MULBERRY BOW

MULBERRY BOW QUARTERLY NEWSLETTER

July 2025 Insights

MULBERRY BOW NEWS

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Client Adviser

Earlier this summer, I had the rare pleasure of slowing down. I was on holiday in Crete, and between the sun, the sea, and the souvlaki (plus dodging wildfires), I had time to read a book that Simon had kindly recommended and bought for me: The Psychology of Money by Morgan Housel.

It's not a technical guide, and it doesn't claim to offer a silver bullet for investing or personal finance. What it does offer, by the bucketload, is wisdom. Accessible, timeless, behaviourally grounded wisdom about how people think, feel, and act when it comes to money. It's one of the best things I've read in my life (a bold statement, I know), and it made me reflect on how often the real determinants of financial success have little to do with markets and everything to do with mindset.

So, for this quarter's note, following on from Elliott's theme of behavioural finance last quarter, I want to share a few of the book's key lessons, and how they apply to the current financial environment.

1. Wealth Is What You Don't See

One of Housel's most powerful reminders is that real wealth is invisible. The car not bought. The holiday not taken. The impulse resisted. The savings tucked away for the future. In a world that celebrates outward success, it's easy to forget that what matters most financially is often what we choose not to do.

As markets hit new highs and headlines celebrate AI stocks or property returns, it can be tempting to act, to move faster, take more risk, or chase performance. But discipline is a choice, and often the most successful investors are the ones who quietly accumulate, live within their means, and stay invested.

2. Doing Well with Money Isn't About What You Know; It's About How You Behave

You don't need a PhD in finance to build wealth. You need patience, discipline, and self-awareness. This is a central message of the book.

It's particularly relevant in today's environment, where uncertainty remains high. Interest rates may have peaked, but inflation is still sticky, and geopolitical risks loom. In volatile times, our behavioural instincts are tested. Fight or flight kicks in. But history shows us that those who stick to a long-term plan, even when it's uncomfortable, tend to come out ahead.

Our job as planners is to be a calm voice of reason. To remind clients that volatility is not the enemy. Abandoning the plan is. Volatility is the price of admission for long-term returns.

3. Compounding Only Works If You Let It

The magic of investing is compounding. But the magic only works if you leave it alone.

In a world of instant feedback and 24/7 financial media, that's harder than it sounds. Investors constantly face temptation to act but compounding is fragile. It needs time and space. Warren Buffett made 99% of his wealth after his 50th birthday. It's not because he found some later-life secret. It's because he stayed in the game.

The challenge is that compounding doesn't feel impressive while it's happening. It feels boring. But boring is good. Boring means consistent. And consistent, over decades, is powerful.

4. Reasonable Beats Rational

Housel argues that great financial decisions don't have to be perfectly rational. They just need to be reasonable. Acknowledge your emotions, your lived experiences, and what helps you sleep at night.

Some clients feel better holding extra cash. Others prefer paying off a mortgage early, even if the maths suggests investing might be better. And that's OK. Financial planning isn't about textbook optimisation. It's about building a life that feels secure, flexible, and aligned to your values.

Closing Thoughts

If The Psychology of Money teaches us anything, it's that money is never just about numbers. It's about goals, behaviour, discipline, and the stories we tell ourselves.

So whether markets are up, down, or sideways next quarter, our message remains the same: focus on what you can control, give your plan the time it needs to work, and don't underestimate the value of simply staying the course.

As always, we're here to help you do just that.

INVESTMENT OUTLOOK

MARKET UPDATE - JULY 2025

Q2 was another eventful period for investors, shaped by shifting trade policies and rising geopolitical tensions in the Middle East. Despite these challenges, markets demonstrated resilience as worst-case scenarios did not materialise.

A key highlight was the US-China trade deal announced on June 11, giving the US access to China's rare earth minerals, which eased investor uncertainty. This reduced tariffs on Chinese goods from 146% to 30%. This was followed by a separate agreement with Vietnam, where tariffs on Vietnamese goods – which were initially 46% on Liberation Day – were later reduced to 20% for direct imports, and 40% for trans-shipped Chinese goods.

Tensions rose sharply after Israel's airstrike on Iranian nuclear facilities, causing oil prices to briefly spike above $80 per barrel amid fears of disruptions through the Strait of Hormuz, a vital route for nearly 20% of global oil shipments. Although Iran retaliated with a pre-telegraphed airstrike on US facilities in Qatar, a truce was eventually agreed, and oil prices retreated below $70 per barrel.

Equity markets sustained the positive momentum seen in May, with most major indices advancing (see Figure 1). The S&P 500 led, returning 3.2% (in GBP terms). Investors looked past a modest inflation uptick - the first in four months - and a contraction in US GDP, focusing instead on easing geopolitical tensions, an improved trade outlook, and stronger-than-expected corporate earnings.

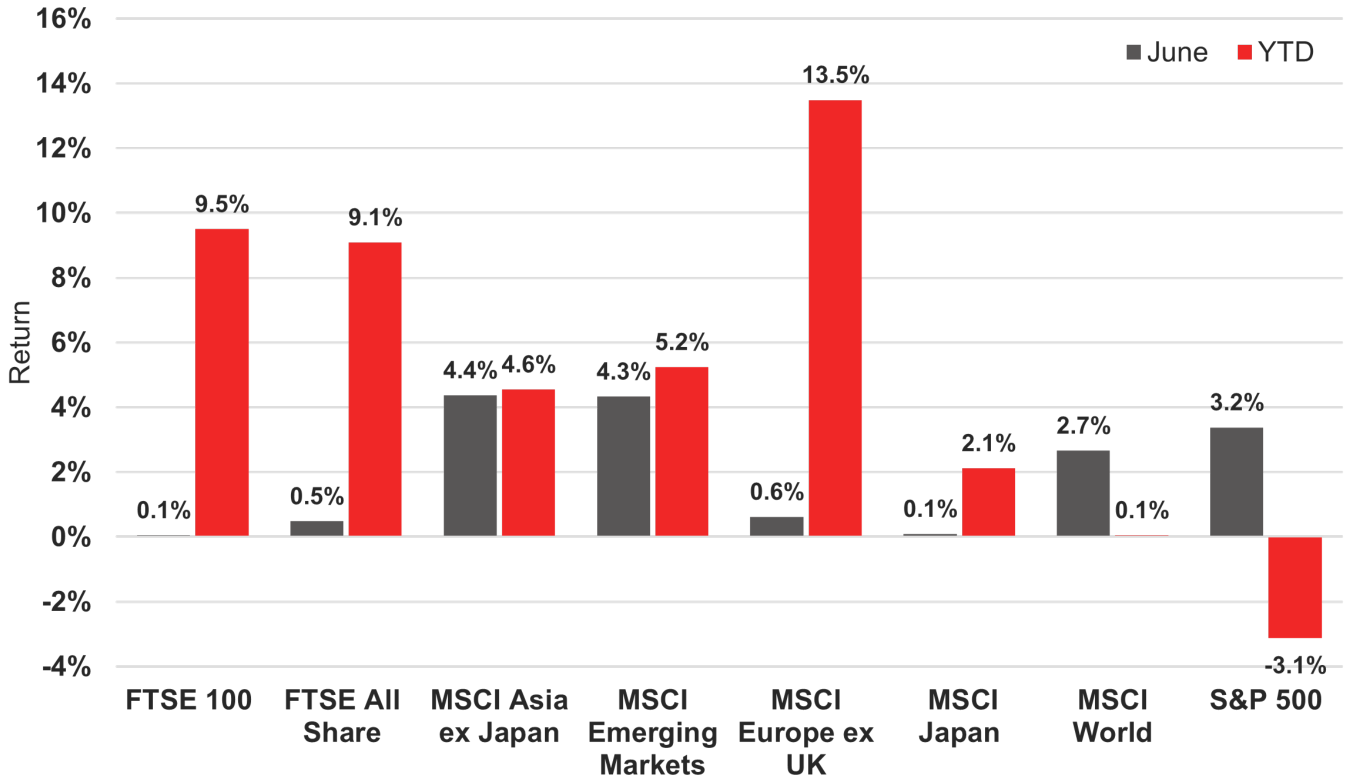

Figure 1. Regional market returns (in GBP terms). Source: FE Analytics

Gains were broad-based, with technology stocks outperforming, rising more than 7% over the month. This capped a remarkable first half for US tech companies, which rebounded 14% in Q2 after a 15% drop in Q1. The broader S&P 500 also staged one of the fastest recoveries on record, bouncing back from a 20% decline in just 57 days - the quickest since the 1950s. Historically, such recoveries have taken an average of 511 days (see Figure 2).

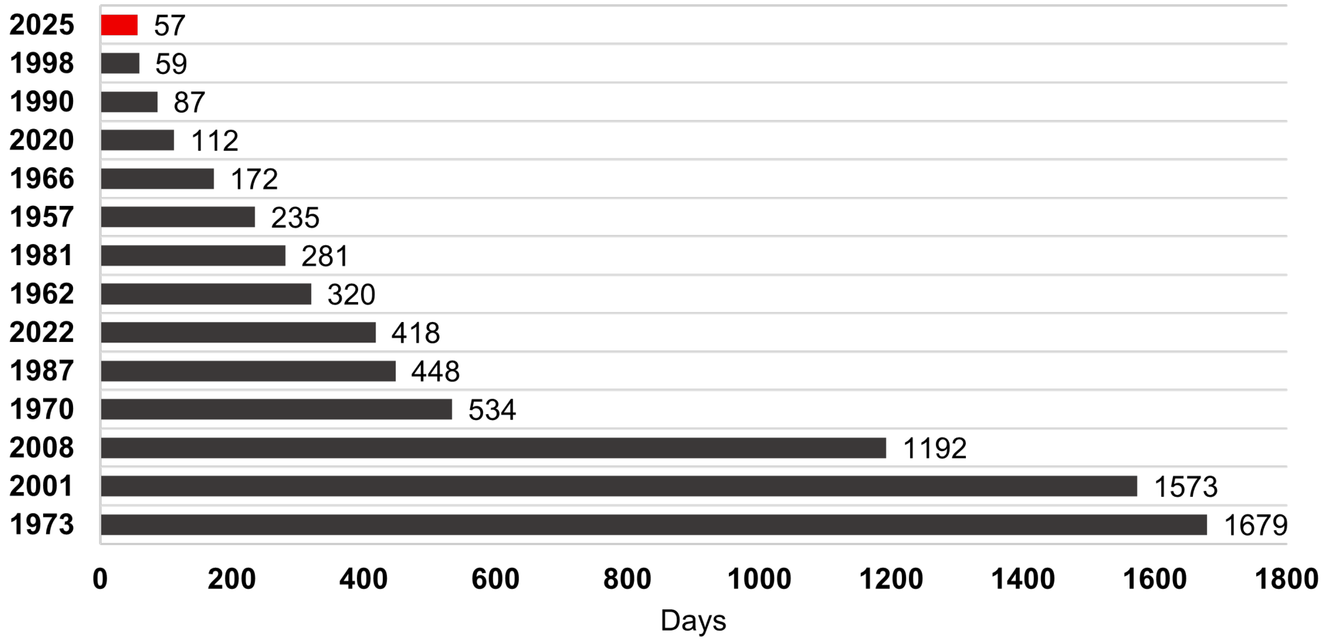

Figure 2. S&P 500: Days to recover from a 20% drawdown. Source: Norgatedata, Pacific Asset Management

Outside the US, the Euro Area's GDP grew 0.6% quarter-on-quarter in Q1, following a 0.3% rise in Q4 2024 - its fastest expansion since mid-2022. With inflation moderating to 2%, the European Central Bank made the decision to cut rates by 25 basis points to 2%, marking its eighth cut in 12 months. This easing, combined with accelerating growth and fiscal support, helped European equities gain nearly 14% year-to-date.

In the UK, the Bank of England kept interest rates steady at 4.25% amid signs of labour market stress and slowing growth - a 0.3% GDP contraction in April. Markets now expect two further 25 basis point cuts by year-end. Despite the UK facing economic and fiscal challenges, the FTSE 100 hit an all-time high last month, buoyed by strong gains in major oil companies like BP and Shell, which rallied on the back of geopolitical tensions driving oil prices higher.

The recent US equity rally has sparked talk around the return of "US exceptionalism." While the US outlook has improved, the bigger story lies in broader structural shifts underway globally. President Trump's return has acted as a catalyst for change beyond US borders, prompting strategic realignments.

Europe's political landscape has been transformed since early 2025. Germany now plans to deploy €1 trillion in spending, EU support has surged in a "rally round the flag" effect, and European policymakers are signalling intent to fill the leadership gap left by a more inward-focused US.

Looking ahead, we do not expect US exceptionalism to dominate as it has in the past decade. This is not a call to abandon US investments - the US remains home to some of the world's most innovative companies, supported by a deeply rooted capitalist ethos. However, opportunities outside the US have grown meaningfully, especially among companies trading at attractive valuations, and poised to benefit from a more domestically focused US.

In this evolving environment, diversification remains essential - not just to manage risk, but also to capture opportunities across global markets.

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ABOUT MULBERRY BOW

Financial advisers who know what they are doing and are motivated by the client's best interests, rather than a sales target, are sadly rare in our industry, but they are worth seeking out. After all, managing your own personal finances can be a dry affair and an unwanted distraction from enjoying life, but getting it right is critical to your peace of mind.

Mulberry Bow Advisory Team

Since graduation from the University of Leeds in 2008, where he gained a 2:1, Andrew has worked exclusively with private clients, at firms such as Barclays Private Bank and Weatherbys Private Bank. Chartered since 2017; Andrew recognises continuous learning is crucial to helping clients with complex financial situations.

Andrew Toll, APFS
Executive Director

Simon joined Chase de Vere's graduate training programme in 1997, having gained a 2:1 (Swansea University) & an MA (Bristol Business School). After stints at Schroders and Barclays Private Bank (where he led the wealth structuring team in London) and having attained Chartered status, he founded Mulberry Bow in 2015.

Simon Bullock, APFS
Executive Director

After graduating from Nottingham Trent University (2:1 in Business Management), Tom did a ski season and worked for wealth planning firms in Norwich and Spain, before joining Mulberry Bow in 2019. The first ever graduate of our 'Best in Class' training programme, and has recently achieved Chartered Financial Planner status.

Tom Evans, APFS
Client Adviser

Elliott gained a First in Economics & Finance at the University of Leeds and after an internship at an investment firm in Liverpool, joined Mulberry Bow in 2021. He takes a keen interest in 'deep dive' analysis into investment planning solutions, has passed all of the relevant exams to achieve Chartered status and is one of the rising stars of our team.

Elliott Owens, APFS
Client Adviser

Since graduating from the University of Exeter (2:1 International Relations with Spanish) in 2019, George has forged a career in wealth management, initially in support roles before becoming an adviser. George is diploma qualified with the CISI and is working towards achieving Chartered qualification in 2026.

George Baker-White, ACSI
Client Adviser

Initially a chartered accountant with Grant Thornton, Rich was then a Director at EY before co-founding corporate finance business Catalyst, which sold to investment bank Alantra in 2017 (where he remained a partner until recently). He has led over 100 transactions, with a particular focus on 'TMT' and is a business mentor with the Princes Trust.

Richard Sanders
Non-Executive Chair

In collaboration with Pacific Asset Management

Mulberry Bow has produced this newletter with the kind support of the research team at PAM, a modern institutional asset manager and manages in excess of £11.2bn* of client assets.

**As at 30 June 2025*

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