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Prospects

The JM Finn Quarterly Periodical

AI creativity
A match for humankind?

Caring for dementia
Lessons from care home life

Landlord legislation
The final straw?

No.54

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Welcome

The outbreak of conflict in the Middle East is troubling – we know that many of our clients have connections or travel plans in the region, so first and foremost we hope you are all safe. Some may also wonder about the possible impact of these events on portfolios: we do not believe that there will be a prolonged downturn as a result of the conflict. While we continue to monitor the impact on markets on a daily basis, our overriding message is to continue to take a long-term view when it comes to investing and to avoid decision-making based on short-term market movements.

Growing older is a privilege, as they say – but with one in five of the UK population now aged 65 and over, there will be an increasing demand for long-term care provision in the future. It is no secret that the cost of long-term care can be astronomical – on page 24 of this issue, Tom Cheesman explains why care fees have been significantly higher than inflation in recent years, with the gap set to widen further. A particular challenge can be when care is needed over a sustained period, presenting cashflow challenges. Fortunately, JM Finn's Wealth Planning team are able to help our clients with long-term care planning, including stress testing different scenarios to manage liquidity. Additionally, Michael Maslinski brings a unique perspective to our guest editorial from the nine years he spent living in a care home to look after his wife Maggie, after she developed dementia in her fifties. From the importance of seeking early diagnosis to putting powers of attorney in place, Michael shares the lessons from his experience on page 10.

Also on the topic of sharing, we had an overwhelming response to our 2025 client survey to tell us your thoughts about JM Finn and the services we provide; we're pleased to be able to bring you a snapshot of the results on page 20. Thank you very much to everyone who completed the survey – your feedback shapes the future direction of the firm and is vital for us to check that we continue to meet our clients' needs.

Keeping on track with changing legislation has long been part and parcel of being a sole trader or landlord – but new HMRC regulations are set to come into force from this April that will require quarterly reporting if your gross turnover or rental income exceeds £50,000 per year – more on this in the Independent View on page 36. If you are an affected landlord and are considering selling some of your property portfolio, please speak to your JM Finn investment manager if you would like to discuss alternative investments.

Artificial intelligence (AI) continues to cause a seismic shift in many areas of life. It has already wiped share value from some global service equities, including this issue's stock in focus, RELX, on page 28. Whether this marks a short-term blip in share performance or a longer-term trend of AI usurping vast swathes of the service sector remains to be seen. With its influence also seeping into creative industries, and Sweden already moving to remove AI-produced music from its national charts, Research Analyst Henry Birt considers whether AI has the capacity to match or even surpass human levels of creativity.

Lastly, JM Finn's newest office has opened in the heart of Cheltenham with an experienced team at the helm – including Investment Director Mark Burnett who is featured in our Meet the Manager column on page 44. The team are up and running and ready to meet clients in the Gloucestershire area.

Carrie Lennard
Editor


Parkside Revival
indie POP
PUNK ROCK SHOW
burn pop
BEACH PUNK FESTIVAL
Violet Cinema
Lost Halo
Paper Satellites
Afterglow Session
Pale Receiver
Mercury Sleep
Winter Arcade
Blue Static
and many more
NEW!
SOFT EXIT
THE BURNING ROCK FEST

Editorial

The imitation game

Henry Birt
Research Analyst

With a rising proportion of music, art and film now generated by Artificial Intelligence (AI) tools, Henry Birt considers whether AI can ever truly match or surpass human creativity.

On the 16th of January Sweden's recording industry's trade body removed a song from the national charts. It issued the following explanation: "if it is a song that is mainly AI-generated, it does not have the right to be on the top list." The offending tune is credited to an artist called Jacub; however, it transpires it may originate from within a production team at Stellar Music, a Danish music publisher and marketer. The team at Stellar claim AI assisted in the process, but that the ideas and themes of the music come from a human team.

Similar examples of AI-generated music have gained popularity elsewhere. Commentators often highlight the generic style many of these tracks conform to and yet, 'bands' such as Velvet Sundown, a country folk group, amass millions of views on Spotify. Only once the details of their artificial production are released do many listeners sour.

Whether an acolyte or luddite, AI music forces us to ask: can AI be creative?

Defining creativity

Several attempts have been made to define creativity. Margaret Boden, a professor of cognitive science, settled on "new", "surprising" and "valuable" as the three essential criteria. An earlier attempt by Morris Stein, an American sociologist, characterised a creative work as a "novel work that is accepted as tenable or useful or satisfying by a group in some point in time." Many of the attempts to define the term have coalesced around a 'standard' definition as outlined by Mark Runco and Garrett Jaeger in the Journal of Creative Studies. Creativity, argue the pair, is generally accepted to require both originality and effectiveness.

Originality feels necessary, but not sufficient. Truly creative works must comprise some degree of originality, yet novelty alone is not enough. Four random words lifted from a dictionary may make something original and yet, for most, this would struggle to constitute creativity.

> Truly creative works must comprise some degree of originality, yet novelty alone is not enough.

Something else is, therefore, required and this is captured within the effectiveness criterion. In Boden's definition she defines effectiveness through the lens of value. Stein stresses more specifically that usefulness can be specific to a particular group. This added nuance gets right to the heart of the difficulty in defining creativity. Whether something is considered creative or not has a lot to do with the perspective from which one is looking.

What then makes something 'effective' for a particular group? Many emphasise motivation. The motivation for the creation of something original is, for many, the reason to classify it as truly creative. It seems reasonable to assume that Tracey Emin's bed would struggle for acclaim, without an understanding of the motivations for creating it.

We're left then looking for something both original and effective, with that efficacy for a particular group often stemming from the motivation for the original work.

Large Language Models 101

Before we can judge AI against this definition of creativity, we need a basic understanding of how Large Language Models (LLMs) 'create'. LLMs are often described as next word prediction machines, but what does this actually mean?

Creating an LLM follows two phases: pre-training and post-training. Pre-training creates what is called the 'base model' and, to date, this is where most data-centre capacity has been used. Simply, the LLM ingests a huge amount of information from which it can learn. This is most often sourced from large portions of the internet. Oversimplifying slightly, the LLM tries to draw relationships between words. How they do this isn't important here, what matters is that the LLM is trying to distil a very large set of data by understanding the relationship between words and using this to probabilistically guess the next word in a sentence.

If we entered the phrase 'the cat sat on the' the model might, based on all the historical data it has seen, guess the next word is 'mat'. The model has not been explicitly told this but has instead inferred this from the historical language it has seen.

With pre-training complete, we have a base model, and we can move to post-training. Here the model has captured the statistical regularities in the dataset which it can use for next word prediction.

In post training we are fine-tuning the model. In the case of systems such as ChatGPT, we train the base model on a smaller but higher quality dataset of interactions that illustrate how a helpful agent might interact. From these examples the LLM learns the style of response appropriate for a helpful agent.

Post training can also include reinforcement learning (RL), which can take several forms. This is easiest to understand using a maths example. The model is given a series of problems and is given the answer to each problem, but no workings. It must thus try multiple solution paths and learn from which approaches are most effective. This process significantly improves the model's ability to answer complex questions.

When we go to interact with an LLM it can also draw on tools such as an internet browser to augment responses but much of the LLM's behaviour remains grounded in the pre-training and post-training steps.

What is hopefully clear from this oversimplified example is that LLMs are fundamentally probabilistic entities and that the probabilities which drive the next word prediction are derived, in large part, from the historical data they are trained on.

Can AI create?

With our understanding of LLMs, it seems reasonable to suspect that they should be capable of originality. Novelty, again as described by Stein, is the "reintegration of already existing materials or knowledge, but when it is completed, it contains elements that are new." The probabilistic process by which LLMs generate new material is bound to generate novel combinations of existing material.

Take for example AlphaGo, an AI program developed by DeepMind, a subsidiary of Google. AlphaGo was developed to play a board game called Go. Go is played on a 19x19 grid and is much more complex than chess. AlphaGo shocked viewers when, whilst playing world-class player Lee Sedol, it played an unconventional move which many thought to be a mistake. The move later proved to be strategically brilliant and swung the game in AlphaGo's favour. This move had not yet been contemplated by Go-playing professionals and demonstrates some level of AI-generated originality.

Yet, whilst Go has a desired outcome that is easy to define, many creative pursuits don't. What makes a song or painting truly effective?

"

For some, once they have seen behind the cloak, the music, film or artwork doesn't feel the same.

Returning to our definition – it comes down to who this is effective for, and the Velvet Sundown example points us to where AI might fail to meet our definition. After being disclosed as an AI-generation, some fans' enthusiasm for the band cooled. Having listened to AI music or watched AI-generated video content, I think you would often be hard pressed to tell the difference, yet what seems to matter is motivation.

For some, once they have seen behind the cloak, the music, film or artwork doesn't feel the same. It is for this reason that AI may never truly monopolise creativity. Yet with 34% of music uploaded to Deezer (a streaming site) now AI-generated, and with 1 in 10 of the fastest growing YouTube channels showing solely AI-generated content, it seems this group might be smaller than we expect. There is a large portion of daily content consumption for which AI-generated content is probably 'good enough.'

In addition, the humans prompting these LLMs are arguably still the same motivated creators. Take films, for example. It seems fair to assume a non-significant part of the motivation embodied in the work comes from the writer, director and producer. Does then the absence of actors and whole production teams reduce the motivation of the work anyway? A recent AI-generated work from directors Samir Mallal and Bouha Kazmi, which depicts the US attacks on Iran's nuclear sites, doesn't lack motivation.

And yet I remain convinced by the argument put forward by, amongst others, Azeem Azhar, tech analyst, writer and podcaster. His theory is that perfection in creation may become increasingly commoditised and that both criteria of our creativity definition (originality and effectiveness) may even be met in many cases. But whilst AI-generated content might be slick and increasingly error-free, precisely what will be missing is human imperfection.

Pottery has been mass produced since the late 18th century and yet hand thrown clay remains popular. Something about the human motivation and involvement, and the imperfections this creates, resonates. These imperfections are a feature not a bug. Whether AI replaces 20% or 90% of creative output, it seems unlikely to replace the extortionate artisanal pottery my mother so loves to receive for Christmas.

Please read the important notice on page 1.

PERSPECTIVES

Keeping pace

Running a business has always been challenging and as legal and regulatory changes are delivered, so the complexities for business leaders multiply.

Hugo Bedford
CEO, JM Finn

Firms have to comply with an increasingly wide range of regulations governing every aspect of the business, in order to keep both clients and employees safe. The real challenge can often come in adapting the business to comply with new rules, without clients perceiving any changes in the quality of service they receive. This can be something akin to running a train company – striving to deliver a comfortable passenger experience every time while adhering to a vast array of safety regulations that most passengers simply never need to think about, which are designed to do their utmost to ensure that crews and travellers alike are kept safe from harm. The vast safety regulations governing train companies have developed over the years in response to historic accident levels, in order to make train travel among the safest forms of transport – roughly 15 to 25 times safer than driving a car, according to the Rail Passengers Association.

Which rules are we subject to? First and foremost, we are of course governed by regulation from the Financial Conduct Authority (FCA) – their handbook alone contains several thousand rules governing JM Finn's conduct. Keeping up to speed with these rules is a full-time job for our dedicated compliance team. While regulation always comes with varying degrees of satisfaction, the UK's financial regulation system is widely regarded as giving UK consumers among the highest standards of protection in the world. Among the key principles under its Consumer Duty rules are a duty to avoid foreseeable harm to customers and to act with integrity, which I'm sure everyone will agree are laudable.

One area that exemplifies some of the challenges are the data protection laws such as GDPR – which impose strict rules about the way firms handle and process your data. Regulations from different laws and bodies mean that we frequently have to carry out risk-based assessments to determine how best to act in a way that will be in the best interests of both clients and staff.

Our duty to our clients and employees doesn't stop at the office. Upcoming changes to the Employment Rights Act 2025 are set to come into force from October 2026 and will move the bar higher to make employers liable if our employees experience any form of harassment from third parties such as our counterparts, suppliers or customers.

Similar to the challenges faced by the country's rail operators, legislation that helps to keep all of us safe can only be a positive: keeping our clients and employees protected has helped JM Finn endure as a firm for 80 years – and we welcome any new developments that will enable us to continue to do so.

Guest editorial

What I learnt caring for a loved one with dementia

Michael Maslinski

A former banker and strategy consultant, Michael Maslinski spent nine years living in a care home to look after his wife Maggie, after she developed dementia in her fifties. Michael's book 'What would Maggie Do?' is his full account of this time. Here, he shares insights from his unique experience to help others with family members who need care.

Nearly two years ago I lost my darling wife Maggie to dementia after 15 years coping with the disease and its consequences. In a sense I was more fortunate than most. Maggie still recognised me to the end and she was still very affectionate. Although she had not been able to speak coherently for 10 years and had long since lost her ability to do the most basic things for herself, she still retained her very distinctive and charismatic personality.

In many respects I am no different from millions of others who have had to cope with the emotional distress and practical challenges of looking after a spouse with dementia, but in one respect I am apparently most unusual. For the last nine years of her life, I lived with Maggie in a care home, whilst continuing to work part time. Very senior people in the care sector have told me this rare experience has given me an almost unique perspective of the care system. I have been urged to share the lessons of that experience for the benefit of others.

Life in the care home was remarkably agreeable and in the main Maggie received excellent care from highly dedicated carers and other wonderful staff. At its best our care home was like a big family and I still recommend it strongly to friends. But I was not just a companion for my wife. I supervised every aspect of her care and made all key decisions on her behalf, as was my duty under power of attorney. As Maggie's advocate I sometimes found myself in disagreement with a variety of health professionals across the care system, from nurses and physiotherapists to consultant surgeons.

> It really is important to be alert to any changes in behaviour – as the earlier dementia is diagnosed the better.

I came to realise that, on occasion, their professional judgments are excessively influenced by an understandable need to protect themselves against regulatory sanction or the risk of litigation. There is fear of making decisions or professional judgements which do not 'tick all the boxes.' Adherence to process sometimes seems to squeeze out judgement and common sense. Ensuring Maggie's best interests prevailed was a long struggle, despite the fact that I was exceptionally well prepared and well equipped for it. Others are less well equipped and it is for them I am now advocating significant changes in the culture and regulatory regime. For these reasons also, it is important for everyone affected to prepare as early as possible for what lies ahead, so that their nominated advocate is fully empowered to make decisions on their behalf.

Maggie had a huge, larger than life personality, a razor-sharp mind and quite exceptional self-confidence. She was a highly successful professional with a global reputation and, fortunately for me, she gave me clear guidance on which I could base my decisions.

Early symptoms and diagnosis

Only when she began to lose vocabulary in her late 50s did I realise something was seriously wrong. She was diagnosed with semantic dementia and later Alzheimer's. But with hindsight, the early signs had been there several years earlier. It wouldn't have made much difference if I had acted sooner, but now new medicines are becoming available and it really is important to be alert to any changes in behaviour – as the earlier it is diagnosed the better.

Preparation for the future – powers of attorney

Health and Welfare

Most obviously, it is very important to execute powers of attorney ('Health and Welfare' and 'Property and Financial Affairs') as soon as possible, while the person concerned is still able to articulate their wishes and make decisions for themselves. I later came to realise the importance of thinking through and recording your wishes in some detail.

The problem I encountered was that too many health professionals did not really understand they had a duty to give the same weight to my views as her advocate, that they would have given to Maggie's own views, had she been able to speak for herself. When making decisions for a loved one, it really helps if you feel confident you know what they would have decided themselves. Issues to discuss could include: What sort of life do you want to lead? What priority is attached to remaining active and mobile and what is your desired approach to making medical decisions where risks have to be balanced against benefits? Such discussions can be difficult to initiate, but once the ice is broken, they can be enlightening and very fruitful.

Property and Financial Affairs

The power of attorney does not become activated until doctors have certified a loss of capacity, confirmed by the Court of Protection. However the person concerned may be finding it increasingly difficult to make decisions

> Discussions can be difficult to initiate, but once the ice is broken they can be enlightening and very fruitful.

well before they are deemed to have lost capacity. Our finances had been completely separate, but straight after diagnosis we moved to joint decision-making and I became a signatory on Maggie's bank accounts and investment portfolios. As it happens, I was able to recover a substantial compensation in respect of an investment which she would never have purchased but for her declining powers.

It is also desirable to conduct a full review of finances and make plans to provide for the future, which may include the considerable expense of care home fees (in our case we purchased a very good value annuity which covered at least half our care fees).

Help from friends and carers

You do not need to be alone. Some friends may find it embarrassing and hold back, but others will offer to help. My experience is to accept offers of help and get people involved – some of them will become massively supportive and once they are 'involved' they will feel part of the team and want to be as useful as they can in meeting challenges as they arise.

At some point you may need paid carers and most people will find them through one of the big agencies. To this end I found it very helpful to make friends with the manager of the agency, and, crucially, I managed to get regular carers who shared Maggie's love of music and the arts, which really helped in building a relationship.

Moving to a care home

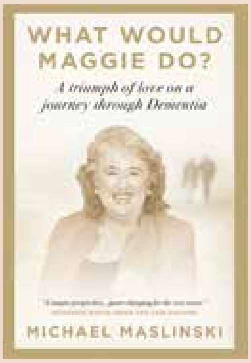
There are many advantages in moving to a care home, not only to benefit from their expertise, but giving immediate access to carers, nurses, doctors and other professionals, to a range of facilities and a ready-made social life – many of our fellow residents and indeed carers were delightful company.

However, in moving a spouse to a care home it is vital to stay in full control of the care they receive and of the decisions made regarding health and welfare. In particular, it is essential to be present at meetings with doctors and other health professionals. I mention this because my experience is that on occasion,

"It is so important to have detailed discussions about care when drawing up powers of attorney.

professionals tend to take over and make key decisions without the input of the advocate, according to their own criteria. As an advocate, you may often need to challenge or debate the advice of doctors in just the same way as your loved one would have done, had they been able.

In choosing a home, it is vital that the care home managers understand and accept that, while professional advice is essential, you will be taking the decisions. That is why it is so important to prepare well in advance, and have detailed discussions about care, when drawing up powers of attorney.



Michael Maslinski's book What Would Maggie Do? is now available to buy from retailers such as Waterstones and Amazon. His story gives unparalleled insight into the challenges within the care sector and the NHS, with an aim to spark meaningful change.

All views expressed are those of the author and are presented for information purposes only. The information provided in this article is of a general nature and is not a substitute for specific advice about your own circumstances. You are recommended to obtain specific advice from a qualified professional before you take any action or refrain from any action.

Markets in focus

Jon Cunliffe,
Head of Investment Office

After growing at an above-trend pace over the previous two quarters, global economic activity appears to have decelerated in the final quarter of the year 2025, led by a slowdown in China.

Nonetheless, the global economy – and particularly the United States – has proved more resilient than many feared in the aftermath of President Trump's 'Liberation Day' tariff announcements in early April. While the immediate impact of those measures weighed on confidence, activity has held up better than expected, and the balance of evidence points toward a reacceleration in growth through the first half of 2026. This outlook reflects a combination of front-loaded fiscal stimulus (government spending measures) in the US, the rollout of German-led defence and infrastructure spending in Europe, and further targeted fiscal and monetary easing from the Chinese authorities. Taken together, these forces should support a renewed upswing in global growth during 2026.

> There is now growing evidence that the US labour market is losing some of its earlier strength.

Encouragingly, inflation data over recent months have generally been lower than expected, confounding those who expected a broad-based, tariff-induced increase in price levels. This benign inflation backdrop has contributed to what can best be described as a 'Goldilocks' macroeconomic environment, providing a clear tailwind for risk assets like equities, with global equities delivering above-average returns. This reflects a combination of easing financial conditions, improving earnings expectations and fading near-term policy headwinds. More fundamentally, recent developments underline a broader shift in the way economic and market outcomes are determined. Increasingly, it is policy – fiscal, monetary and regulatory – that drives growth, inflation and asset prices, rather than the traditional feedback loop from economic fundamentals to policy responses. In this environment, successful investing depends less on forecasting the economic cycle in isolation and more on understanding how policy choices will evolve and interact in the quarters ahead.

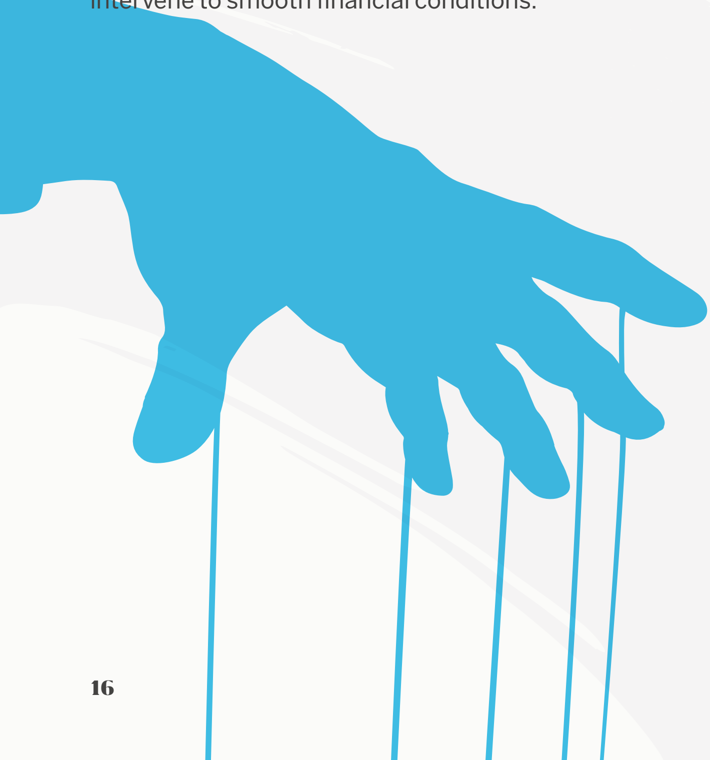
The policy-driven nature of the current cycle was clearly illustrated in the United States, where a government shutdown in October and November disrupted the production and dissemination of official economic data. With little reliable data released until late November, policymakers and market participants were forced to navigate an unusually 'noisy' information environment. These effects complicate interpretation but do not alter the broader message that US economic momentum, while cooling, remains intact.

There is now growing evidence that the US labour market is losing some of its earlier strength. Hiring has slowed meaningfully over the course of the year, yet layoffs have not risen significantly. This 'no hire, no fire' dynamic matters because it suggests the economy could decelerate without triggering a sharp increase in unemployment. At the same time, a different and more structural scenario is also emerging, in which trend-like growth could coexist with gradually rising unemployment, as artificial intelligence displaces certain categories of labour. Against this uncertain backdrop, and with inflation still somewhat above target, the US Federal Reserve ('Fed') chose to cut interest rates by 25 basis points at each policy meeting during the quarter, bringing the Fed Funds target range to 3.50–3.75 per cent.

Outside the United States, the dominant theme has been divergence in monetary policy. The European Central Bank ended 2025 with policy rates at 2 per cent, with officials increasingly confident that inflation is close to target and that restrictive settings are no longer required. Meanwhile, the Bank of Japan continued its slow and deliberate exit from ultra-loose policy, raising rates by a further 25 basis points to 0.75 per cent.

The most important variable for investors is likely to be the pace and extent of further Federal Reserve easing.

Financial conditions have also offered reminders that calm markets do not necessarily imply an absence of underlying stress. On December 31st, usage of the New York Fed's Standing Repo Facility (which facilitates overnight borrowing by financial institutions) reached a record high, signalling year end balance sheet constraints and short-term funding pressures despite benign surface conditions. In response, the Fed has quietly introduced a new tool – Reserve Management Purchases – which closely resembles a form of targeted quantitative easing (i.e., monetary stimulus). This additional liquidity backstop could prove supportive for markets in the months ahead, reinforcing the perception that policymakers remain willing to intervene to smooth financial conditions.



Looking over the balance of 2026, the most important variable for investors is likely to be the pace and extent of further Federal Reserve easing. If inflation continues to improve and the labour market remains in a 'cooling but stable' zone, gradual additional interest rate cuts should support both bonds and equities, albeit with intermittent volatility. The principal risk to this outlook would be a renewed rise in inflation, whether driven by policy shifts or supply side shocks, which could force the Fed to pause earlier than expected. At the same time, growing global policy divergence – particularly between a normalising Japan and an easing bias in the US – raises the importance of currency movements and cross border capital flows, after several years of unusually synchronised monetary policy.

For bond investors, higher starting yields mean that income can once again account for a meaningful share of total returns. However, recent experience is a reminder that long duration bonds remain vulnerable to shifts in inflation expectations, fiscal concerns and term premia (i.e., the excess return that investors expect to receive for holding longer-dated bonds compared to shorter duration bonds). Corporate bonds continue to look attractive, while defaults remain contained, but the narrow yield compared to government bonds means that corporate bonds would be more vulnerable if the labour market deteriorates more sharply and layoffs begin to rise.

Against this backdrop, global equities appear well positioned for a constructive 2026, and we expect double digit returns across both developed and emerging markets. This optimism is underpinned by broadening earnings growth, easing interest rates and fading policy headwinds. The United States and Asia remain the primary engines of global expansion, driven by an AI-led investment cycle that is boosting capital spending and profitability. While this strength is spreading across regions and sectors, the global economy retains a K shaped profile (i.e., a growing wealth divide between the highest and lowest earners), creating clear winners and losers and fuelling populist pressures and unorthodox policy responses that can generate bouts of volatility.

In the US, economic conditions and policy support are likely to align. Our base case assumes the Federal Reserve cuts interest rates to around 3 per cent by year end, with scope for deeper easing if political developments encourage a more dovish tilt (i.e. one that prioritises economic growth over maintaining low inflation). A Trump-led effort to reshape the Federal Open Market Committee could amplify this trend, particularly if personnel changes embolden the administration to exert greater influence over monetary policy ahead of the November midterm elections. In this context, a full year S&P 500 return of around 10 per cent appears reasonable, with upside potential if inflation continues to soften, albeit offset for non-US investors by a weaker dollar.

Corporate profit margins have scope to expand modestly from already elevated levels, supported by evidence that AI adoption is improving productivity. Earnings growth in developed markets is expected to run in the low to mid teens, consistent with current valuations. While a relatively small group of AI leaders continues to dominate index performance, investment is spreading more broadly, and cash returns to shareholders should remain robust. From a portfolio perspective, this favours high quality AI beneficiaries and enablers, complemented by selective exposure to banks and pharmaceuticals, with small cap and low volatility strategies providing diversification in a more aggressive easing cycle.

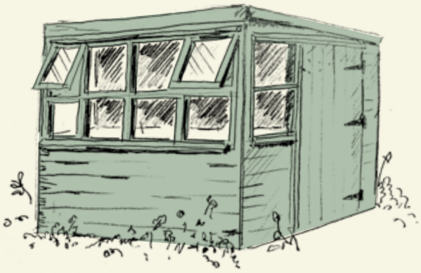
Europe looks better positioned than at any point in recent years. Credit impulses are turning positive and fiscal programmes are being implemented, with earnings growth expected to match that of the US. Attractive valuations and cautious investor positioning create scope for returns to be better than expected, particularly in core markets such as Germany and France, as defence and infrastructure spending accelerates. UK equities remain deeply discounted relative to global peers and offer a defensive sector mix well suited to an uncertain geopolitical backdrop.

> “Global equities appear well positioned for a constructive 2026, and we expect double-digit returns.

Japan’s outlook is anchored in policy continuity and reform, with governance changes encouraging improved capital efficiency, higher wages and rising shareholder returns. Emerging markets should benefit from falling local rates, stronger earnings growth and improved governance, with Asia particularly well placed to attract capital in a weaker dollar environment.

This broadly positive outlook could be derailed if supportive liquidity and interest rate cycles ended abruptly, most plausibly through a sharp and sustained rise in the oil price on further Middle East conflict, which drives up long-term bond yields. Barring such a shock, however, policy support appears set to remain in place, and we are cautiously optimistic that resilience can once again carry the global economy forward in the rest of 2026.

Please read the important notice on page 1.



The Potting Shed

The number of new businesses in the UK continues to grow year on year. In this series we ask founders to describe how they got their business off the ground.

Motics

Dr Harvinder Power and Dr Salinna Abdullah
Founders

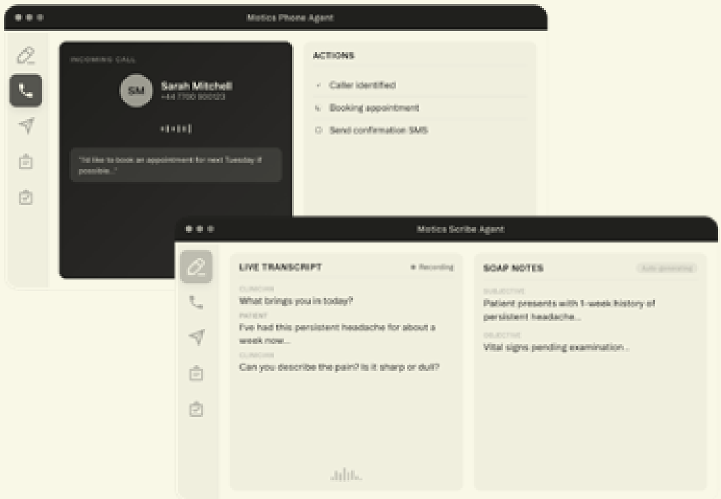
The founding of Motics was grounded in trying to fix a very real problem.

Whilst the startup world is often defined by 'product-market fit', on the Techstars entrepreneur programme we undertook in 2022, we were introduced to the similar concept of 'product-founder fit.' We certainly had found a problem that we were the right people to fix. Harvinder was an NHS doctor, who witnessed firsthand how admin consumed clinicians' time, often out of working hours. Such was the overload, colleagues began to input sensitive patient data into ChatGPT. This was a deeply unsustainable, unworkable solution to a considerable problem. Salinna's background is at the forefront of AI research and its application in healthcare, having studied for a PhD at UCL and worked at Intel. It meant Motics would be prepared to both understand and apply technology to the point of care, whilst securely handling patient data. Together, we realised we could build practical, genuinely useful solutions to real clinical problems.

> “Startups are in a unique position in the AI era, where agility empowers adoption at a much faster rate.

We knew we had to build AI to the point where it could genuinely handle clinical admin at the quality and safety level healthcare demands: across a variety of applications from medical transcription, to automated AI phone call reception, to billing and clinic-wide audit trails. We founded Motics around a simple principle: patients, not paperwork. Now, with backing from investors such as Morgan Stanley, we deliver regulated AI as clinical infrastructure, serving hundreds of UK clinics daily.

Start-ups are in a unique position in the AI era, where agility empowers adoption at a much faster rate. Motics delivers AI to clinics, and also uses the latest AI across its own internal workflows, from product development to content output and the hiring process. This creates a compounding advantage: our entire team, from sales and marketing to the engineers, deeply understands the tools they're building because they live inside them every day. Being small means being able to adopt the latest developments in days, not quarters, which is critical when the underlying technology is moving this fast and competition to deliver robust AI solutions to healthcare is so intense.



“Motics streamlines their operations, saving clinicians two hours per day.

But there is an irony: healthcare is not a space where you can ‘move fast and break things’. Trust is the currency that is king, from product to patient. Results are critical at the point of care, so speed has to coexist with rigour and regulation. Building a team culture that can deliver quickly and safely is the real challenge, not just the technology itself. Hiring carefully matters more than hiring fast; in a small team, every person shapes the culture and the product. For a long time, it was just the two of us. Many of our customers are still shocked when they find out how small our team is: just five of us at the moment. But being small means we have warm relationships with them, even the larger enterprises, across the entire team – and provides the basis to build the trust that matters so much.

That closeness is also important in helping us to understand our customers' workflows and pain points, not just the ones they tell us about. And with AI, our customers are finding solutions to problems they didn't even know were problems, inefficiencies so embedded in daily practice they'd become invisible. You can't discover those problems from a distance. But when you have a good rapport with your customers and understand the quirks within their workflows, it is far easier to build genuinely useful products. And when we're constantly looking to improve the way that we do things internally, which we're mandated to do by virtue of the size of our team, the process becomes all the more logical.

The highlights make it all worthwhile. Some of our largest enterprise customers are expanding rapidly, with Motics streamlining their operations and saving clinicians two hours per day. We hear directly from clinicians that they can spend more time with patients rather than doing admin.

We're scaling across the UK and into new markets such as Canada and the EU, which means we’ll need more salespeople and engineers – but which also brings the challenge of new regulations, workflows and clinical expectations to navigate. We believe the companies who win in healthcare AI won't just be the ones with the best products, but the ones with the best teams to distribute them to the frontlines of care.

Motics

Motics, founded by Dr Harvinder Power and Dr Salinna Abdullah, builds regulated AI for private healthcare. Its five AI agents serve hundreds of UK clinics daily.

motics.co.uk

JM Finn News

JM Finn client survey: what did you tell us?

Carrie Lennard
Marketing Manager

The results are in! We sent our biennial client survey out in the final quarter of 2025* and had an excellent response rate - thank you very much to everyone who took the time to let us know your thoughts.

The survey is a vital way for us to check that we are continuing to deliver the high level of service that we aim to provide all of our clients at their different stages of life and with the different wealth challenges that come with that.

We listened carefully to what you told us and use the results to implement change where it is needed – readers might remember that our Wealth Planning team was added as part of our service back in 2016 as a direct result of clients telling us, via the survey that they wanted us to offer financial planning alongside our investing services. Since then, the team really has gone from strength to strength – winning the highly coveted PAM Total Wealth Planning Award in 2025 for the quality of its service and seamless integration with our wider investment proposition. Without further ado, here is a snapshot of some of the latest results.

*JM Finn conducted a survey of clients of all its services (Wealth Management Service, Investment Management Service, Execution Only and Advisory) through an independent provider, Savanta in September 2025. 1749 clients responded to the survey, a response rate of 18%.

Satisfaction and trust

We're proud that the survey results indicate very high levels of satisfaction and trust in both the firm and investment managers. The average satisfaction score clients gave JM Finn was 9.1 out of 10 – even higher than the 8.8 average in our last survey, carried out in 2023.

9.1/10

average satisfaction score with JM Finn

97%

Agree they have trust and confidence

in their investment manager

97%

Satisfaction

with investment manager

96%

Trust

JM Finn as a firm

98%

Satisfaction

rate with market knowledge

98% **Agree**

they have a personal relationship with someone they trust at JM Finn

98% **Say**

our investment professionals understand their investment requirements

Excellence in communication

95% **Agree JM Finn communicates and engages** with them in a timely manner

94%

say we provide

clear and concise information

about their investment performance

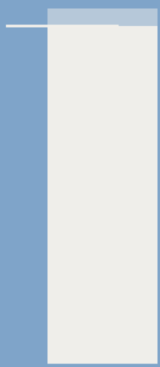
"Excellent customer service and extremely good investment management."

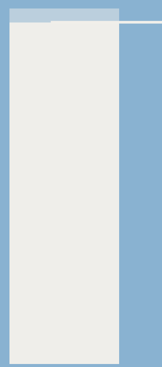
97% Satisfaction with communications from investment managers

95%

Satisfied

with JM Finn's communications





96%

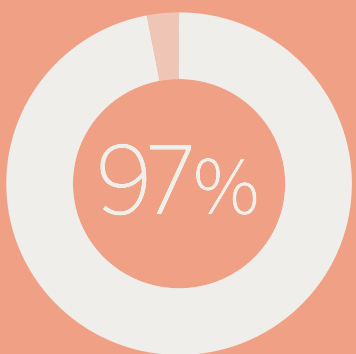
Agree

that we provide clear product and regulatory explanations

Wealth Planning

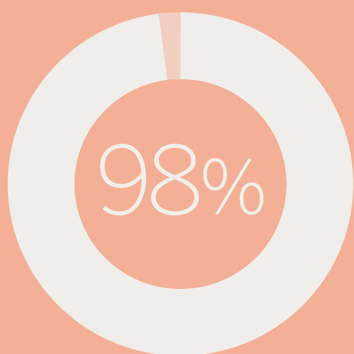
Our survey has also revealed that many of our clients are not aware of the full range of areas we can assist with – a third of our survey respondents said they were unaware that JM Finn offers retirement and pension planning services. Clients who have used JM Finn's Wealth Planning service are typically very happy with the work carried out by the team – if you would like to know more about any of these areas, please speak to your investment manager.

98% Satisfaction with retirement planning advice



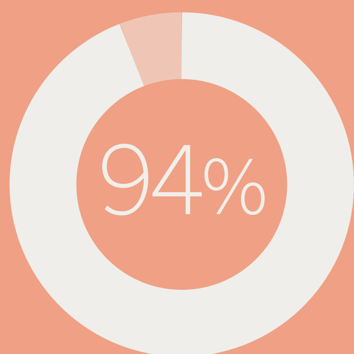
Satisfaction

with wealth structuring advice



Satisfaction

with estate/ succession planning advice



Satisfaction

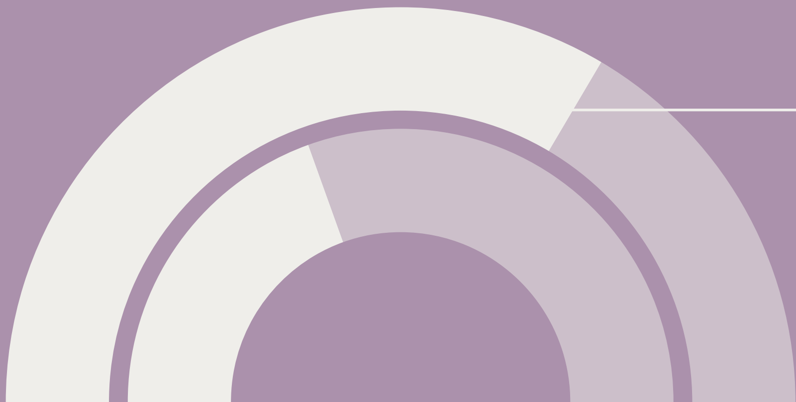
with funding long-term care advice

How likely are JM Finn's clients to recommend us?

The consistently high levels of satisfaction and trust with the firm lead to JM Finn having a high 'Net Promoter Score' – this is based on the survey question asking how willing respondents would be to recommend the firm. Our score of 67 means that JM Finn's clients are far likelier than clients of other UK wealth management firms to recommend us to their friends and family.

A Net Promoter Score

is a measure of how willing clients would be to recommend a firm.



JM Finn's Net Promoter Score is 67

far surpassing the wealth management industry average of 39

Nearly

2 in 3

clients have

recommended us to others

Including

1 in 4

during the last year

We are pleased to say that a majority of clients (nearly two thirds) who completed the survey say they have recommended the firm during their tenure as clients – including 26% during the past year alone. As our business is founded on a strong reputation and service excellence, referrals are very important to JM Finn – and we would like to thank everyone who has recommended the firm to others.

Did you know that as a client, as a thank you, we will send you a complementary bottle of award-winning English sparkling wine from our wine partner Chapel Down if you refer a friend or relative who goes on to become a client of JM Finn themselves? If you know someone who might benefit from our services, please speak to your investment manager.

Wealth Planning

The cost of care

Why care-cost inflation demands long-term planning

Tom Cheesman,
Investment Manager

Over recent years, the UK care sector has faced sustained and intensifying financial pressure.

Care fees have risen at a pace well ahead of broader inflation, creating a growing challenge for individuals and families planning for later life care. These trends underline the importance of forward-looking financial planning and carefully structured investment strategies, particularly where care costs may need to be met over long periods.

Headline inflation in the UK has eased from the peaks seen in recent years, offering some relief from the sharp increases in everyday living costs experienced by households. While this has helped stabilise spending on goods and services such as food, energy and transport, the same improvement has not been reflected in care costs. For those who fund care and support, either now or in the future, the financial pressures can feel overwhelming.

Care costs continue to rise at a materially faster pace than headline inflation. This divergence reflects the fundamental drivers of care provision. Unlike most household expenditure, care is highly labour-intensive. As a result, costs are shaped far more by wage growth than by movements in the Consumer Prices Index (CPI), which is a measure of inflation. Being aware of this distinction can support more informed planning for later life care.

Why care costs behave differently

CPI measures changes in the price of a broad basket of goods and services and remains a useful indicator of overall cost of living pressures. However, it does not fully capture the dynamics of labour-intensive services such as care.

> “Statutory wage increases tend to affect pay structures across the workforce

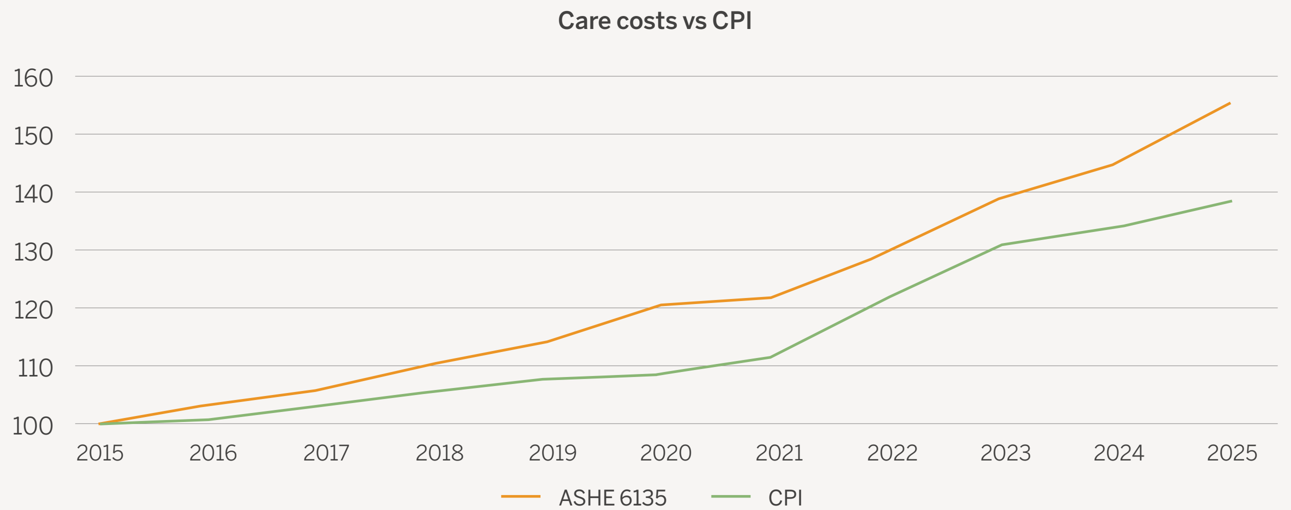
A more relevant benchmark for understanding care-cost inflation is the Annual Survey of Hours and Earnings (ASHE) published by the Office of National Statistics, particularly the ASHE 6135, which tracks wage growth for care workers across the UK. This index is updated regularly and now known by its official name 'SOC20 6135 and 6136'. Staffing costs typically account for the largest proportion of a care provider’s expenditure. As a result, changes in ASHE 6135 tend to feed directly into higher hourly care rates and increased overall care fees.

CPI vs ASHE 6135: a widening gap

Over time, even modest differences between CPI and wage-led inflation can compound into significant cost increases.

A care package that rises broadly in line with CPI may appear manageable in the short term. However, where costs increase more in line with ASHE 6135, the long-term outcome can be materially different. Over ten or twenty years, the cumulative effect of higher wage growth can result in care costs that are substantially higher than initially anticipated.

In recent years, ASHE 6135 has consistently outpaced CPI. This growing gap highlights the importance of being aware and planning for future care expenditure, as it may continue to outpace headline inflation. It also reinforces the value of advice that remains flexible and adaptive as care needs, costs and wider economic conditions change.



The chart above rebases CPI and ASHE 6135 at the 80th percentile to a common starting value, enabling a like-for-like comparison of their cumulative growth since 2015. This highlights the sustained outperformance of care sector wage inflation relative to CPI.

> For those funding care, the key challenge is often not short-term affordability, but long-term sustainability.

The impact of wage policy and workforce pressures

Looking ahead, increases in the National Minimum Wage and National Living Wage, due to take effect from April 2026, are likely to add further upward pressure to care and support costs. Given the labour-intensive nature of care provision, statutory wage increases tend to affect not only entry-level roles but pay structures across the workforce, as providers seek to retain experienced staff and remain competitive.

At the same time, ongoing shortages of care staff across the UK continue to drive costs higher. Demand for care is rising as the population ages, while recruitment and retention challenges persist. Providers are increasingly required to offer higher pay, enhanced benefits and greater flexibility, particularly for specialist or higher-dependency roles. In many cases, this leads to greater reliance on agency staff or overtime, both of which carry higher costs that are ultimately reflected in higher fees.

Importantly, these pressures are structural rather than temporary. Each increase creates a new baseline from which future rises build, reinforcing the long-term upward trajectory of care and support costs.

Why this matters for long-term planning

For those funding care, the key challenge is often not short-term affordability, but long-term sustainability.

Underestimating care-cost inflation exposes individuals to two principal risks. The first is longevity risk: the possibility that assets will need to fund care for longer than expected. The second is the erosion of purchasing power, where capital that appears sufficient today may become inadequate as costs rise faster than anticipated.

Overreliance on cash carries longer-term risks when expenditure is rising faster than inflation.

Assuming CPI-level increases for costs that are fundamentally wage-driven can result in funding shortfalls emerging later in life, precisely when financial flexibility may be more limited. At that point, difficult decisions may need to be made, potentially reducing choice or quality of care. Our role is to provide our clients with as much information in advance so they can make informed decisions about their financial choices.

Cash and investment: balancing certainty and resilience

Cash plays an important role in later life planning, providing liquidity and certainty as care costs arise. However, an overreliance on cash carries longer-term risks when expenditure is rising faster than inflation. Even in periods of higher interest rates, cash typically struggles to keep pace with wage-led inflation, particularly when looking at the after-tax return, potentially leading to a gradual erosion of real value over time.

Carefully constructed investment portfolios can help address this challenge. The objective is not to take unnecessary risk, but to seek returns that support sustainable withdrawals and help preserve purchasing power. Diversified, multi-asset portfolios can provide a balance of growth, income and resilience, supporting long-term care funding while maintaining access to capital.

Planning ahead with confidence

At JM Finn, we support families with thoughtful, long-term financial planning in the face of rising care costs. A key part of our approach is close collaboration and integration between our wealth planners and investment managers.

Through detailed cashflow modelling and scenario analysis, we help clients understand how long assets may last, assess the sustainability of expenditure and stress test plans against higher-than-expected costs or longer life expectancy. These insights, combined with in-depth conversations about individual priorities and ambitions, inform how assets are structured to navigate both planned milestones and unexpected life events.

For clients whose affairs are managed under a lasting power of attorney or deputyship, this structured analysis provides a clear framework for demonstrating that decisions are prudent, proportionate and made in the individual's best interests.

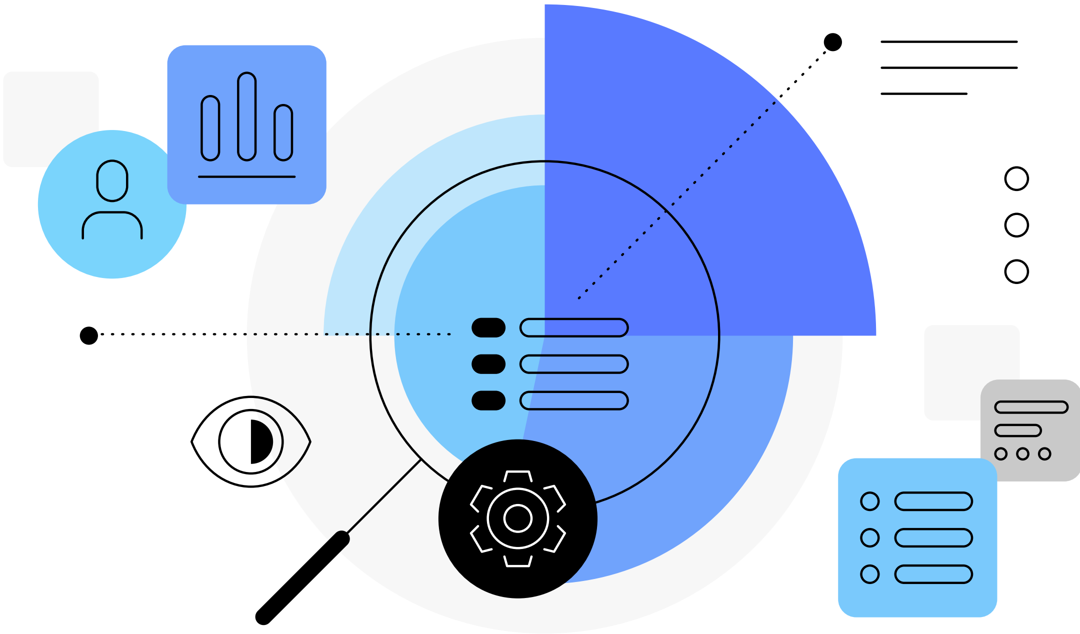
Taking a proactive approach to later life planning allows individuals and families to retain choice, flexibility and control for as long as possible. It's not just about investments and financial planning, it takes a holistic approach to ensure you are prepared for life's challenges. JM Finn works closely with a trusted network of legal and accountancy professionals across the UK, ensuring specialist advice is available where required.

JM Finn's Wealth Planning team can help private clients to plan long-term care funding, including the use of cashflow modelling tools to stress test different scenarios. If you would like to understand how the team could help you, please speak to your investment manager to arrange a meeting.

Tom Cheesman is an Investment Manager within our dedicated Court of Protection and Personal Injury team. This team brings deep experience in managing complex financial arrangements, offering tailored, risk-controlled investment management and ongoing support designed to protect and preserve wealth over the long term for those under a deputyship or with funds managed within a personal injury trust. The team are also able to check the indexation calculation for periodical payments that may form part of a personal injury award that are linked to the ASHE 6135 index.

Stock in focus

RELX



William McCubbin
Research Analyst

RELX is not a company that advertises itself. It does not court consumers, build lifestyle brands or compete for attention. Yet it sits quietly beneath a wide range of professional decisions, supplying data, analytics and decision-support tools used in courtrooms, laboratories, financial institutions, insurers and government departments.

Its products are not designed to be noticed. They are designed to be relied upon, particularly in situations where accuracy, credibility and auditability matter, and where the cost of error can be material.

The company's origins lie in traditional publishing. For much of its early history, RELX produced newspapers, journals and reference materials, distributing information in physical form. Over time, however, the nature of the business shifted. The value did not reside in the paper or the printing presses, but in the authority attached to the information itself. In professional and regulated environments, information only has value if it can be trusted, cited and defended. This distinction has shaped RELX's development as information has moved from print to digital formats.

As technology transformed publishing, RELX made a deliberate choice not to pursue scale through mass audiences or advertising. Instead, it narrowed its focus and embedded its products more deeply into professional workflows. The business moved from selling content as a finished product to supplying data, analytics and tools that sit upstream of decision-making. In these contexts, price sensitivity tends to diminish. Users are not purchasing information for interest or convenience, but for assurance. Once embedded, these systems are difficult to replace, not because of contractual lock-in, but because of training, familiarity and institutional acceptance.

Today, RELX operates across four divisions, though they share a common operating logic. The Risk division provides data and analytics used in areas such as fraud detection, digital identity, financial crime compliance and insurance underwriting, relying heavily on transaction-based and pooled datasets that update continuously. Scientific, Technical and Medical, delivered through Elsevier, combines academic publishing with analytics and workflow tools that support how research is discovered, evaluated and funded. The Legal division supplies research, regulatory content and workflow software in a highly concentrated global market. Exhibitions, operated under the RX brand, monetises professional networks through large-scale events and associated digital engagement.

Across these activities, RELX's products tend to function as reference points rather than end outputs. They inform decisions rather than execute them. In many cases, RELX data and tools are implicitly recognised by courts, regulators or counterparties as credible sources. This positioning contributes to long customer relationships and relatively predictable revenue streams. This structure has shaped the group's financial profile. As RELX has shifted towards digital delivery and analytics-led products, margins have improved and asset intensity has declined. Cash generation has supported continued investment in content enrichment, software and data capabilities, while the balance sheet has remained conservative relative to the stability of revenues.

Recently, artificial intelligence has been brought into sharper focus. Advances in large language models have made it easier and cheaper to read and analyse large volumes of material, particularly where the underlying source content is publicly available. For businesses built around organising and interpreting information, this has raised questions about how value is created and captured over time. The relevance of this shift varies across RELX's activities. In Risk, much of the value is derived from live, transaction-based datasets used in fraud, identity and compliance. These datasets are created through ongoing customer activity and improve as more participants contribute data. They are not static collections of information and cannot easily be replicated without access to similar transaction flows. While artificial intelligence can enhance how this data is analysed, it does not readily replace the data itself.

In Legal and Scientific publishing, the position is more nuanced. Much of the underlying material, including laws, court decisions and academic research, is publicly available. RELX adds value by organising this content, linking related material, providing context and integrating it into professional workflows. Advances in artificial intelligence reduce the effort required to analyse raw documents and generate summaries, which may influence how users access information over time. At the same time, professional and regulated environments continue to place importance on accuracy, citation and auditability, shaping how new tools are adopted in practice.

Equity market capitalisation (m)
£46,144,615

52 week high-low
£4,183 — £1,991

Net dividend yield
2.6%

Price/earnings ratio
18

RELX has responded by focusing on making its data and tools available within the systems customers already use, including through technical integrations and AI-enabled products. This reflects an effort to remain part of professional workflows as interfaces evolve, rather than tied to a specific mode of consumption. The extent to which artificial intelligence changes user behaviour or pricing dynamics is likely to differ across the group.

Taken together, exposure to artificial intelligence is uneven. Legal is more directly affected but represents a smaller share of group earnings, while Risk combines higher margins with greater insulation due to its reliance on proprietary, transaction-based data. Scientific publishing sits between these two. The recent share price weakness indicates that the market is assigning a higher probability to structural disruption, particularly within Legal. As with earlier technological shifts, artificial intelligence introduces uncertainty and may alter workflow dynamics, but the underlying demand for trusted, validated information in professional decision-making remains central to the group's end markets.

Company Meetings

A spotlight on three of the companies we've met during the past quarter.

We met or spoke with the companies below and you can learn more on any of these by contacting the person at JM Finn with whom you usually deal.

Henry Birt,
Research Analyst

Jack Summers,
Assistant Research Analyst

FINANCIALS
Deutsche Börse
Factset
Intercontinental Exchange
London Stock Exchange Group
S&P Global

HEALTH CARE
GSK

INDUSTRIALS
Experian
IMI
RELX

INFORMATION TECHNOLOGY
Halma

MATERIALS
Croda International
Givaudan

REAL ESTATE
LondonMetric Property

1.

Experian

Equity market cap (M) £25,220

Industrials
Nadia Ridout-Jamieson, Chief Communications Officer

The ever-expanding capabilities of AI, most recently the release of workflow plug-ins for Anthropic's Large Language Model Claude, have led to some market concern that data and analytics businesses such as Experian may be disaggregated from their value chains.

Experian's business is built largely around the credit bureau data model. In simple terms, individual lending institutions provide lending data to Experian, which aggregates and structures it with data from numerous other lenders before selling the wider dataset back to the lenders that contributed to it, allowing them to better evaluate the credit risk of borrowers. Whilst such data is not proprietary to Experian, it is to the lenders and is highly sensitive in nature, meaning it is non-public and heavily regulated, but absolutely essential to Experian's customers.

Away from essential data, Experian also provides analytics and tools to its customers, mostly via its Ascend platform. Whilst recently released AI plug-in functionality does bear resemblance to such products, therefore presenting AI disruption risk, they currently do not possess the level of sophistication or specialisation required to be comparable, with features more focussed on workflow management rather than critical core business tasks. Nadia highlighted the typically high degree of integration for Ascend across customer business functions including origination, fraud and risk teams where the upheaval and disruption from changing core systems presents meaningful switching costs. Furthermore, the cost of mis-step, such as incorrectly pricing loans or underestimating risk is high, even for short periods of time or isolated incidences.

Nadia also added that with Ascend, customers have sought to evolve prior relationships from supplier-customer structures towards partnerships, with contract lengths increasingly moving from 3-5 years to 5-10 years.

2.

GSK

Equity market cap (M) £88,446

Healthcare
Mick Readey and James Dodwell, Investor Relations Directors.

As anyone who has been following the current US administration, and specifically Robert F Kennedy Jr's tenure as the United States Secretary of Health and Human Services, in any detail will be aware, this has been a tough environment to be a major vaccine manufacturer. It was therefore here that we started our discussion. GSK admits the vaccine environment is chaotic, but it expects a rebound in easily preventable diseases to change public perception. Measles rates in Texas have seen a resurgence following declining rates of vaccine usage. Subsequent uptake has been better as the obvious benefits of vaccines are reaffirmed. Whilst a headwind to the business at the moment, the long-term benefits of vaccines remain clear and GSK remains a key player.

The team were keen to stress that headwinds in the vaccines business had been offset by much stronger performance in the specialty medicines business, which makes up roughly a third of revenue. The recently formed oncology business and the key HIV franchise have seen strong growth in recent years.

A big question that GSK faces is whether the expiry of patents from 2028 onwards in its profitable HIV franchise can be effectively offset by drugs in its pipeline. Another key area of disagreement is around a cancer drug called Blenrep. Blenrep has recently received approval, yet the approval was for a narrower patient group than initially expected and questions remain around the side effects of the drug, which include blurred vision. GSK were keen to stress that Blenrep's sales potential remains larger than most expect, but many investors will need to see sales numbers before fully baking this into their expectations.

3.

Halma

Equity market cap (M) £15,588

Information Technology
Marc Ronchetti, CEO, Carole Cran, CFO

Halma possesses an enviable track record of success in mergers and acquisitions, which extends over several decades. At first glance the acquisition strategy appears simple: acquire businesses operating in small but highly critical market niches that are cogs in a wider value chain, providing a platform for solid gross margins and compound growth.

Given this approach, it would be forgivable to assume that a well-resourced competitor could replicate such an approach with a reasonable degree of ease. Marc pointed to the key being in the finer details: targeting businesses that are founder-run and not for sale requires patience and the ability to foster strong relationships with founders. What is more such founders are typically more concerned about protecting their business legacy than maximising the sale price, making the Halma name and its 50-year history of acquiring and nurturing such businesses difficult to look past when the time to sell comes, a unique source of competitive advantage for Halma.

Strong operating performance for the group post-Covid has been reasonably broad-based, the standout however has been the photonics business within the Environmental & Analysis division, bought for just £14m in 2011. Key to this success has been a relationship with a hyperscaler using the technology in its datacentres. Marc highlighted limited forward visibility here, with a wide range of potential outcomes for this business dependent on how capital expenditure (capex) evolves over the coming decade. Given lofty market expectations for future growth here and the potential for hyperscaler capex growth to stall in the years to come, we remain mindful of the risks this situation presents given Halma's current valuation.

Please read the important notice on page 1.

Collectives Commentary

Further to go for UK equities?

Ed Legget
Co-Manager of the Artemis UK Select Fund

Despite the best efforts of the government, 2025 proved to be a good year for UK equities, both in absolute and relative terms.

A weaker dollar combined with a desire from investors to diversify their exposure away from the Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) provided a backdrop for other markets outside the US to re-rate (when share prices rise relative to profits). Strong earnings momentum from many of the FTSE's largest companies and a low starting valuation allowed the UK to fully participate in the trend.

Looking ahead, we expect the environment to be supportive for the economy and stock markets at a global level this year. Government spending is high, and we think central banks in countries such as the US are expected to cut interest rates. In terms of the UK, for the first time since Covid we are no longer more optimistic on the outlook for consumer spending than consensus. To be clear, we are not bearish. Instead, we find ourselves in agreement with the consensus growth forecasts for the UK economy. Little real wage growth means any increase in spending will be dependent on a decline in the (elevated) savings rate. Encouragingly, we think inflation could drop towards the Bank of England's 2% target by May, as increases to measures such as National Insurance and water bills are not repeated. As a result, we expect to see two or three interest rate cuts in 2026.

> The rise in the labour force participation rate has principally been responsible for driving up unemployment.

Where we have exposure to discretionary spending in the portfolio, it is to more affluent households, although these are now also seeing incomes squeezed as the Chancellor focuses tax rises onto those she says have the 'broadest shoulders'.

Risks for the UK

The main threats to the UK's 'muddle through' outlook, which we expect to produce GDP growth of 1.0 to 1.5% in 2026, are focused on unemployment and politics. On the former, the labour market has been softening for some time, although overall employment has been stable, and it is the rise in the labour force participation rate, as measured by the Office of National Statistics, that has principally been responsible for driving up unemployment.

We continue to monitor the labour market closely for any signs of an acceleration in the current trends, but for now we view the data as consistent with consensus growth expectations.

Job vacancies have normalised at just below pre-Covid levels and the impact of government policy on the labour market is already clear: rising public sector employment and wages. At the same time, cost pressures on the private sector from increases to National Insurance contributions and the minimum wage (with higher business rates to come) are leading to job losses – particularly in the hospitality sector and among younger members of the population.

Away from the labour market, the obvious risk is political. The Labour Party continues its remarkable ability to announce policies that alienate, we believe, almost all sections of the electorate. We can see the potential for another period of elevated uncertainty should there be a challenge to the Prime Minister post the local elections in May.

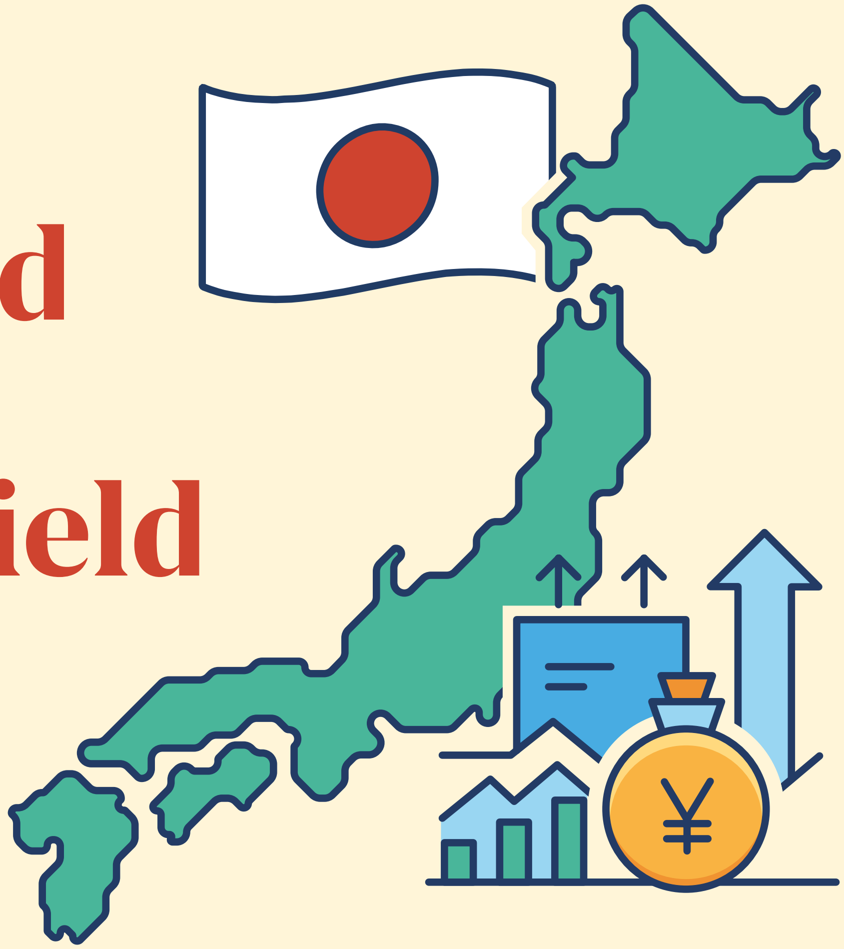
“In a world where dividends are likely to become a more important component of investors' returns, the UK market continues to stand out.

UK valuations

Despite the strong performance in 2025, the UK remains at the cheaper end of the spectrum compared with other major stock markets. And, in a world where dividends are likely to become a more important component of investors' total returns, we think the UK market continues to stand out. As a result, we think 2026 will be a year where the bulk of returns from UK equities will come from earnings growth and income. Against this backdrop, we believe that our portfolio of 40-60 companies where we have high conviction is well placed to perform. Combining earnings growth, dividends and moderate starting valuations, we see scope for another year of attractive real returns in 2026.

Bond focus

The land of the rising yield



Jon Cunliffe
Head of Investment Office

Japan's government bond market has long been regarded as an oasis of calm, with long-dated yields anchored just below 1% for much of the past decade. That stability, however, has started to give way.

The yield on the 40-year maturity Japanese Government Bond (JGB) has risen sharply to around 3.75%, marking a striking reawakening in a market that many investors had come to view as moribund. This shift reflects a combination of policy evolution, fiscal pressures and changing investor behaviour – all of which are reshaping how Japan is positioned within the global fixed income landscape.

> "Japan's debt levels are the highest in the developed world.

The turning point came in March 2024, when the Bank of Japan (BoJ) began dismantling its yield curve control framework. By removing the cap on 10 year yields, the central bank signalled a meaningful departure from the ultra accommodative stance that had defined its approach for years. Inflation, which has remained above the Bank's 2% target for more than three and a half years, has proven more resilient than policymakers anticipated. As a result, markets have viewed recent guidance for only modest interest rate increases with some scepticism, questioning whether the Bank's cautious approach will be sufficient to rein in price pressures. With the gradual withdrawal of the BoJ as the dominant buyer of long term JGBs, the market has lost the stabilising presence that had long suppressed volatility. Private investors are now being asked to absorb additional supply at a time when their appetite is far from assured.

“

Even with the yen trading at historically cheap levels, overseas demand has remained selective.

Fiscal developments have added another layer of complexity. The government’s ¥18tn spending programme, equivalent to roughly 2% of GDP, comes against a backdrop of already elevated debt levels – the highest in the developed world on a gross basis, even if adjusted figures paint a slightly more moderate picture. These concerns have increasingly been reflected in auction dynamics. Through 2025, demand for 20- and 40-year bonds was notably weak, underscoring investor hesitation. Investor caution has weighed most on longer-dated bonds, with weaker auctions causing wider swings in yields as pricing becomes more market driven.

Compounding these pressures is a shift in the underlying buyer base. As the BoJ reduces its purchases as part of quantitative tightening, domestic banks – once reliable absorbers of long dated JGB supply – have pared back their involvement. This has placed greater reliance on foreign investors, whose enthusiasm has been tempered by a materially weaker yen and concerns over the broader long-term path of government finances. Even with the currency trading at historically cheap levels on a purchasing power basis, overseas demand has remained selective, contributing to an environment in which yields have risen to reflect a more natural balance of risk and reward.

These moves in Japanese yields have not remained isolated. The smaller yield gap between Japanese and US bonds is changing global investment flows and reducing the appeal of borrowing in yen, which had previously offered a convenient source of incremental return. Partial unwinds of these strategies have, at times, strengthened the yen, while exerting downward pressure on foreign bond markets. Japanese institutions, which for years sought higher yields abroad, are now reassessing the attraction of hedged returns overseas relative to those available at home. The valuation gap has narrowed enough that a gradual repatriation of capital is beginning to take shape.

The weaker yen has made it more attractive to borrow in yen to invest in riskier assets, particularly global equities. This dynamic carries its own vulnerabilities. A more assertive stance from the BoJ – or even a shift in market expectations – could prompt a sharp reversal of these trades, as seen during bouts of volatility in 2024 and again in early 2025.

Taken together, the rise in Japanese long-term yields represents more than a cyclical adjustment. It marks the early stages of a structural shift – one in which policy intervention is playing a less dominant role, and market forces are returning to the fore. After years of subdued volatility and artificially compressed yields, Japan’s bond market is beginning to reprice in a way that carries consequences across global fixed income, currency markets and risk asset positioning. For investors, this renewed dynamism in a market long considered predictable serves as an important reminder: Japan is once again exerting meaningful influence on the global financial system.

Please read the important notice on page 1.

Independent view

Could new legislation be the final straw for landlords?

Millions of landlords and sole traders will be subject to new reporting legislation requiring returns to be filed quarterly rather than annually. Could you be affected?

Rachael Adcock
Head of Private Wealth & Family Office UK, TMF Group

As HM Revenue and Customs (HMRC) continues its drive to modernise the UK tax system through digital transformation, Making Tax Digital for Income Tax (MTDfIT) comes into effect in April 2026. These mandatory changes may catch landlords and sole traders by surprise.

MTDfIT has been a long time coming

HMRC first launched its Making Tax Digital programme in 2015-16 with the intention of having a new platform live by 2020. Despite challenges and delays, MTDfIT will finally take effect from April 2026, applying to income tax for sole traders and landlords who meet certain conditions. Its goals are twofold: to reduce the amount of tax lost for HMRC and help taxpayers better understand their position in real time.

Who will be impacted?

It is estimated that nearly three million taxpayers will need to comply with MTDfIT by April 2028. From 6th April 2026, sole traders and landlords with total gross turnover and rental income exceeding £50,000 per annum will fall within the regime. This threshold will be assessed using figures reported on taxpayers' 2024-25 UK tax returns, which were due to be submitted to HMRC by 31 January 2026. From 6th April 2027, the threshold will reduce to £30,000, and from 6th April 2028 it will reduce further to £20,000 – bringing millions more within its scope.

Reporting requirements

Impacted taxpayers will be required to submit returns to HMRC quarterly. The quarters ending 5th July, October, December and April must be submitted less than five weeks later – by 7th August, November, February and May respectively. At the end of the year, taxpayers must submit a final declaration, including all other income and gains. This replaces the Self-Assessment tax return and is due by 31st January each year. Failure to meet reporting requirements will trigger penalties under HMRC's points-based system.

Tax payment deadlines

While MTDfIT will require five returns per year, replacing the single return which landlords and sole traders have likely been filing historically, the tax payment timings will not change. Tax payment deadlines will continue to be due by 31st January and 31st July (if applicable) each year.

Can taxpayers opt out of the regime?

Once a taxpayer enters the MTDfIT regime, it will take three consecutive tax years of falling under the threshold before they are eligible to opt out. Taxpayers who do meet the conditions must continue to file quarterly returns throughout the three-year period, even if they are nil returns.

The impact on landlords and sole traders

Landlords have faced increasing pressure for several years now, with tax breaks being reduced or removed and borrowing becoming both more difficult as well as more expensive. Most recently The Renters' Rights Act delivered yet more complexity and uncertainty for landlords. It is unsurprising that many estate agents report that landlords are taking time to review their options and considering carefully whether investing in property remains the 'no brainer' it once was.

For sole traders, this may be an opportunity to consider whether now is the time to incorporate their business. While the potential to reduce the administrative burden and accounting costs is attractive, care should be taken to consider the overall picture and implications of undertaking such a restructure.

Get prepared

For taxpayers caught by these new rules, now is the time to act, as the first quarterly return for the period 6th April 2026 to 5th July 2026 is due for submission by 7th August 2026.

Accurate digital record keeping will be more important than ever. Taxpayers currently using paper records will need to switch to digital systems. Those wishing to file their own quarterly returns will need to acquire third-party software. Alternatively, you can appoint an agent to prepare and submit the returns on your behalf using specialist HMRC-accredited software.

In summary

MTDfIT is undoubtedly a big change in the tax system: time will tell whether it delivers the intended benefit to digitalise the tax system and improve efficiencies, but it is important to act now if you think you could be affected.

•

> “Landlords are considering whether investing in property remains the 'no brainer' it once was.

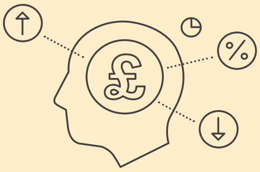
If you are a landlord affected by this change and are considering selling some or all of your property portfolio, please speak to your JM Finn investment manager, who can discuss other potentially suitable investments with you. Please note that income from investment portfolios is not affected by the changes resulting from MTDfIT.

About TMF Group

TMF Group is a leading provider of administrative services, helping clients invest and operate safely around the world. With offices across 87 jurisdictions, it serves corporates, financial institutions, asset managers, private clients and family offices, providing accounting, tax, payroll, fund administration, compliance and entity management services. The Private Wealth team is set up to provide support through the transition to MTDfIT and all ongoing reporting requirements. www.tmf-group.com

All views expressed are those of the author and are presented for information purposes only. The information provided in this article is of a general nature and is not a substitute for specific advice about your own circumstances. You are recommended to obtain specific advice from a qualified professional before you take any action or refrain from any action.

Understanding finance



What Goldilocks can teach us about fund size

Samir Shah
Senior Research Analyst (Collectives)

In 'Goldilocks and the Three Bears', Goldilocks enters the Bears' house and tries their porridge, chairs and beds until one proves to be "just right". What can investors learn from this when thinking about the right size for a fund to consider making an investment?

When analysing a fund, much of the focus naturally falls on performance, philosophy and process – the core pillars of fund research. However, one variable that can have a profound impact on outcomes is fund size. If a fund is too small, costs become an issue. Most fund expenses are largely fixed. As a result, smaller funds often suffer from a higher total expense ratio, which acts as a drag on performance. Excessive size can be just as problematic. As a fund grows, the opportunity set available to the manager often shrinks. This is especially true for active strategies that rely on security selection, tactical positioning, or exploiting less-liquid areas of the market.

Large funds face liquidity constraints that smaller funds simply do not. Taking a meaningful position in a mid- or small-cap stock may require days or weeks of trading, increasing market impact costs and information leakage. Over time, this can lead to a more static portfolio, reducing the manager's ability to act decisively and diminishing potential alpha.

So is there a right size for a fund? Fund size is not inherently good or bad. Rather, it must be assessed in context: the fund's strategy, its investable universe, market liquidity, and the way in which the manager generates alpha. A fund can be too small, too large, or just right: understanding where it sits on that spectrum can materially improve research conclusions – something we pay a lot of attention to.

Glossary of key terms

Alpha: Alpha is a measure of an investment's performance relative to a benchmark index, representing the excess return generated above what would be expected based on its level of risk. A positive alpha indicates outperformance versus the benchmark, while a negative alpha indicates underperformance.

ASEAN: The Association of Southeast Asian Nations, a regional grouping that promotes economic cooperation and integration among ten countries in South East Asia, including Indonesia, Singapore, Thailand and Vietnam.

Mega cap, mid or small cap stock: Equity classifications based on a company's market capitalisation. Mega caps are the largest listed firms, mid caps are medium sized companies, and small caps are smaller businesses that may offer higher growth potential but greater risk.

OPEC (Organization of the Petroleum Exporting Countries): A group of oil producing nations comprising OPEC members and allied producers such as Russia, which coordinate oil output to influence global supply, prices and market stability.

Quantitative tightening: A monetary policy process whereby a central bank reduces liquidity in the financial system by shrinking its balance sheet, typically by allowing bonds to mature without being replaced or by selling assets into the secondary markets.

Yield curve control: A policy in which a central bank targets specific government bond yields, usually at longer maturities, to influence borrowing costs and support economic or inflation objectives. This is typically done through the buying and selling of government bonds.

Asset allocation and sector focus

As part of our focus on providing a high quality, personalised investment service, our Investment Office look to support our investment managers in their decision making when it comes to constructing client portfolios.

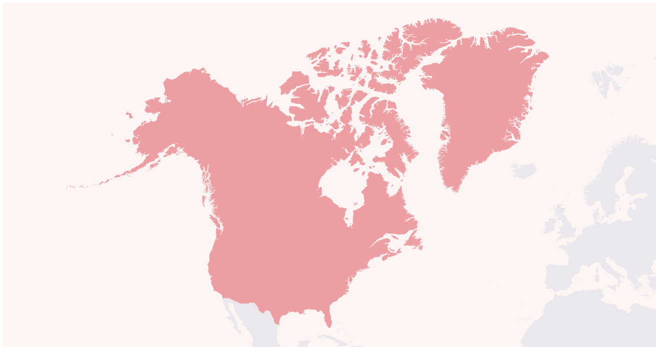
Our Asset Allocation Committee meets every six weeks to formulate views on the macroeconomic and financial market outlook. It provides actionable asset allocation guidance to the investment network by asset class, region, and sector. The combination of these top down and bottom up opinions is an important resource for our investment managers to validate their own investment theses or to generate new investment ideas.

This committee, which forms an important element of our Investment Office, consists of research analysts and a number of investment managers. The output of the meetings remains a suggested stance and it is important to note that the views expressed are those of the committee and may not necessarily be those of your individual investment manager.

Here we present a snapshot of the current views from the Investment Office.

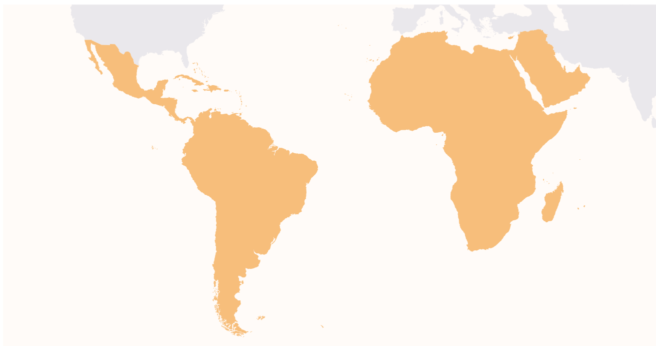
Asset Allocation

Overweight Neutral Underweight



North America

The American economy enters 2026 with steady growth, though inflation remains stubbornly above target. While the labour market is softening, expectations of policy easing continue to buoy sentiment. Equity markets benefit from this mix of resilience and central bank flexibility. However, wide fiscal and current account deficits point to a weaker dollar. Persistent risks around long-term yields also cast a shadow – particularly for mega cap technology names. Prospects for absolute returns remain reasonable, but valuations and currency headwinds mean we remain underweight.



Emerging Markets

Conditions across emerging markets remain uneven. Commodity-linked economies may benefit from global shortages, while others face inflationary and political pressures. Valuations are attractive, especially in sectors tied to consumption and resources, though volatility and currency risks remain a persistent concern. A weaker dollar would offer support, but uncertainty around future US trade policy limits conviction. On balance, a neutral allocation remains appropriate.

UK

The UK economy shows clearer signs of slowing. Inflation and wage pressures remain uncomfortable for policymakers, even as the labour market softens. The substantial fiscal consolidation required is likely to restrain both growth and prices, strengthening the case for deeper interest rate cuts. UK equities remain attractively valued, yet domestic investors continue to favour overseas opportunities. With the market still dominated by financials, energy and staples – sectors that struggle to offer compelling long-term growth, we maintain a neutral stance.

Japan

Japan's policy shift away from negative interest rates has helped consolidate its move out of longstanding deflation. Corporate governance reforms are gathering pace, encouraging better capital discipline and improving returns to shareholders. Although economic growth remains modest, a more assertive corporate culture and ongoing buybacks support the case for higher valuations. Political risks persist, but recent leadership changes point toward a pro-market tilt. These dynamics justify maintaining an overweight position.

Europe

Europe has shown unexpected resilience despite structural drags such as demographics and low productivity. Growth in 2026 should be helped by steadier global demand and easier financial conditions. With inflation near target, policymakers retain scope to ease further if needed. Rising defence and industrial investment promises additional momentum. Political and trade risks remain, but a gradual shift toward deeper fiscal coordination offers longer-term promise. The region's improving policy mix supports an overweight allocation.

Asia Pacific

The Asia Pacific region remains central to global growth, set to generate more than half of worldwide expansion in 2026. Markets stand to benefit from an upswing in technology and semiconductor cycles, while supply chain diversification continues to draw investment into ASEAN economies. Corporate reforms aimed at boosting shareholder returns are advancing, and valuations remain appealing relative to developed markets. A softer US dollar further enables accommodative regional monetary policy. These factors support continued overweight exposure.

Please read the important notice on page 1.

Sector Focus

Overweight Neutral Underweight

Communications

The communications sector is concentrated around a few large US companies, including Alphabet and Meta. The sector is driven by advertising spending, which has continued to be resilient. Performance of Alphabet and Meta has been dominated by their perceived exposure to AI, balancing this against the very large capital expenditure outlays they have announced. Whilst AI remains a clear tailwind in the sector, valuations are stretched and so we remain underweight.

Consumer Discretionary

The sector benefits from a still-tight labour market and resilient demand, particularly across travel and experience-led spending. That said, consumer budgets are becoming more stretched, and confidence remains mixed in key markets, with trade tensions and tariff risks an ongoing headwind. Structural drivers include continued growth in e-commerce and digital monetisation. We maintain an overweight position, while remaining selective, given the sector's sensitivity to the economic cycle.

Consumer Staples

Moderating inflation is alleviating supply chain and input cost pressure on consumer staples businesses, making for a more stable operating outlook. However lower inflation will likely reduce the contribution from price to revenue growth, increasing the importance of volume contributions in the future. We appreciate the defensive nature of consumer staples businesses in the current environment, but focus on companies with strong brands and innovation track records, with exposure to underlying category growth.

Energy

Brent crude oil has performed well year to date, supported by disciplined supply management and renewed military conflict in the Middle East. Consequently, oil company performance has remained resilient, further augmented by strong cash generation and capital discipline. Looking ahead, risks for oil prices appear broadly balanced and we expect the majors to prioritise a pragmatic approach to the energy transition. We retain a neutral stance.

Financials - Banks

Bank performance is quite strong, continuing a trend seen for a couple of years. For banks with an investment banking arm, the capital markets exposure continued to be favourable with generally buoyant markets providing a tailwind for bank trading books. Elsewhere, performance continued to be solid with retail banking margins supported. Valuations in the sector are elevated following solid share price performance and with some interest rate cuts still to come through we remain neutral rated.

Health Care

Results in the sector are solid and the resilient demand profile of the sector is attractive. With most pharmaceutical businesses having negotiated deals with the US administration, investors were able to refocus on individual business performance and the sector was less driven by headlines. Looking forward, health care is expected to remain resilient. Share price rises have led to increasing valuations, but the resilience of the sector is still attractive.

Industrials

Industrials are concentrated largely in areas linked to electrification, automation and data centre related investment. Outside of these pockets, activity has been constrained by still-subdued global industrial production, reflecting softer demand and cautious customer spending. Easing inflation and the prospect of lower rates should be supportive, however order visibility remains uneven and valuations for AI-exposed names continue to look rich relative to fundamentals.

Information Technology

Tech performance was mixed, as AI dominates sentiment in the sector. New spending announcements from big tech companies received a varied reception. Increasing scrutiny is being put on the returns these businesses could achieve. Elsewhere, AI pressured software names where there is a perceived disruption risk. We do not expect there to be much more clarity here in the coming months, however the valuation of many names in the sector provides limited margin of safety – and so we remain underweight.

Materials

The materials sector has continued to be strong. Copper rests near all-time highs and rallied strongly in 2025. Precious metals have been a key focus in early 2026, following a very strong year in 2025. Silver kicked off the year with a strong rally and has since seen very large bouts of volatility. Gold has similarly been very volatile but remains near all-time highs. Much of the sector's large iron ore exposure is to China and so the outlook here remains important. We remain constructive on the long-term outlook for copper.

Real Estate

Real estate markets are recovering, with demand remaining solid across commercial property and logistics. The sector remains sensitive to interest rates given the impact on valuations and high levels of debt financing. As we look ahead to the rest of 2026, there are grounds for cautious optimism, supported by a modest recovery in housing activity, ongoing rental growth and continued resilience in logistics and the broader residential investment market. We remain neutral.

Utilities

Utility performance is underpinned by the relative stability and defensiveness of utility company cash flows in increasingly volatile market conditions, as demonstrated by appreciating valuations. Balance sheet condition, regulatory outlook, and growth opportunity arising from power infrastructure demand continue to drive our preference for power over water whilst remaining neutral on the sector as a whole.

Please read the important notice on page 1.

Meet the manager

Mark Burnett

Investment Director, Cheltenham

Lives Tanworth in Arden, Warwickshire	
Family Married with three children	
Started at JM Finn November 2025	
Hobby/pastime Travelling, rugby and gardening	
Favourite holiday Japan	
Favourite film Raiders of the Lost Ark	
If you weren't an Investment Director Travel writer/ explorer	
Favourite sporting moment December 2025 - watching the live stream of my son winning the National Collegiate Rugby Championship in the US with the University of Vermont – proud dad moment.	
Preferred music 80s	
Favourite book Anything travel-related	

You joined JM Finn in November 2025 – what are your impressions so far of the firm?

My first impression is one of genuine collaboration, with colleagues across the firm willing to help, support and share their expertise. There is a strong sense of collective purpose, with everyone committed to helping the new office flourish and ensuring clients receive the highest standards of service.

I've also been struck by the breadth of talent across all departments. From investment expertise to operational insight, every interaction has highlighted the strength and professionalism of the teams around me. This depth of capability has been reassuring and inspiring, leaving us energised and optimistic about the firm's future development.

As an Investment Director in JM Finn's newest office in Cheltenham, what does the branch offer clients in the local area?

Our new regional office aims to provide private clients and local intermediaries with an investment proposition offering a highly personal service. This includes access to expert advice on estate planning, pensions and retirement planning. By combining the firm's depth of experience with a relationship led approach, we hope to deliver a high-quality, long-term service that supports clients' financial goals and aspirations.

You have over 35 years of experience in the wealth management industry – what are your top three pieces of wisdom in investing?

Maintain regular, open communication with clients; be honest and transparent; and keep investments straightforward.

What will 2026 have in store for the Cheltenham office?

We plan to host a series of events to raise the profile of our new office and strengthen our presence within the local community, including an official launch, an intermediaries' dinner and a wine tasting event for private clients. These will help build meaningful connections, showcase the firm's expertise and create opportunities for clients and professional partners to engage with our team in a relaxed setting.

Alongside these events, we are focused on growing the Cheltenham office with additional hires, bringing in a diverse range of experience and specialist knowledge. This continued growth will enhance the service we provide and further establish the office as a trusted, dynamic hub for both new and existing clients.

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