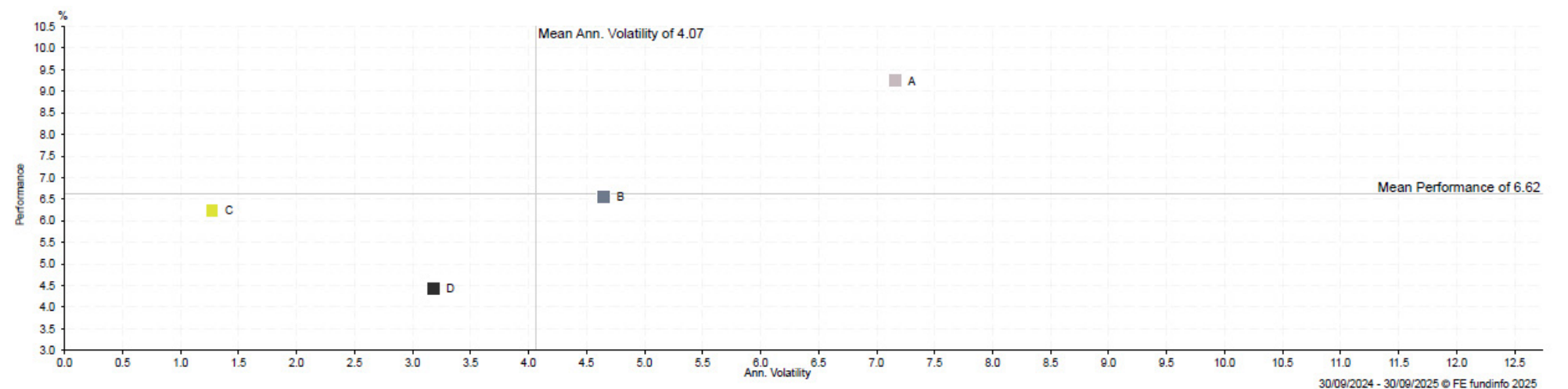


30/09/2015 - 30/09/2025 Data from FE fundinfo2025

*Wesleyan With Profits Growth Fund Series A performance is based upon the movement of the daily unit price and is shown as the net total return in GBP. It includes a representative 0.65% Annual Management Charge (AMC) and 0.09% other ongoing cost totalling 0.74% per annum. The performance does not consider other costs such as advice charges. These additional charges may impact overall performance of the fund. **ABI Mixed Investment 40-85%, 20-60% and 0-35% performance is shown bid to bid, Total Return GBP. Not all the funds in the ABI sector are net of charges.

Returns v. Volatility Performance - Past Year

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

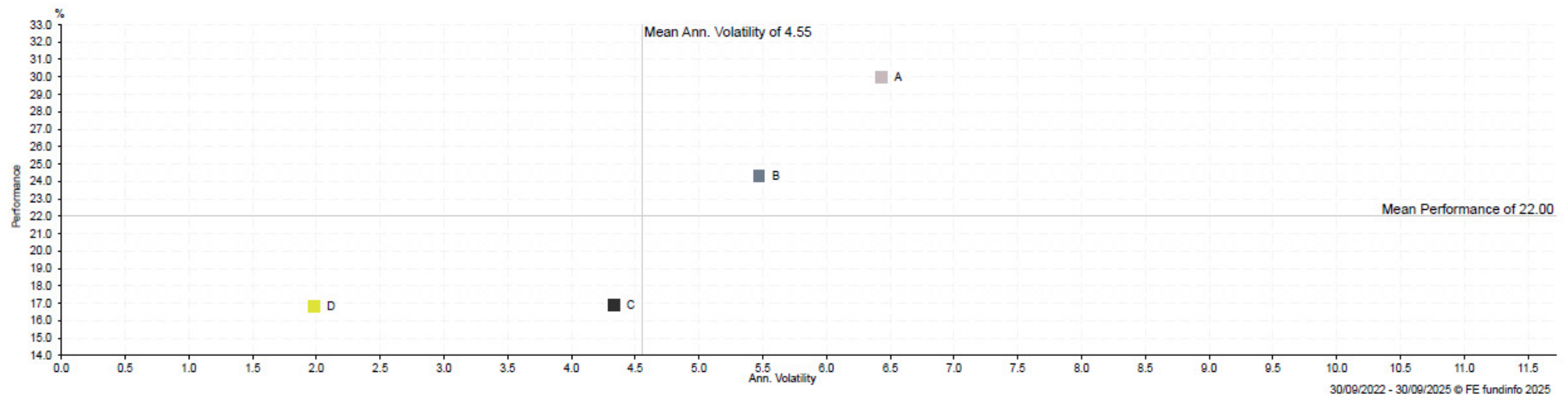


30/09/2024 - 30/09/2025 © FE fundinfo 2025

Key	Name	Performance	Volatility
A	ABI Mixed Investment 40-85% Shares GTR in GB	9.24	7.16
B	ABI Mixed Investment 20-80% Shares GTR in GB	6.56	4.65
C	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	6.23	1.27
D	ABI Mixed Investment 0-35% Shares GTR in GB	4.44	3.18

Returns v. Volatility Performance - Past 3 Years

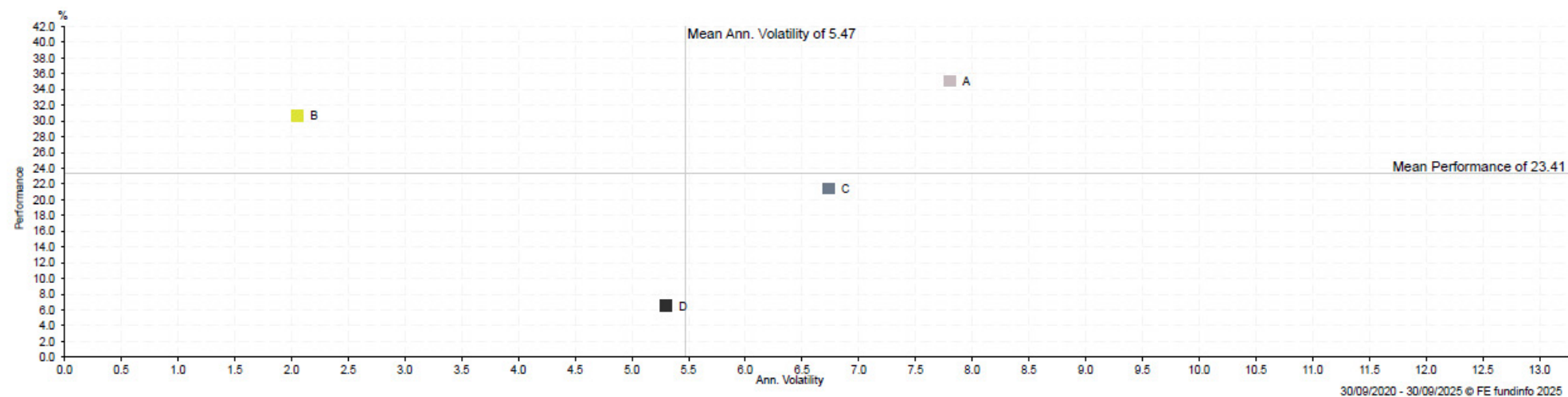
Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



Key	Name	Performance	Volatility
A	ABI Mixed Investment 40-85% Shares GTR in GB	29.97	6.43
B	ABI Mixed Investment 20-60% Shares GTR in GB	24.29	5.47
C	ABI Mixed Investment 0-35% Shares GTR in GB	16.91	4.33
D	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	16.83	1.98

Returns v. Volatility Performance - Past 5 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling

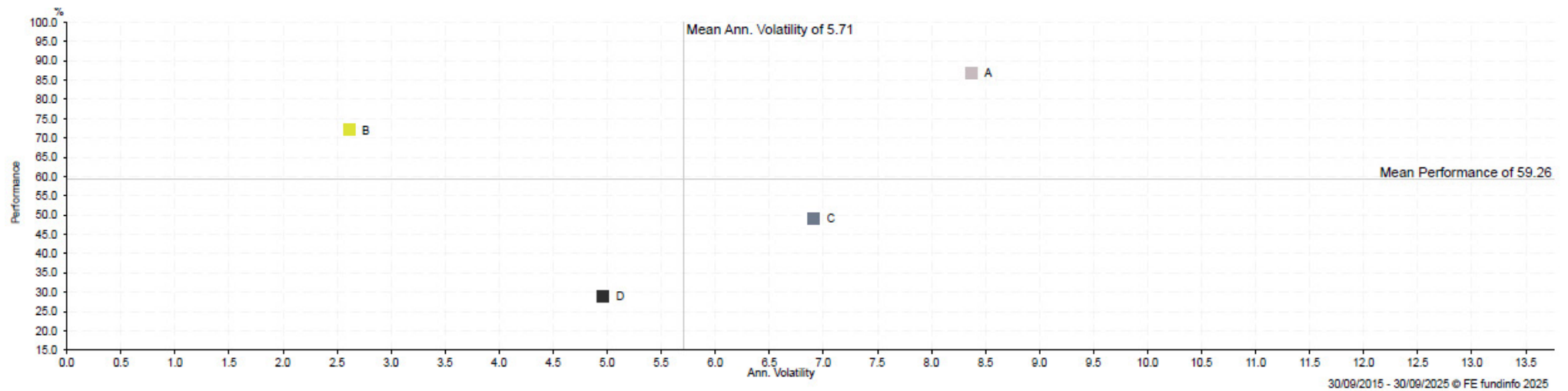


30/09/2020 - 30/09/2025 © FE fundinfo 2025

Key	Name	Performance	Volatility
A	ABI Mixed Investment 40-85% Shares GTR in GB	35.09	7.80
B	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	30.63	2.05
C	ABI Mixed Investment 20-80% Shares GTR in GB	21.43	6.73
D	ABI Mixed Investment 0-35% Shares GTR in GB	6.50	5.30

Returns v. Volatility Performance - Past 10 Years

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



Key	Name	Performance	Volatility
A	ABI Mixed Investment 40-85% Shares GTR in GB	86.77	8.37
B	Wesleyan - With Profits Growth Pension Fund Series Pn A GTR in GB	72.05	2.61
C	ABI Mixed Investment 20-60% Shares GTR in GB	49.21	6.91
D	ABI Mixed Investment 0-35% Shares GTR in GB	29.01	4.96

Performance Since Inception

Pricing Spread: Bid-Bid • Data Frequency: Daily • Currency: Pounds Sterling



Please note that past performance is not a reliable guide to future performance and the value of your investment, and any income can go down as well as up, so you could get back less than you invested.

For more information or to discuss Wesleyan's With Profits Growth Fund with one of our team please get in touch:



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