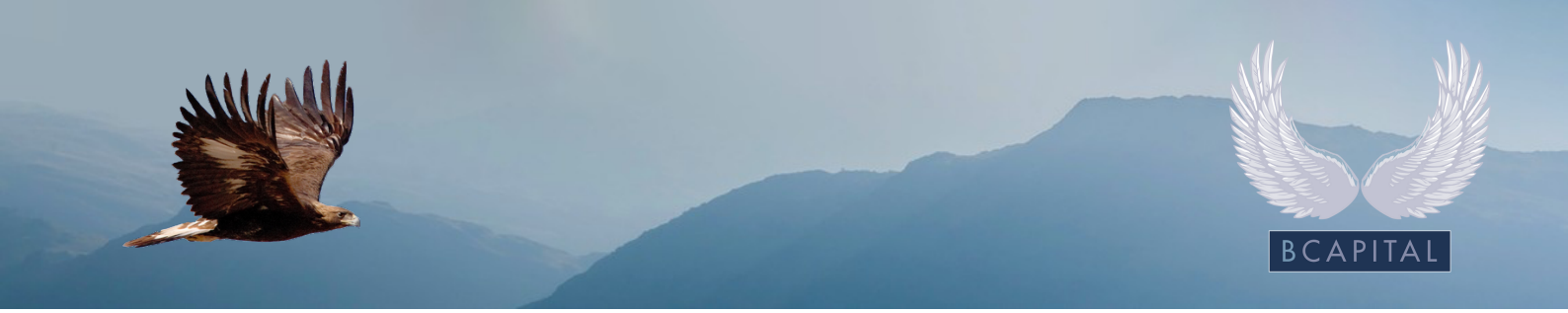

B Capital SA
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28th October 2025

Executive Summary

The third quarter of 2025 demonstrated remarkable resilience in global equity markets despite persistent challenges from tariff-induced uncertainty and shifting policy frameworks. The S&P 500 advanced 8.1%, the Nasdaq Composite surged 11.2%, and emerging markets outperformed with 11.0% gains. Precious metals delivered extraordinary returns, with gold up 47% year-to-date and silver gaining 64% before a sharp spike at quarter-end prompted our profit-taking action.

The IMF's October 2025 World Economic Outlook underscores the challenging environment ahead. Despite projecting global growth of 3.2% in 2025 and 3.1% in 2026, the IMF emphasises that growth prospects remain dim, with risks tilted to the downside. US effective tariff rates remain elevated at approximately 19%—the highest since pre-World War II—creating persistent uncertainty that continues to weigh on business investment and trade flows.

B Capital SA strategically reduced US equity exposure during the quarter and increased allocations to silver and silver mining equities, positioning to benefit from our thesis of dollar depreciation, persistent inflation, and a moderate global economic slowdown into 2026. Following a pronounced spike in silver prices near quarter-end, we captured profits on three-quarters of our silver and silver miner holdings whilst maintaining conviction in the longer-term trend. We also expanded emerging market equity holdings to capitalise on improved growth dynamics and valuation opportunities.

Q3 Market Performance

Equity Markets: Resilience Amid Uncertainty

Q3 marked the continuation of a powerful rally from April's tariff-induced lows. Technology stocks led the advance, with AI-related companies and the "Magnificent Seven" driving performance. The IMF notes that a strong boom in artificial intelligence investment, coupled with modestly expansionary fiscal policy in 2026, is supporting output whilst simultaneously adding to price pressures from tariffs. This creates a complex dynamic where demand forces offset some of the negative supply shocks from trade policy.

Small-cap stocks experienced a notable resurgence, with the Russell 2000 gaining 8.6% for the quarter, briefly touching new highs for the first time since November 2021. This broadening of market leadership, whilst encouraging, must be viewed cautiously given elevated valuations and the technology sector's weight in the S&P 500 approaching 35%—matching late-1990s Tech Bubble levels.

Continued…

Regional Performance Highlights

- US Markets: S&P 500 +8.1%, Nasdaq +11.2%, Dow Jones +5.2%
- Emerging Markets: MSCI EM +11.0%, driven by Chinese tech rally (Hang Seng Tech +22.1% in Q3)
- Developed Markets Ex-US: Modest gains with Europe consolidating earlier year advances, supported by German fiscal expansion
- Japan: TOPIX +11.0%, supported by weaker yen and corporate governance reforms

China: Navigating Structural Challenges

The IMF's assessment of China warrants particular attention. Despite being the country hardest hit by US tariffs, China's growth is projected to decline only modestly, owing to sharp real effective exchange rate depreciation, front-loaded export surges toward Asian and European partners, and fiscal expansion. However, the IMF raises serious concerns about sustainability.

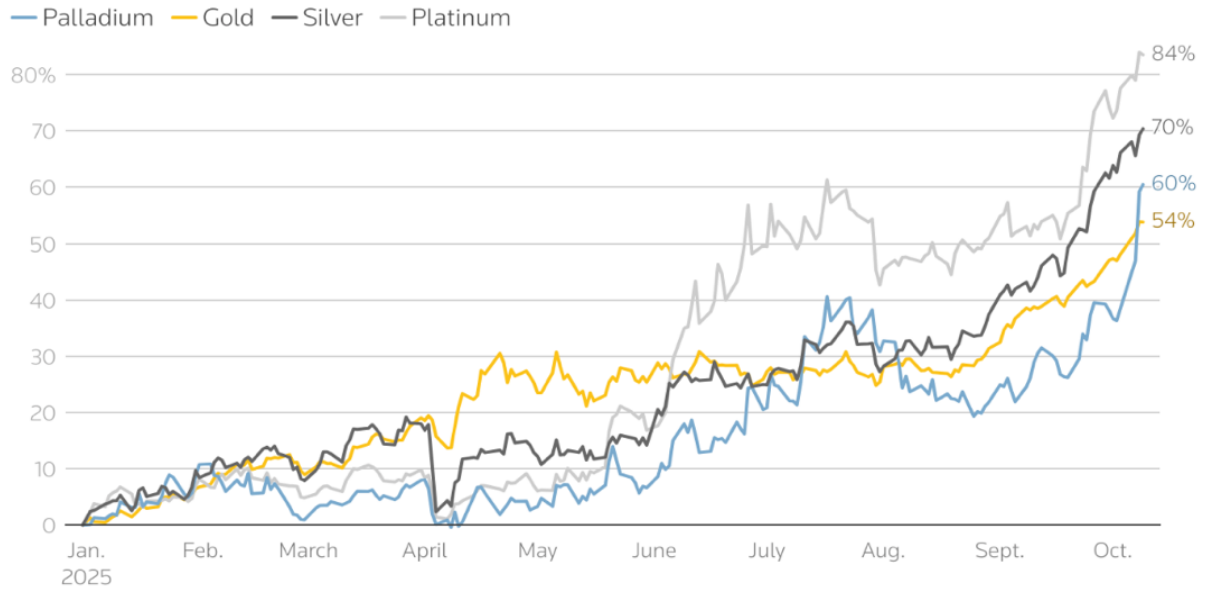
More than four years after the property bubble burst, China's real estate sector remains unstable. Real estate investment continues to contract whilst the economy faces debt-deflation risks. The IMF notes mounting evidence that large-scale subsidies to the manufacturing sector have reached their limit and are contributing to significant resource misallocation. This manifests in strong productivity gains in targeted sectors (electric vehicles, solar panels) contrasted with absent aggregate productivity gains—a concerning divergence.

The IMF questions how China's strong manufacturing export contribution can be sustained, given these structural challenges. This analysis reinforces our cautious stance on China exposure, favouring selective opportunities in technology and consumer sectors rather than broad market participation.

Precious Metals: Exceptional Performance and Tactical Profit-Taking

Precious metals delivered their strongest quarterly performance in over a decade. Gold powered to record highs above $3,650 per ounce during the quarter, gaining 17% in Q3 alone and reaching 47% year-to-date returns. Silver dramatically outperformed, surging 64% year-to-date as industrial demand and supply constraints intensified.

The precious metals rally was driven by multiple converging factors: dollar weakness (down 11% in H1 2025—the largest decline since 1973), persistent inflation concerns, geopolitical uncertainty, and aggressive central bank accumulation. The IMF confirms that financial conditions remain very accommodative, with a dollar that has lost considerable strength, supporting the bullish case for precious metals. Silver particularly benefited from its dual role as both a monetary metal and critical industrial input for solar panels and electronics.



Towards the end of Q3, we observed a pronounced spike in silver prices that exceeded the already strong appreciation in gold. This sharp acceleration, whilst validating our investment thesis, exhibited characteristics of excessive short-term momentum that warranted tactical repositioning. Given the magnitude of gains already captured and the velocity of the late-quarter price action, we made the decision to take profits on three-quarters of our silver bullion and silver mining equity positions.

This profit-taking was not a reflection of diminished conviction in our medium-term bullish outlook for silver. Rather, it represented disciplined portfolio management to capture exceptional returns whilst preparing to re-enter positions at more attractive levels. We remain fundamentally positive on silver's outlook, supported by our views on dollar weakness, persistent inflation, and structural supply-demand imbalances in the industrial silver market.

We anticipate re-establishing our silver exposure at levels more consistent with the underlying trend, allowing us to benefit from potential near-term consolidation or pullbacks. The remaining quarter position provides continued participation in the theme whilst the realised profits strengthen our capital base and provide dry powder for redeployment. This tactical approach balances our strategic conviction with prudent risk management in the face of extended price momentum.

Interest Rates and Monetary Policy

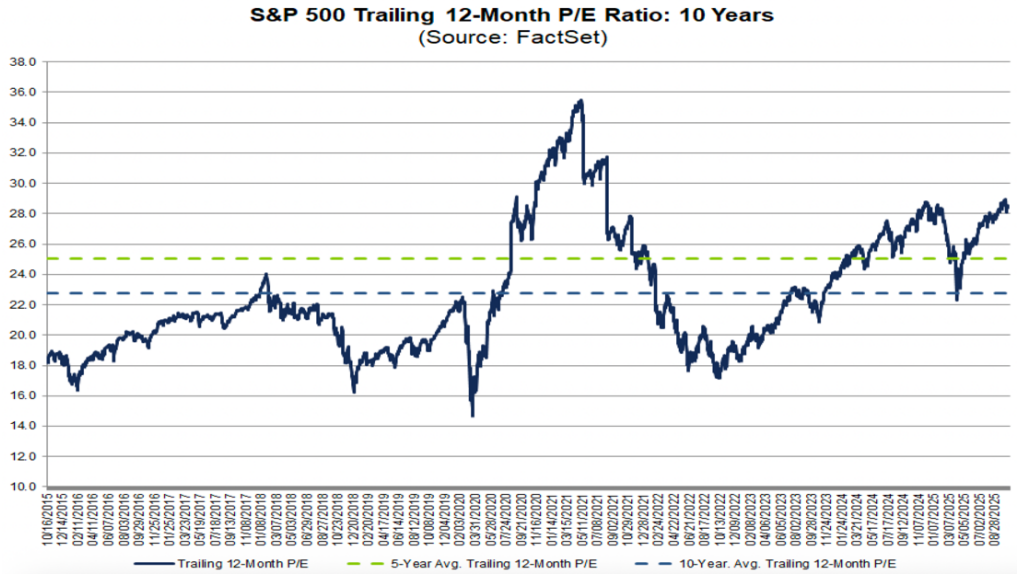
The Federal Reserve initiated its easing cycle in September with a 25-basis point cut, bringing rates to 4.25-4.5%. Markets anticipate additional cuts through 2025, though the path remains uncertain given sticky core inflation running near 2.8%. The Fed faces a delicate balance between supporting a softening labour market and maintaining price stability as tariff-related cost pressures persist.

The IMF emphasises the critical importance of central bank independence, noting that trust in central banks and their ability to deliver price stability allows inflation expectations to remain well anchored even when the economy faces large shocks. Any erosion of this independence could result in the loss of hard-won credibility gains achieved in policymaking over many decades, with serious implications for inflation expectations and financial stability.

Strategic Portfolio Positioning

Reduced US Equity Exposure

During Q3, we tactically reduced our US equity allocation, particularly trimming positions in mega-cap technology stocks trading at elevated valuations. Whilst we remain constructive on the secular AI investment theme and recognise strong corporate fundamentals, we believe US equity risk-reward has become less attractive at current levels. The S&P 500's forward P/E ratio near 20x and market concentration risks warranted a more cautious stance.



The IMF draws parallels between the current AI boom and the late-1990s dot-com bubble. Whilst acknowledging AI's transformative potential, the IMF warns that market optimism about new technology is pushing up stock valuations, fuelling a tech-centred investment boom, and sustaining consumption based on strong capital gains. Should lofty profit expectations prove unmet—as often occurs with new general-purpose technologies—a significant market repricing could impact aggregate wealth and consumption, with spillovers to broader financial markets.

We maintain selective exposure to US technology leaders with sustainable competitive advantages and strong free cash flow generation. However, given our outlook for dollar weakness and higher volatility, we believe diversification beyond US-centric portfolios is prudent. The IMF projects a cumulative global output loss of about 0.2% by end-2026 compared to October 2024 forecasts, with US growth revised down and inflation revised up—clearly indicating a negative supply shock.

Expanded Emerging Market Equity Exposure

We added to emerging market equities during Q3, focusing on Asian technology leaders and select Chinese internet/e-commerce companies trading at attractive valuations. The IMF notes that emerging market and developing economies have benefited from easier financial conditions following dollar depreciation. They have also continued to demonstrate significant resilience, in part because of strong and improving policy frameworks.
This resilience theme reflects improved monetary policy frameworks, enhanced central bank independence, and stronger fiscal discipline across many emerging economies. EM equities have outperformed developed markets year-to-date and now trade at a significant discount despite superior growth prospects. The MSCI EM index benefits from both better relative valuations and structural improvements in policy credibility.

Precious Metals Allocation and Tactical Management

Strategic Rationale

Our initial increased allocation to silver and silver mining equities reflected a high-conviction view based on three core themes:

- **Dollar Depreciation:** Multiple major investment banks project continued dollar weakness through 2026. The dollar's 11% decline in H1 2025 marked its worst performance since 1973, and structural pressures remain. The IMF notes that dollar depreciation of roughly 8% since January has amplified the impact of tariff shocks on other countries' competitiveness, suggesting sustained weakness ahead.
- **Persistent Inflation:** Core inflation has proven stickier than anticipated, with services inflation remaining elevated. The IMF confirms that in the US, growth projections have been revised down whilst inflation forecasts have been revised up. Tariff-related cost pressures and tight labour markets suggest inflation will remain above the Fed's 2% target through 2026.
- **Supply-Demand Dynamics:** Silver faces structural supply deficits driven by surging industrial demand (particularly solar panels) whilst mine production remains constrained. This creates an asymmetric risk-reward profile that aligns with our medium-term investment horizon.

Current Positioning Following Profit-Taking

Following our decision to capture profits on 75% of silver holdings near quarter-end, we maintain a quarter position that provides continued exposure to the theme whilst significantly de-risking after exceptional gains. This tactical reduction does not reflect a change in our medium-term outlook—we remain bullish on silver's prospects given our macro views on dollar weakness and inflation persistence.

The profit-taking discipline demonstrated reflects our commitment to active portfolio management and risk control. We view potential near-term consolidation as an opportunity to rebuild positions at levels more consistent with the underlying fundamental trend, avoiding the risk of chasing extended momentum. The realised gains provide capital flexibility whilst our remaining position ensures we maintain participation should the trend continue higher without meaningful correction.

Major Institution Economic Outlooks

IMF World Economic Outlook (October 2025)

The IMF's latest assessment provides crucial context for our portfolio positioning. Whilst global growth is projected at 3.2% in 2025 and 3.1% in 2026—at the modest end of potential tariff impacts—this masks significant underlying challenges:

- **Tariff Impact:** US effective tariff rates remain at approximately 19%, the highest since before World War II. Trade policy uncertainty remains elevated. The IMF warns that tariff effects could increase over time as firms gradually pass costs to customers and trade is permanently rerouted, making the global economy less efficient.
- **Output Loss:** Compared to October 2024 projections, the tariff shock results in a cumulative global output loss of about 0.2% by end-2026. Global growth is projected to slow in H2 2025 with only partial recovery in 2026.
- **Policy Coordination:** The IMF emphasises that resolving policy uncertainty through clearer bilateral and multilateral trade agreements could raise global output by 0.4% in the near term. A return to low tariffs could add another 0.3% upside.
- **AI Productivity:** Under modest assumptions, AI-driven productivity improvements could add 0.4% to global output in the near term, beyond investment effects. However, the IMF cautions about parallels with the dot-com boom and risks of market repricing if profit expectations prove unmet.

Key Risks Identified by the IMF:

- **AI boom parallels with late-1990s:** Risk of demand pressures requiring tighter policies or market repricing if expectations unmet
- **China's weak prospects:** Property sector instability four years after bubble burst, economy near debt-deflation cycle, unsustainable export-led model
- **Fiscal strains:** Lower growth, higher real rates, elevated debt, and new spending needs creating challenging fiscal equation
- **Central bank independence:** Increased pressure on policy-setting institutions threatens decades of credibility gains essential for anchoring inflation expectations

Citigroup Outlook

Citigroup maintains a bearish stance on the dollar through 2025-2026. Their mid-year outlook notes that reduced tariff rates on China have lowered acute inflation risks and may provide scope for more aggressive Fed rate cuts than markets currently anticipate. However, Citi still projects US CPI inflation reaching elevated levels in 2025 before moderating.
Citi expects the Fed to cut rates gradually, with the Fed funds rate potentially reaching the 3.5-4% range by 2025 year-end. Their analysis suggests that whilst tariff impacts have been less severe than initially feared, policy uncertainty remains a key dollar headwind. Citi sees potential for significant yen strength against the dollar over the medium term.

J.P. Morgan Outlook

J.P. Morgan Research maintains a bearish dollar outlook extending through 2026. Their mid-year assessment points to an elevated risk of an era of dollar decline despite the currency retaining reserve status. Key factors in their analysis include US growth expectations being cut significantly for 2025, effective tariff rates at historically elevated levels, and European investors increasingly favouring local assets over US securities.
J.P. Morgan reduced recession probability but expects sub-par growth with very modest US GDP expansion in H2 2025. They project global GDP growth below historical averages for both 2025 and 2026. Their outlook suggests emerging market currencies should outperform as the dollar weakens, supporting our EM equity positioning.

Morgan Stanley Outlook

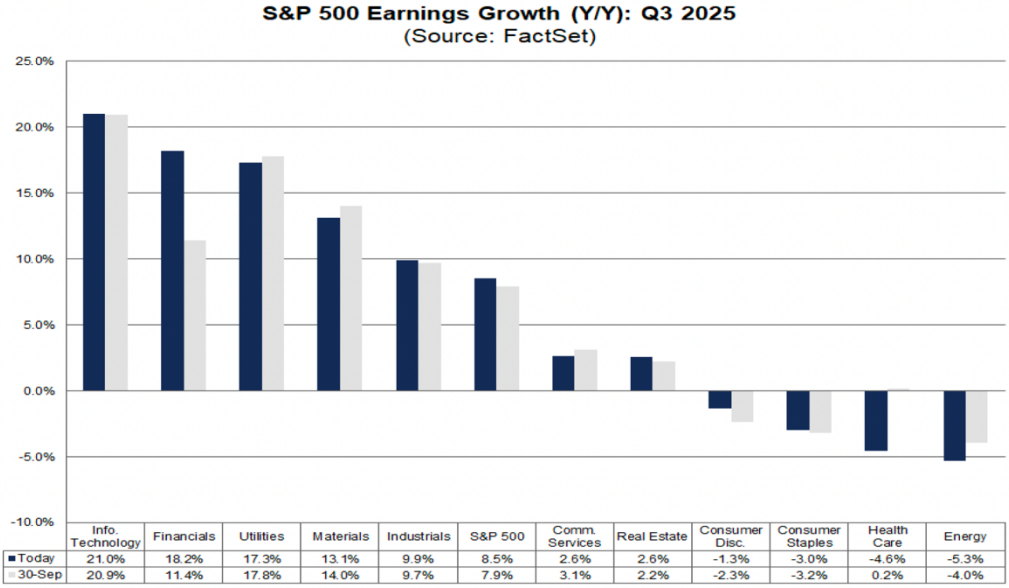
Morgan Stanley's outlook aligns with our defensive positioning. Their mid-year economic projections show US growth slowing substantially in 2025 and further in 2026, down sharply from 2024 levels. Their economists emphasise that policy changes will have significant reverberations through the global economy.

On inflation, Morgan Stanley expects a rebound in late 2025 due to tariff-related price increases and labour cost pressures before inflation resumes a downward trend in 2026 as growth slows. They project core inflation remaining elevated near target levels through much of the forecast period.

Regarding currency markets, Morgan Stanley's FX strategists point to labour market weakness and policy uncertainty as sources of downward pressure on the dollar. They project significant additional dollar depreciation by end-2026. Their view suggests the Fed will remain on hold through mid-2025 before resuming cuts, an environment that reinforces our precious metals allocation thesis.

Technology Sector Outlook

Whilst we reduced overall US equity exposure, we maintain a positive long-term view on technology innovation, particularly artificial intelligence. The sector continues to demonstrate robust earnings growth, with Q3 corporate earnings exceeding expectations. Technology sector earnings grew strongly in Q2, and Q3 estimates project healthy year-over-year growth.



	Info. Technology	Financials	Utilities	Materials	Industrials	S&P 500	Comm. Services	Real Estate	Consumer Disc.	Consumer Staples	Health Care	Energy
Today	21.0%	18.2%	17.3%	13.1%	9.9%	8.5%	2.6%	2.6%	-1.3%	-3.0%	-4.6%	-5.3%
30-Sep	20.9%	11.4%	17.8%	14.0%	9.7%	7.9%	3.1%	2.2%	-2.3%	-3.2%	0.2%	-4.0%

However, the IMF's cautionary note on AI boom parallels with the late-1990s demands vigilance. We are monitoring for signs of excessive valuations, given:

- Technology sector weight in S&P 500 approaching 35%—matching late-1990s Tech Bubble levels
- Market concentration in "Magnificent Seven" stocks creating single-stock risk
- Historical precedent from previous technology bubbles requiring policy tightening
- Risk of market repricing if lofty profit expectations prove unmet, as often occurs with new general-purpose technologies

However, unlike the late 1990s, today's technology sector demonstrates materially stronger fundamentals: higher operating margins, substantial free cash flow generation, and proven business models. We believe AI-driven productivity gains will support long-term earnings growth—the IMF estimates AI could add meaningful percentage points to global output under modest assumptions—though near-term volatility is likely. Current earnings look satisfactory, with most major technology companies meeting or exceeding analyst estimates.

Continued…

Investment Outlook & Positioning

Key Themes for Q4 2025 and Early 2026

- **Policy Uncertainty Resolution:** The IMF emphasises that clearer trade agreements could raise global output substantially in the near term, with tariff reductions providing additional upside. However, US effective tariff rates remain at historically elevated levels, and uncertainty persists.
- **Dollar Weakness Persistence:** Multiple credible forecasts from major investment banks point to continued dollar depreciation through 2026. The IMF's observation of dollar weakness amid accommodative financial conditions supports precious metals, emerging market assets, and non-USD currency exposure.
- **Inflation Stickiness:** Core inflation remaining above central bank targets creates an environment where real rates stay negative or low, favouring hard assets. The IMF confirms US inflation has been revised upward whilst growth revised downward—a classic negative supply shock.
- **Global Growth Moderation:** The IMF projects growth slowdown in H2 2025 with only partial 2026 recovery. Cumulative output loss versus earlier forecasts suggests quality companies with pricing power and defensive characteristics should outperform.
- **EM Resilience:** Emerging markets demonstrating significant resilience due to improved policy frameworks. They trade at attractive valuations versus developed markets and benefit from dollar weakness.
- **China Structural Challenges:** IMF warns of China's property sector instability and debt-deflation risks persisting four years post-bubble. Manufacturing subsidy limits create resource misallocation. Selective rather than broad exposure warranted.
- **Precious Metals:** Following profit-taking on 75% of positions after excessive price spike, we maintain conviction in medium-term trend. Silver's industrial demand growth combined with supply constraints creates structural tailwinds. Anticipating re-entry at more attractive levels aligned with underlying trend.

Portfolio Positioning Summary

B Capital SA enters Q4 2025 positioned for:

- Reduced US equity exposure, focusing on quality technology with sustainable competitive advantages and defensive sectors
- Tactical precious metals position: Maintaining quarter allocation following profit-taking on 75% of silver/silver miner holdings; positioned to re-enter at more attractive levels whilst preserving gains
- Increased emerging market equity allocation, emphasising Asian technology and select China exposure in consumer/internet sectors
- Selective technology holdings with strong fundamentals, free cash flow generation, and reasonable valuations
- Maintaining diversification across asset classes, geographies, and currency exposures to navigate elevated uncertainty

Conclusion

The third quarter demonstrated markets' resilience despite significant macro headwinds, though the IMF's assessment that prospects remain dim and risks are tilted to the downside suggests a more challenging environment lies ahead. Our positioning reflects conviction in dollar weakness, persistent inflation pressures, and moderate global growth slowdown extending into 2026.

The strategic increase in precious metals exposure earlier in the quarter, followed by disciplined profit-taking on 75% of silver holdings after an excessive price spike, demonstrates our commitment to active portfolio management. Whilst we captured exceptional returns—silver gained 64% year-to-date before our profit-taking action—we maintain medium-term bullish conviction and anticipate re-establishing positions at levels more consistent with the underlying fundamental trend. This tactical approach balances strategic conviction with prudent risk management.

Our reduction in US equities and addition to emerging markets reflects a view that the risk-reward balance has shifted away from US-centric portfolios. The IMF's emphasis on EM resilience due to improved policy frameworks, combined with attractive valuations and dollar weakness tailwinds, supports this allocation shift. Major investment banks' consensus forecasts for continued dollar weakness through 2026 reinforce our positioning.

Whilst we remain constructive on technology's long-term secular trends, the IMF's cautionary parallels between the current AI boom and the late-1990s dot-com bubble warrant vigilance. We maintain discipline in position sizing whilst recognising AI's transformative potential to add meaningfully to global output through productivity gains. Current earnings quality remains satisfactory, supporting selective exposure to innovation leaders.

The IMF's October 2025 World Economic Outlook underscores the complexity of the current environment: a global economy showing near-term resilience masking deeper structural challenges. From China's debt-deflation risks and unsustainable export model to fiscal strains across advanced economies and threats to central bank independence, the medium-term outlook faces significant headwinds. In this context, our diversified positioning across precious metals (now tactically reduced), selective equities, and emerging markets provides both downside protection and participation in growth opportunities as the global economic landscape continues its transformation.

We continue to monitor developments in monetary policy, geopolitical risks, corporate earnings trends, and precious metals prices closely. Our disciplined approach to profit-taking when momentum becomes excessive, combined with readiness to re-establish positions at more attractive entry points, positions us to navigate the elevated uncertainty ahead whilst maintaining exposure to our key investment themes.

I trust that this performance report is clear but should you have any questions please do not hesitate to contact me.

Yours sincerely

Lorne Baring
Managing Director