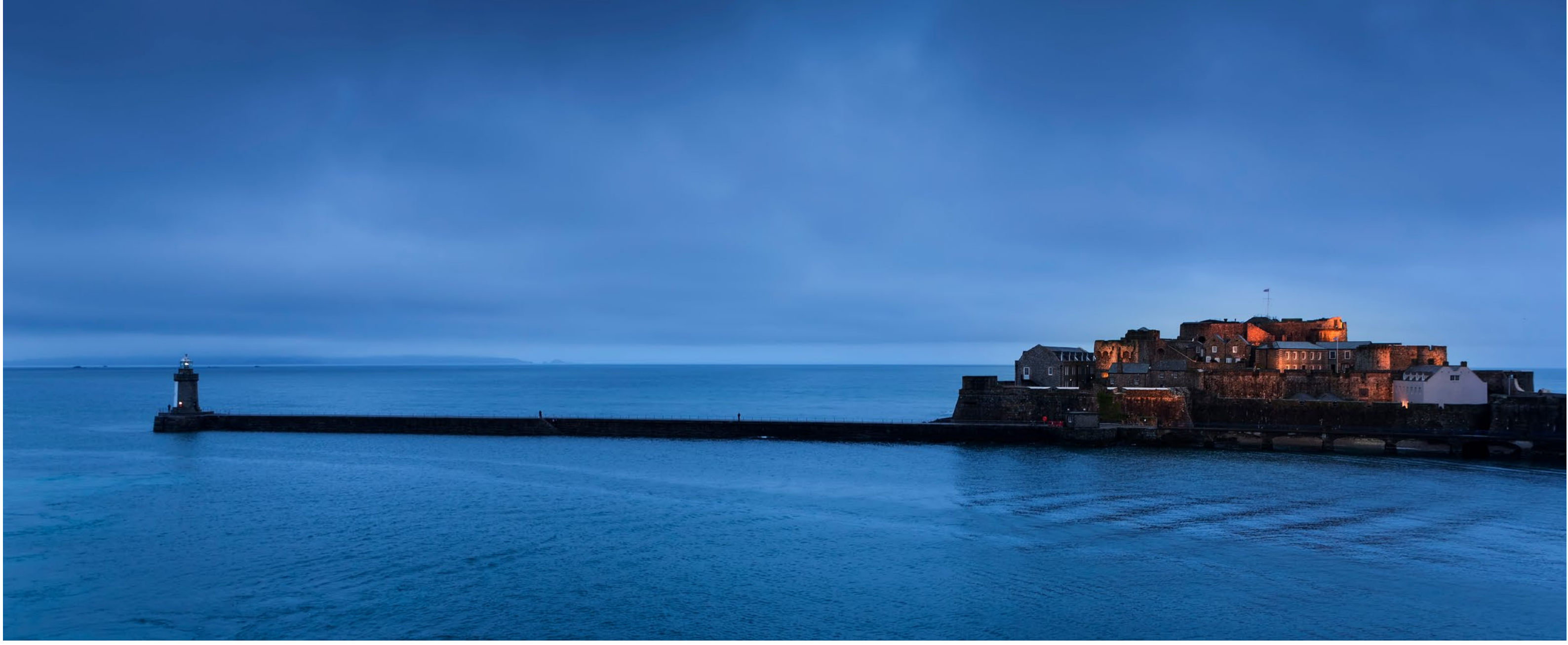
PERGRINATION

THIRD QUARTER NOVEMBER 2025

PEREGRINE
WEALTH

CONTENTS



THE ILLUSION OF STABILITY

George Herman
Chief Investment Officer

The global economy, much like a calm sea before a storm, appears deceptively stable. Markets have rallied, volatility has receded, and investors are once again daring to believe in trees that grow to the sky. Yet beneath the surface, the currents of politics, policy, and valuation risk continue to swirl, quietly reshaping the landscape in ways that will define 2026.

At Peregrine Wealth, we have learned that apparent calm often conceals brewing change. This is one of those moments.

Unsettled powers, uneasy markets

In the United States (US), policy uncertainty remains a defining feature. The Trump administration's rhetoric on trade, immigration, and fiscal expansion continues to oscillate between stimulus and strain. Markets have grown almost numb to the noise - yet history reminds us that complacency is rarely rewarded.

Meanwhile, China's slowdown is revealing deep structural challenges. The property sector remains fragile, capital is seeking safer havens, and the final trade negotiations with the US still need to be inked. Across the Atlantic, France, which, along with Germany, has in recent decades formed an axis of stability in Europe, has become a flashpoint once more. Protests and fiscal pressure have reignited debate about the sustainability of Europe's social model, just as the continent faces anaemic growth and mounting political fragmentation.

In this fractured world, geopolitical uncertainty is no longer an occasional shock, it is the baseline condition of the global economy.

The turning of the monetary tide

After two years of monetary tightening, the global conversation has shifted toward rate cuts. The market is so convinced that US President Trump's influence on the US Federal Reserve (Fed) will win out, that several more rate cuts are now priced in. US inflation is not as bad as original tariff fears suggested, but the victory is incomplete. The US, still buoyed by a resilient consumer and large fiscal deficits, is reducing rates with caution. The market is as data dependent as it's ever been. Europe and parts of Asia, by contrast, have already begun easing as growth falters.

This divergence will define capital flows and currency trends in the quarters ahead, with investors recalibrating their expectations from "higher for longer" to "lower, but slower." All signs point to an oversold dollar that could retrace at short notice, but it won't last long. Global central bank reserve accumulation has excluded the dollar and this removes a several-decade long tailwind for the US currency.

Valuations and the gold signal

Equities, particularly in the US, have priced in a world of perpetual growth and policy rescue. Earnings have held up, but valuations leave little margin for error. When optimism becomes consensus, risk is often mispriced.

In contrast, gold, that ancient barometer of fear and faith, continues to make new record highs. It tells a quieter truth: that investors, while participating in the rally, are hedging against its fragility. The illusion of stability is consensus at the moment.

Seeing beyond the illusion

At Peregrine Wealth, our approach remains grounded in discipline and diversification. We continue to prepare for multiple scenarios rather than anchoring to a single forecast. In an age of uncertainty, that is not caution, it is wisdom.

Enjoy this edition of Peregrination.

THE FUTURE WILL SURPRISE

Maarten Ackerman

Chief Economist

This year has certainly thrown the markets a few curve balls. While things looked buoyant in January, by April, when United States (US) President Donald Trump announced his first round of tariffs the mood had changed, and markets were anticipating a recession to unfold globally. Now, as 2025 draws to a close, the likelihood for a recession has receded, although an orderly global slowdown is still on the cards.

It is Peregrine Wealth's job to filter through the noise on behalf of our clients, both to identify what the real risks are and to establish how to leverage the available opportunities.

I think in the current global economic environment, while the markets will definitely provide a return, a good asset manager will be the one who avoids downside risk. We do this by adhering firmly to the four pillars of Peregrine Wealth's investment philosophy:

1. The future is uncertain and will surprise.
2. Valuations matter.
3. Diversification is important.
4. Focus on a financial plan that works for you and the resulting asset allocation.

The first pillar states that the future will surprise. Yet, we must be clear: this does not only refer to negative surprises, but also those on the positive end of the scale. And this year talks to that. Sentiment may be low, but the reality is that all markets surprised to the upside.

Which leads us to the next pillar, namely, whether current valuations make sense, given the outlook for the world. We must remember that while it is easy to attribute a number to growth, the markets put a price on the future, whether that is based on expected earnings growth or hope. So, it is our job to determine whether or not such a price is fair given our assessment of the future.

In an uncertain environment, COVID taught us that being overly pessimistic in a very dynamic world is the wrong approach. Companies and countries can adjust rapidly to changes in the environment and revert back to solid growth faster than expected, bringing the world back on track. So, before we let negativity derail any investment strategies, we need to look at what is happening in the major global economies.

UNITED STATES - TO HIT A SOFT PATCH, BUT RECESSION AVOIDED

The US is coming off what has been an extremely healthy environment, with growth over the last few quarters sitting north of 3%. Second quarter US gross domestic product (GDP) growth surprised at 3.8%. The question is whether this is sustainable. At Peregrine Wealth, we continue to view the US economy as being in a slowdown phase. However, the resilience of both equity markets and the US consumer has provided meaningful support during the first half of this year. Back in April, markets anticipated a recession following Trump's announcement of sweeping trade tariffs. While we expect these tariffs to exert pressure on the economy over the next 12 months, our outlook remains that they will lead to a temporary soft patch rather than a full-blown recession.

While the US consumer is resilient, the US labour market has slowed sharply, especially in the third quarter. The conundrum for the US Federal Reserve (Fed) is that US inflation remains sticky and will continue to move higher given the impact of tariffs, but, while the US unemployment rate remains steady, the economy is not creating the same number of new jobs compared to the last few years. If this trend continues unemployment will start rising soon. Given current inflation dynamics, the Fed would typically increase rates or, at the very least, keep them steady. However, with a cooldown in the jobs market, it also needs to be proactive by cutting rates in the hope of stimulating the economy.

It's important to keep in mind that while the US economy remains resilient, much of this activity may reflect pre-emptive buying, by both consumers and businesses, aimed at building inventory ahead of the anticipated impact of tariffs. As a result, this momentum is likely to taper off as during the final quarter of 2025 and move into 2026.

We are already seeing the first signs of the impact of tariffs when we look at monthly US tax receipts from import duties. The revenue collected has increased from around $8 billion a month to $30 billion. Those figures are definitely supporting the US fiscus, but the cost will be passed onto business and the consumer.

At this point in time, US growth is being driven by consumer spending and capital expenditure. While the One Big Beautiful Bill may support the US economy through tax relief, this will mostly happen through the higher-income consumer. Capital expenditure in the AI and technology sectors has been accelerating, playing an increasingly important role in supporting economic growth. This investment surge is likely to cushion the economy as consumer spending comes under pressure. Given the United States' strong economic competitiveness, it continues to attract substantial investment in these areas. For example, spending on the digital economy as a share of GDP has risen from approximately 3% in 2010 to around 5% today, a trend that shows no signs of reversing.

While the US economy is resilient, there are still headwinds that need to be addressed. US inflation remains above target and is likely to remain elevated as the impact of tariffs starts to bite. US growth is going to be far more reliant on high-income households and large technology firms. This raises concerns about the sustainability of growth in the absence of diverse participation.

In summary, a resilient US consumer, strong investment, and the fact that the likelihood of a recession has been replaced by the expectation of a soft economic patch means that the Peregrine Wealth view remains relatively unchanged from April. We believe that while business and consumers will continue to support the US economy, it is going to slow to close to capacity growth in the short to medium term as the economy slows from just over 3% growth to around 2% over the next few years.

EUROPE, INCLUDING THE UK – EMERGING FROM A GROWTH SLUMP

Across the Atlantic, economic activity is beginning to accelerate, gradually converging with US growth as the American economy slows. Like the US, this growth is partially being driven by a resilient consumer. However, European Union (EU) growth is also being boosted by increased fiscal spend, especially by the German government. This is being reflected in the German budget deficit, which has grown from 2.5% to now around 3% of GDP. As such, German bund yields have moved from offering negative interest rates to now yielding between 2.5% and 3%. While a lot of this spending will be used for defence projects, in the absence of a war this would be a one-off spend and, as such, will not be sustainable in the long term.

Positively, the EU's labour market remains resilient. While unemployment stands at around 6%, domestic demand and business investment is recovering. In addition, EU inflation is much less sticky than in the US, which is allowing the European Central Bank to be more accommodative in terms of its policy stance.

There are, however, concerns around the EU economy. Its industrial sector is under pressure, especially in Germany, given the high cost of energy, its lack of overall global competitiveness, and the tariff deal on all EU exports to the US. Adding to these headwinds, growth remains uneven amongst the different member states, which puts the EU's recovery in question.

Despite these challenges, we do believe that Europe will keep recovering, and its growth will increase from about 1% for the next year, to about 1.3% on average over the next three years; still lower than the US.

The United Kingdom (UK), which is part of the broader European mix, is also picking up for similar reasons to the EU. Its labour market is showing resilience, and it is experiencing modest wage growth, However, unlike the EU, UK inflation is proving to be rather sticky, sitting at around 3.8%. Its fiscal buffer is currently low, with tax hikes expected to be announced by the Chancellor of the Exchequer Rachel Reeves, in her budget speech on 26 November. Also, business investment into the UK remains weak, which is further fuelled by low productivity levels. As such, the UK has a similar growth outlook as the EU. We are expecting growth to average not much more than 1.5% per annum over the next three years.

CHINA – SUPPORTING THE CONSUMER

Although not an official target anymore, China is still aiming for real economic growth of around 5% per annum, which has, thus far this year, been driven largely by manufacturing, investment spending and exports. However, the country is aiming for a more consumption-driven economic structure. To achieve this, China will need to provide much stronger explicit and targeted policy support to their consumers. This has started but is still insufficient.

The combination of a prolonged property market slump, over-capacity and severely depressed consumer confidence has led to insufficient demand versus supply in the Chinese economy, with the inadvertent consequence of deflation being fairly entrenched in the economy currently. The export sector has been the one shining light this year, as China has benefited from a sharp increase in front-loaded demand.

While exports to the US have slumped this year amid the trade war, China did manage to diversify its export markets, with significant growth in Chinese exports to Africa, the ASEAN region, and to Europe this year. However, as the tariff pressure bites, and the positive impact of previous stimulus fades, we are likely to see the Chinese economy lose further momentum and, like the US, also experience a bit of a soft patch ahead.

In order to gain economic momentum and to kickstart spending, Chinese consumers need greater confidence in the stability of the economy, which relies on a stabilisation of the domestic property market, and more clarity and confidence for consumers around the job market and income growth.

The Chinese government does have a greater focus on supporting consumers. Chinese government bonds, which have traditionally been issued to support infrastructure projects, are now being diverted to also support public welfare projects. When it comes to subsidies and policy support (like fiscal spending and rate cuts) for consumers, the sectors receiving those subsidies are seeing much better growth than those without.

In this environment, our current assumption for China is that its growth will slow to about 4% per annum over the next couple of years unless further targeted stimulus is effectively implemented, soon. Anticipated economic growth of 4% per annum for China is more optimistic than the market's view in April amid the Liberation Day tariff announcements. At the time, the expectation in markets was quite bleak, with an anticipated significant decline in Chinese economic activity. At Peregrine Wealth, we did not support that view. While we did downwardly adjust our growth assumptions at the time, it was muted.

THE GLOBAL OUTLOOK – MORE RESILIENT THAN EXPECTED IN APRIL

The world is becoming more resilient to global hiccoughs. In past editions of *Peregrination,* I have mentioned how trade amongst emerging market economies has increased from around 25% in the early 80s to close to 50% today, and that number is only set to increase. The percentage of Chinese exports to the US is dropping off; a trend that started around five years ago, as China started to diversify its supply chain, growing exports to Africa, emerging Asia, and Central America.

Additionally, American imports of Chinese goods have declined sharply. In 2024, US imports from China totalled around $40 billion, but that figure has dropped to under $20 billion in 2025, a slowdown largely driven by the impact of tariffs. While Chinese imports have fallen, exports from Vietnam to the US have increased. However, this may reflect a degree of "smoke and mirrors," with goods potentially being rerouted from China through Vietnam before reaching the US.

However, China is exporting a lot more to its BRICS partners. This makes global trade more sustainable and is probably a major reason that the impact of tariffs has been lower than expected. So, despite Trump's tariffs, global trade has not slowed, if anything, it is increasing.

America is no longer the only game in town. The BRICS nations have enormous influence in the global economy. They make up almost 50% of the global population, they are responsible for a third of global GDP, and surprisingly, they make up 50% of global agricultural production, which is important given that the US is a net importer of food. This indicates that global trade channels are definitely going to change going forward.

Looking at the global economy, we're seeing a diversification in trade, supported by other growth drivers such as increased investment in technology. The current environment appears more resilient than what was expected in April. While we remain cautiously optimistic rather than outright bullish, we believe the world is entering a phase of moderate growth, hovering around 2% to 2.5%. This pace is sufficient to support corporate earnings going forward.

BOXING CLEVER TO MAXIMISE OPPORTUNITIES WHILE AVOIDING RISK

Looking more closely at the economic fundamentals, while we cannot deny that we are in an environment where there is going to be softness globally over the next year, there are still a lot of opportunities for investors.

In this environment, it is important that we “box clever” and find the right opportunities, because not all companies will do well in this current economy. Our job is to find those that do, and to then find alternative investment opportunities that support or preserve wealth and, more importantly, to ensure we avoid any potential downside risk. This is when we turn to the third and fourth pillars of our investment strategy – asset allocations and diversification.

This year has shown us, again, how well Peregrine Wealth’s investment strategy works. Indeed, despite all the uncertainty at the beginning of this year, a lot of noise from leaders like Trump, and then the positive surprise from markets, we were able to participate without exceeding our risk budget.

So, as we head towards the festive season and then into 2026, Peregrine Wealth’s strategy is clear. We will continue to look for opportunities but, more importantly, to focus on managing risk for our clients, thereby protecting their wealth.

ASSET VALUATION SIGNALS

Harold Strydom
Investment Strategist

Scenario modelling has formed part of Peregrine Wealth’s investment philosophy for over two decades, and it enables us to better understand potential market outcomes and construct stronger portfolios. The Peregrine Wealth Investment team has a core or “high conviction” scenario based on a three-year view, which is expressed as macroeconomic and market assumptions, including economic growth, inflation, interest rates, price-earnings multiples, and credit spreads, to list a few. Based on these assumptions, our asset valuation models produce expected returns for various asset classes. This section is used to summarise our high conviction view and the resulting asset signals.

HIGH CONVICTION SCENARIO: MEDIUM-TERM EXPECTED RETURNS

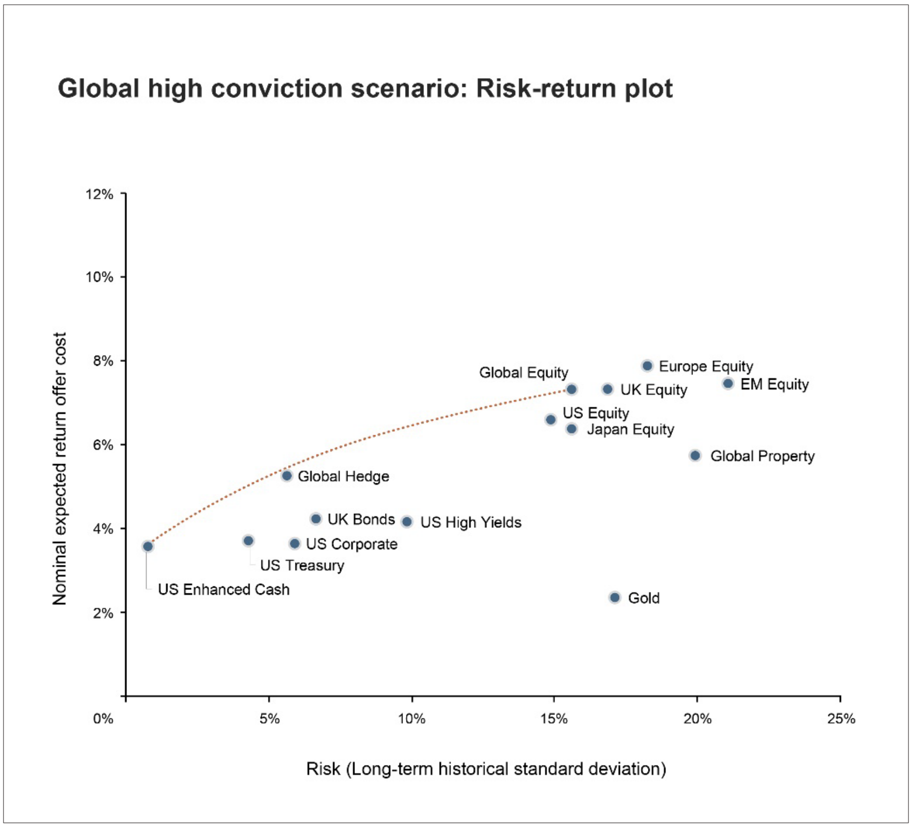
Our high conviction scenario assumes the global economy will grow close to capacity over the next three years. Rate cuts and loose fiscal policy are expected to help the United States (US) maintain growth near capacity, support recovery in Europe, and prevent a sharp slowdown in China. Inflation is closer to target in most areas, though core inflation (excluding volatile items like food and energy) remains sticky and US tariffs pose upside risk. The US labour market is softening, with past job growth figures revised down. The US Federal Reserve and Bank of England are expected to cut rates further, while the European Central Bank remains on hold, and the Bank of Japan may need to hike rates. Lower rates should support company growth and earnings, though the impact will vary across regions and unfold at different speeds.

Equity earnings growth is expected to be strong in the US and select emerging markets (EMs) over the next three years, while more moderate growth is likely in other developed markets. US valuations are assumed to remain elevated as conditions for the secular (long-term) bull market persist, while emerging and European markets trade closer to long-term averages. Over the medium-term global equities are rated neutral.

Cash remains attractive despite projected rate cuts. US bonds are now trading at yields below our fair value assumptions. Government bonds are rated neutral, while credit is below neutral due to tight spreads. Market consensus is that we are likely in a secular US dollar bear market, and the potential impact of a weaker dollar on fixed income returns and company earnings should be factored in.

The United Kingdom (UK) economy continues to face subdued growth, though recent data suggests some resilience. Inflation is easing from earlier highs but remains above target, with core measures still sticky. The Bank of England held rates steady at its last meeting; however, market consensus anticipates further cuts over the coming year, in line with expectations for global monetary easing. Lower rates should provide some support to consumers and businesses, though the pace of improvement will depend on fiscal clarity and ongoing disinflation. UK government bonds remain volatile ahead of the Autumn Budget, with yields elevated versus historical norms but off recent peaks. Credit spreads are tight, reflecting strong corporate fundamentals, and corporate bonds offer attractive all-in yields despite limited scope for further spread compression. UK equities continue to look compelling from a valuation perspective, supported by dividend and buyback activity, and earnings growth expectations have improved. Overall, medium-term expected returns remain neutral.

The chart below shows the three-year expected return versus the historical standard deviation of each asset class, based on our high conviction scenario.

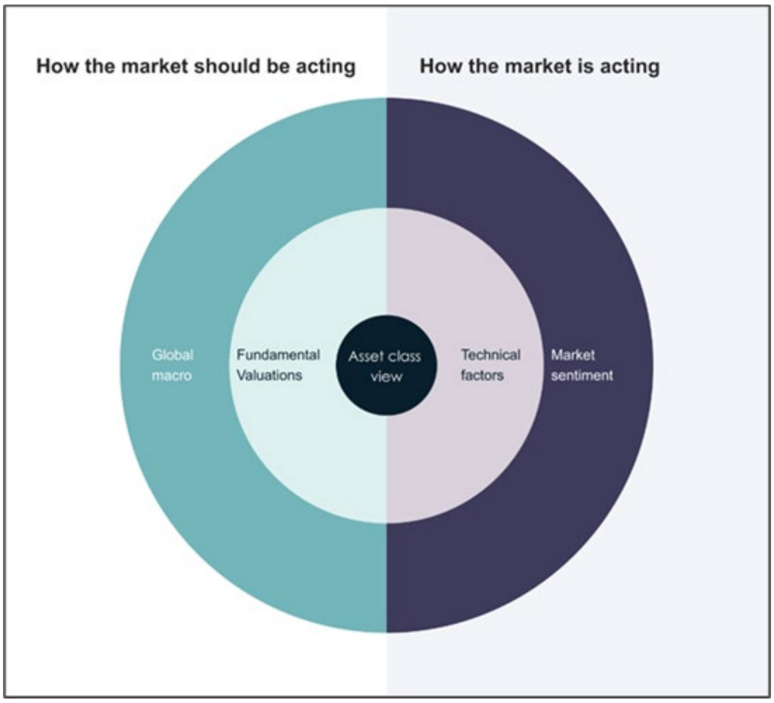


NEAR-TERM ASSET CLASS VIEWS

Our investment process is anchored by a high conviction macroeconomic scenario and the corresponding expected returns for asset classes. This foundation helps us form expectations about how markets should behave. However, we are keenly aware that short-term market behaviour frequently deviates from these expectations. We have long recognised that medium-term, valuation-based signals are often poor guidance for short-term asset performance.

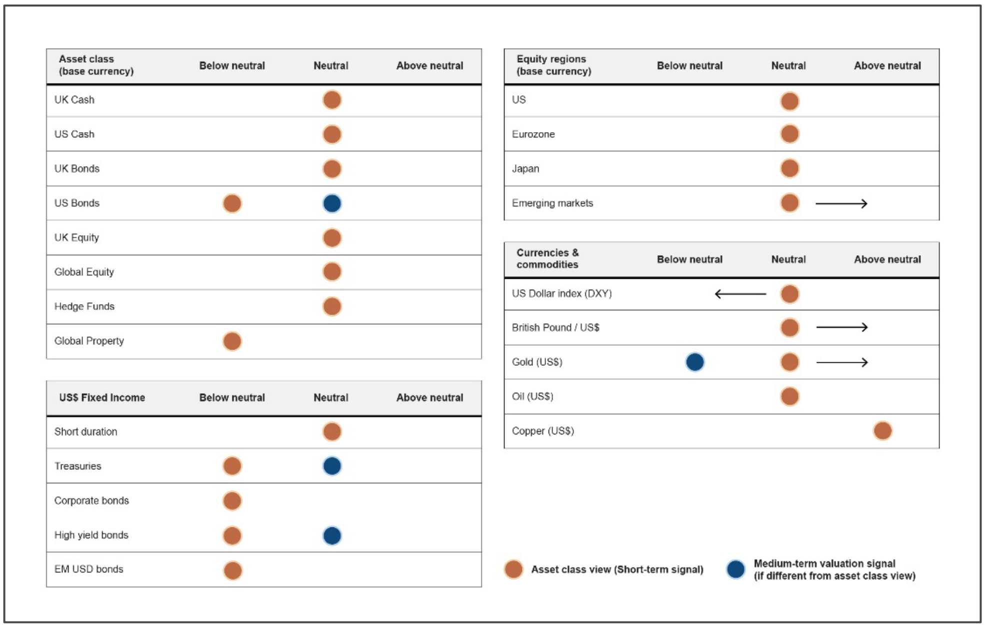
To address this, we've developed a range of tools and indicators to enhance our short-term analysis. These include a close examination of market dynamics, cross-asset correlations, and currency and commodity trends, and several other technical factors. These insights help us adapt our views and make more informed short-term decisions.

The diagram below gives a visual representation of how these two parts of the process play into each other.



In addition to our top-down (looking at the broader market) analysis, we integrate the bottom-up (company) insights provided by our analysts. Their detailed research on individual companies and sectors plays a crucial role in shaping our overall views. When bottom-up analysis reveals fundamentals that diverge from market signals, positive or negative, we take this into account in refining our positioning. This dynamic approach allows us to balance macroeconomic factors with granular insights, ensuring our investment decisions reflect both the broader market environment and underlying characteristics of individual assets.

Our latest asset class views are summarised below. The orange circles represent the short-term views from the team, with an indication of risks leaning towards the up or downside. Where the high conviction scenario medium-term signals are different from the short-term views, it is indicated in blue. To determine the signal as Neutral or Above and Below, the model compares expected returns to what investors have historically required from these asset classes. For example, a Neutral Outlook implies a real expected return range of -0.5% to 1.5% for US Cash, 0.5% to 3.5% for US Bonds, and 3.5% to 8.5% for Global Equity. No currency views are taken; currencies are assumed to move in line with short-term interest rate differentials for modelling purposes.


Asset class (base currency)
Below neutral
Neutral
Above neutral
UK Cash
US Cash
UK Bonds
US Bonds
UK Equity
Global Equity
Hedge Funds
Global Property
US$ Fixed Income
Short duration
Treasuries
Corporate bonds
High yield bonds
EM USD bonds
Equity regions (base currency)
US
Eurozone
Japan
Emerging markets
Currencies & commodities
US Dollar index (DXY)
British Pound / US$
Gold (US$)
Oil (US$)
Copper (US$)
Asset class view (Short-term signal)
Medium-term valuation signal (if different from asset class view)