#4 MONTHLY COMMENTARY
NOVEMBER 2025

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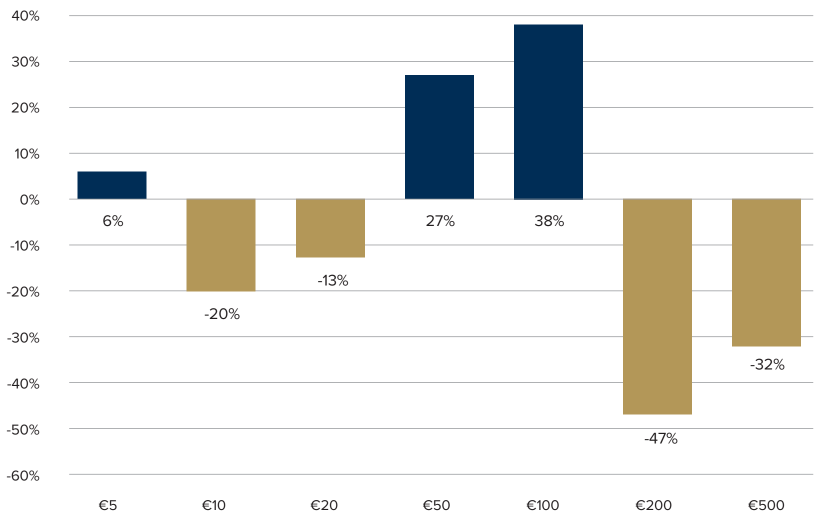
UNITED KINGDOM

Market Report

Developments in Financial and Commodity Markets

China's stimulus-driven monetary expansion is temporarily stabilising US credit markets. The added liquidity has helped counter the financial stress caused by a sharp investor sell-off in regional banks amid renewed fears of contagion from loan losses and bankruptcies. Meanwhile, the AI sector's closed-loop investing cycle is heightening the risk of a market correction reminiscent of the Dot-com crash. In Europe, fiscal imbalances and political paralysis are demonstrating the limits of debt-dependent growth.

Distribution of counterfeit euro notes in H1 2025 compared with H2 2024



Highlights

- **China's Liquidity Surge Shields Global Credit Markets**
  Beijing's expanding money supply is stabilising financial conditions worldwide, easing US credit stress from regional bank losses.

- **AI Investment Cycle Mirrors Dot-Com Era Risks**
  The AI sector's debt-fuelled, self-reinforcing investment loop is inflating valuations and raising the risk of an eventual correction.

- **Gold Maintains Its Bull Market as Investors Seek Safe Havens**
  Ongoing liquidity concerns and geopolitical tensions have driven renewed demand for gold, reinforcing its role as a hedge against market instability.

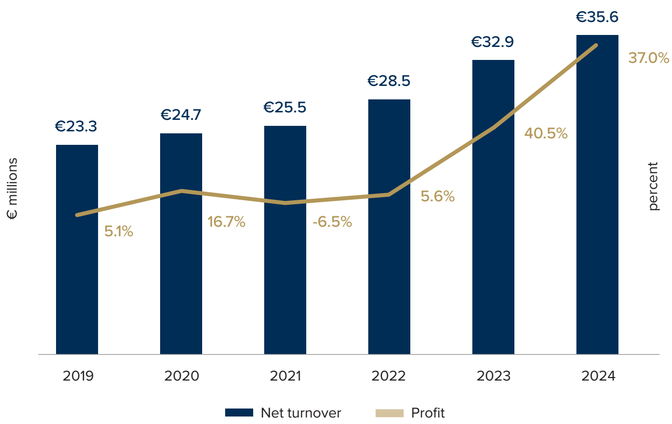
- **Silver Hits Record High Amid Global Supply Squeeze**
  Silver surged to a historic high, fuelled by surging demand, shrinking inventories, and a tightening bullion market.

- **Market Risk Signal Shifts Toward Neutral Allocation**
  November's shift to a neutral risk environment signals rotation from equities into bonds, with lower tail risks prompting a slight reduction in precious metals allocation.

In the first half of 2025, the Bundesbank removed 36,600 counterfeit euro banknotes—worth nearly €2.1 million—from circulation, an 8% increase from H2 2024. Counterfeiting in Germany remains comparatively low overall, averaging nine fake notes per 10,000 inhabitants. The Bundesbank noted counterfeiters are increasingly targeting more common denominations, but which are nevertheless largely being used for higher-value purchases. The largest increase in counterfeits involved €50 and €100 notes, while €200 and €500 fakes declined sharply. Despite the increase in cases, total financial losses from counterfeiting remained stable. For investors, this could serve as a reminder that gold, bought from a reputable dealer, is not only fraud-proof, but inflation-resistant, universally trusted, and—in 2025—the strongest performing asset for growing and preserving wealth.

Mercadona, Spain's largest supermarket chain, has built a reputation as one of Europe's best employers by combining above-average pay, flexible work possibilities, profit-sharing, and long-term contracts. Employees earn 27% above the national minimum wage, and this rises to 72% after four years. A family-run company, Mercadona reinvests heavily in digitalisation, expansion, and community initiatives, including food donations and disaster relief. This approach has boosted its employer brand, awarding it second place in Spain's most respected brands index. In 2024, the supermarket achieved record growth with €38.8 billion in gross sales and €1.38 billion net profit, surpassing its annual targets.

Mercadona Net Sales and Profit 2019-2024



Precious Metals and Commodities

Gold and silver are likely to experience some sideways movement in the short term as markets absorb the recent rally. Meanwhile, copper, oil, and agricultural commodities are projected to remain relatively stable in the short and medium term. Nevertheless, all precious metals and commodities continue to follow a long-term upward trajectory.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	→	→	→	→	→
Outlook	↗	↗	→	↗	→
Trend	↗	↗	↗	↗	↗

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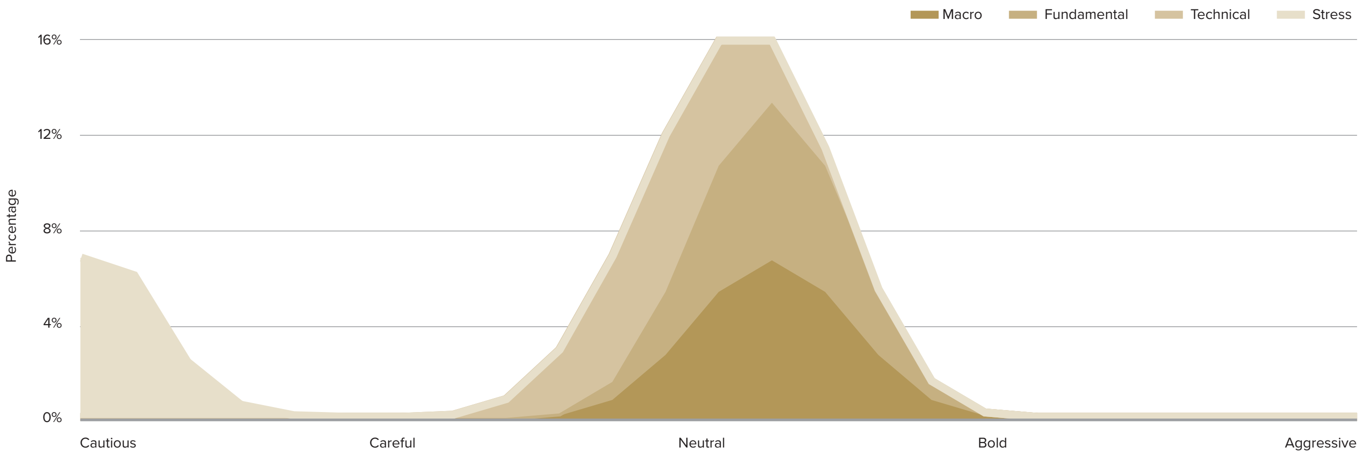
Market Risk Signal

Market Risk Signal

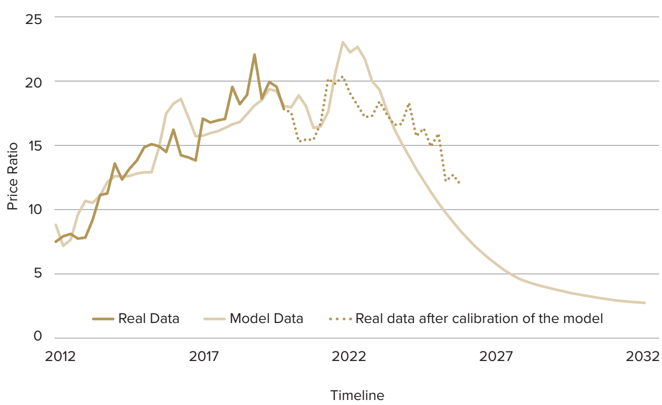


Gold vs stocks forecasting model

The current level of debt relative to real economic output is similar to the situation in the Germanic nations prior to the World Wars in the 1910s, and in France leading up to the French Revolution in the 1790s. In such high-debt scenarios, the likelihood of instability and a deleveraging process is greatly increased. Since gold holdings are typically free from another's liability, the deleveraging process has a gentler impact on gold prices than on equities. The anticipated deleveraging process can be modelled using coupled differential equations, which suggest that gold will likely outperform stocks from 2022 onwards. The model was calibrated in 2019 and has not since been adjusted for new input data.

According to the model, the peak at which economic activity assets (such as equities) will outperform gold is around Q3 2022. From that point forward, the model predicts an outperformance of gold relative to stocks (light line). When compared to real data on the stock-to-gold price ratio (dotted line), the trend of gold outperforming stocks appears to have begun early in 2022. Whether a short-term reversal will occur remains uncertain; however, the long-term trend towards stronger gold performance remains evident.

Ratio of stock to gold prices in the US



Gold Feature

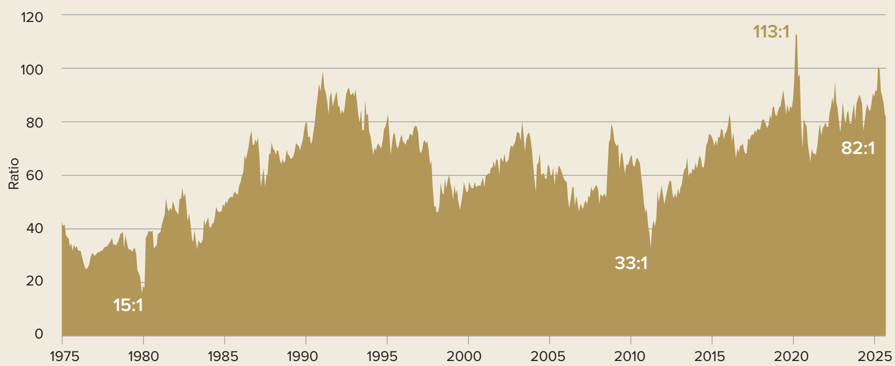
Earlier this month, silver soared past its former all-time high of $50/oz to a new all-time high of $54/oz for the first time in history, surpassing the peaks of the 1980 and 2011 bull markets. While precious metals have since experienced a needed pullback to develop new support levels, the strength of silver's rally, coupled with the drivers behind gold's price movements, supports the long- term uptrend in precious metals.

Silver prices have risen by more than 80% this year, with the most recent run triggering a supply squeeze in London's bullion market. The Royal Mint ramped up production in response to an influx of retail and institutional orders in October, but had warned of possible delivery delays as inventories ran critically low. The shortage pushed lease rates up to multi-year highs, according to Bloomberg. Market participants cited a sharp rise in demand from India in recent weeks, along with a shrinking supply of tradeable bars and mounting concern over potential US tariffs, as key drivers of the recent surge.

Despite its recent strength, silver remains undervalued, with demand far outpacing supply. In October, the market slipped into backwardation, a rare situation where buyers pay more for immediate delivery than for future contracts. Backwardation reached an extraordinary 20% annualised rate in mid-October, reflecting rising investor appetite for tangible assets. Another way to gauge the relative value of silver's price is through the gold-to-silver ratio.

This is calculated by measuring how many ounces of silver, in dollar amounts, are equal to one ounce of gold. The lowest ratio in recent history was around 15:1 in the mid-1970s, while the highest was 113:1 in April 2020. The most recent drop came in 2011, when the ratio fell to 33:1. Currently, it sits at 82:1, further supporting the argument that silver has room to appreciate further as its bull market gathers momentum.

Silver-to-Gold Price Ratio 1975-2025



Source: Bloomberg, SIM Research Institute AG

Current investment situation

China's recent stimulus-driven monetary expansion is providing a temporary reprieve for US credit markets, injecting much-needed liquidity into a system under pressure. The move has helped stabilize conditions following a sharp sell-off in regional banks, as investors reacted to mounting concerns over loan losses and the spectre of contagion from recent bankruptcies. While this liquidity boost has calmed immediate fears, the underlying vulnerabilities, particularly in commercial real estate and leveraged lending, remain unresolved. The transitory nature of this support underscores the fragility of the current equilibrium, leaving markets exposed should China's stimulus measures lose momentum or global risk appetite wane.

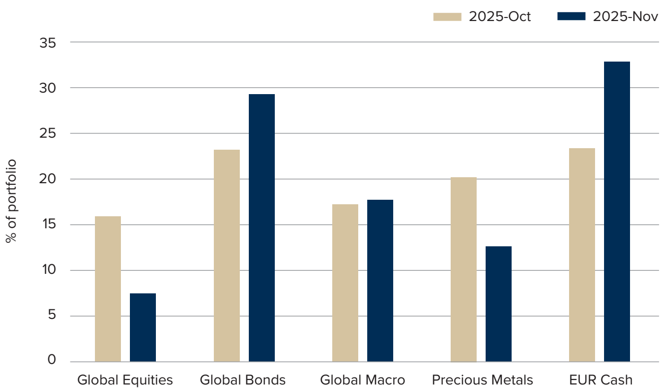
In Europe, persistent fiscal imbalances and political gridlock are exposing the limits of debt-fuelled growth, with policymakers struggling to balance austerity demands against the need for stimulus. The region's ability to sustain economic momentum is increasingly in question, as structural rigidities and demographic challenges weigh on long-term prospects. Meanwhile, Southeast Asia's resilience is being tested by the "middle-income trap," as weak innovation, a large informal labour force, and constrained access to credit hinder the transition to higher-value industries. Without targeted reforms to boost productivity and foster technological advancement, the region risks falling behind in the global competition for investment and talent.

The artificial intelligence sector's rapid expansion is increasingly mirroring the speculative excesses of the late 1990s Dot-com era. A closed-loop investing cycle, fuelled by exuberant capital inflows and skyrocketing valuations, is amplifying the risk of a sharp correction. While AI's transformative potential is undeniable, the disconnect between lofty stock prices and near-term profitability is growing more pronounced. Investors are betting heavily on future earnings, but the lack of sustainable revenue models among many AI startups, and the concentration of gains in a handful of mega-cap players, could set the stage for a painful reckoning if sentiment shifts or funding dries up.

Allocation adjustments

The current investment climate is characterised by cautious optimism amid persistent macroeconomic uncertainty. Portfolios are being recalibrated with a reduction in global equities and a higher allocation to bonds, complemented by a greater emphasis on global macro strategies and a modest decrease in cash holdings. This realignment reflects a nuanced approach to risk management, as tail risks have slightly abated, leading to a marginal reduction in precious metals exposure. Investors are increasingly favouring flexible, actively managed vehicles to navigate shifting interest rate expectations and regional growth disparities.

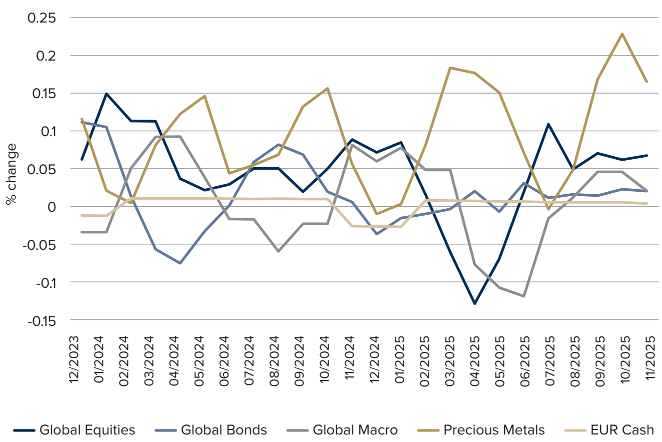
Allocation compared to the previous month



Rolling three-month performance of various asset classes

An analysis of rolling three-month performance shows that active allocation between equities, bonds, and gold has consistently added to portfolio returns. This pattern remains evident over the long term, highlighting the value of dynamic asset management. Although gold has seen a brief pullback as markets consolidate last month's gains, it continues to be the strongest contributor to performance, reaffirming its role as a core diversifier in uncertain market conditions.

Rolling 3-month performance

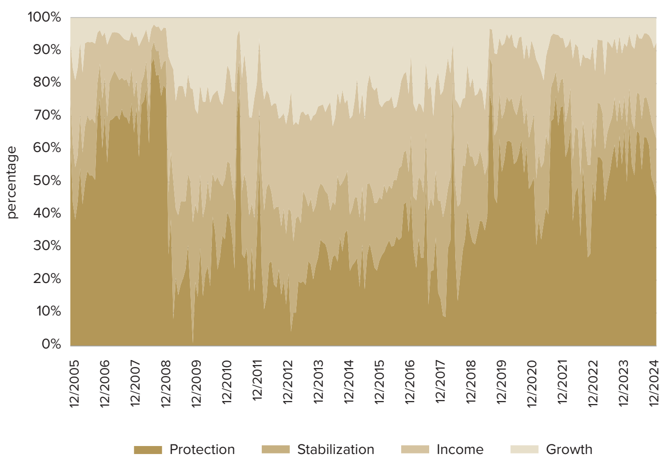


Historical analysis of a dynamic gold allocation

The market risk signal—derived from economic data, capital investment valuations, and market behaviour—provides guidance on both asset class selection and allocation levels. In general, a more favourable environment supports higher exposure to equities, while a more critical or uncertain market environment calls for increased allocations to hedging assets such as precious metals or cash.

Allocation changes over time

Allocation by portfolio role



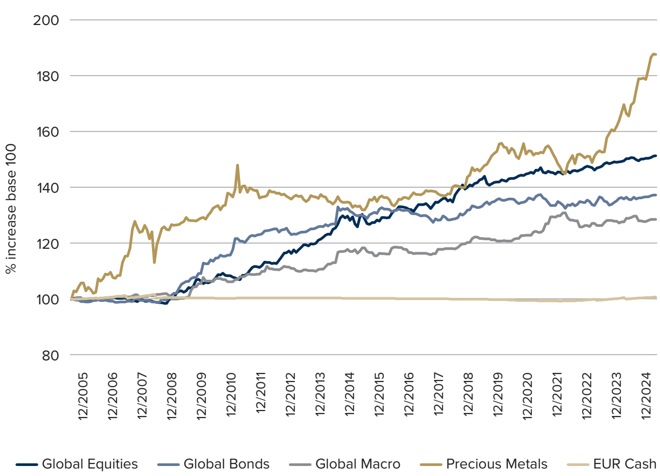
Accordingly, asset class allocations are adjusted based on the market risk signal. For instance, in the summer of 2008, when market risk was very high, the portfolio was heavily weighted towards cash, precious metals, and bonds.

In contrast, between 2012 and 2015, risks in the European market were relatively low, resulting in a higher allocation to equities (fulfilling the portfolio role of "Growth") and a reduced need for hedging assets.

For November, the market risk signal is declining slightly from a more aggressive environment, into neutral territory, suggesting a shift in allocation from equities to bonds. Lower tail risks suggest a small reduction in the precious metal quota.

Performance contribution of various asset classes

Performance Contribution



Performance attribution illustrates how much each asset class has contributed to overall portfolio performance during a given period, with relative allocation playing a key role. For example, between 2014 and 2019, the allocation to gold was relatively low, and the majority of returns were generated by bonds and equities. In more economically challenging years, the allocation to gold increased, and—due to gold's strong performance during those periods—the portfolio achieved attractive overall returns.

At present, precious metals continue to outperform all other asset classes by a considerable margin.

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