MULBERRY BOW

MULBERRY BOW QUARTERLY NEWSLETTER

October 2025 Insights

MULBERRY BOW NEWS

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Managing Director

Pensions - The Antidote to Instant Gratification

As we approach the Autumn Budget, many clients have been asking what the rumours around pensions really mean. In this piece I want to step back, look at the bigger picture, and show why, despite the noise, pensions remain a powerful long-term planning tool.

Recent talk of reducing the tax-free lump sum, together with last year's proposal to bring defined contribution (DC) pensions into the inheritance tax (IHT) net from April 2027, has understandably created fresh confusion and anxiety.

Policy vs Patience

Governments face an age-old dilemma. On one hand, pensions reduce reliance on the state and encourage saving. On the other, UK Plc is spending more than its revenue, and the political cycle rewards quick wins and headline-grabbing reforms. It mirrors much of today's popular culture. Just as algorithms compete for our attention, recent pension policy changes have too often chased immediate 'point scoring' rather than providing long-term confidence.

And yet building pension wealth resists this short-term mindset. It offers no instant buzz or dopamine hit. Instead, it demands sacrifice and consistency. Precisely because of that, it quietly compounds into something extremely valuable: security and flexibility in later life, whether it's about retirement or simply working on what (and with whom) you wish. There is also a second, even longer-term dimension to that tax-efficient pot, because the funds can remain, meaning they offer you the ability to pass on a legacy.

Looking Past the Headlines

For all the noise, the fundamentals regarding defined contribution (DC) pensions are as follows:

- **Inheritance:** DC pensions stay outside the IHT net until 5 April 2027. From then, they will count as part of an estate. But with careful planning, executors may choose to use other non-pension assets first to settle the IHT, leaving pensions to continue compounding in their tax-efficient wrapper for decades, if it's sensible to do so. This will be particularly important if the owner of the DC pension dies before age 75.
- **Death before 75:** Beneficiaries can inherit a pension that is effectively like holding an ISA. Withdrawals are tax-free, and funds can continue to grow free of tax inside the pension.
- **Death after 75:** Withdrawals are taxable at the beneficiary's income tax rate, but only when they choose to draw them. Given basic rate tax is due up to around £50,000 per annum in today's terms, it's reasonable to assume that those earning more than that are less likely to draw anything out. A 40% or 45% taxpayer might defer until retirement, a sabbatical, taking time out to have children or a move overseas. In the meantime, the fund can compound up tax-free.

By contrast, many public sector pensions pay a reduced income to a surviving spouse and then stop completely on second death, leaving nothing to pass on. Against that backdrop, today's DC regime remains appealing, even with additional reform looming.

There is currently no speculation about pension investment flexibility being reduced. A common misconception is that they are not appealing to business owners or those focused on investing in businesses or physical assets such as commercial property. In reality, there are 'open architecture' pension vehicles that can borrow as well as enabling business owners to lend to their own firm and/or own commercial property (including commercial property tenanted by their own firm). While nothing can be ruled out, it seems unlikely that this core flexibility will be removed.

The Value of Tax-Free Cash

Unlike many technical rules, tax-free cash is universal. It matters to civil servants as much as entrepreneurs. Reducing it would undermine trust across the system and send the message that decades of sacrifice and service has been based on a rule that can be rewritten in moments by politics.

HMRC have warned that, once taken, tax-free cash cannot be 'reversed'. The temptation to act now is understandable, but if you were not planning to take your tax-free cash over the next few years, doing so risks eroding flexibility, future growth, and creating unnecessary tax costs. Clear reassurance from the government on this would give savers the confidence to plan with certainty and stay the course.

Purpose and Enjoyment

The original purpose of pensions was clear: to provide security and enjoyment in retirement. At their heart, pensions are not simply tax structures. For many they are a means of turning years of discipline into freedom.

Pensions embody the values of time and compounding. They reward patience in an impatient world. They turn sacrifice into security and consistency into legacy. And they remain, despite the noise, one of the most effective long-term planning tools available.

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INVESTMENT OUTLOOK

MARKET UPDATE - OCTOBER 2025

Global equities moved higher last month, with most major indices making positive returns and US equities leading the way returning 4% (in sterling terms). This meant it was another strong quarter for risk assets as enthusiasm around AI gained momentum, trade tensions were eased, and we saw the Federal Reserve cut rates for the first time since December of last year.

Regional equity returns

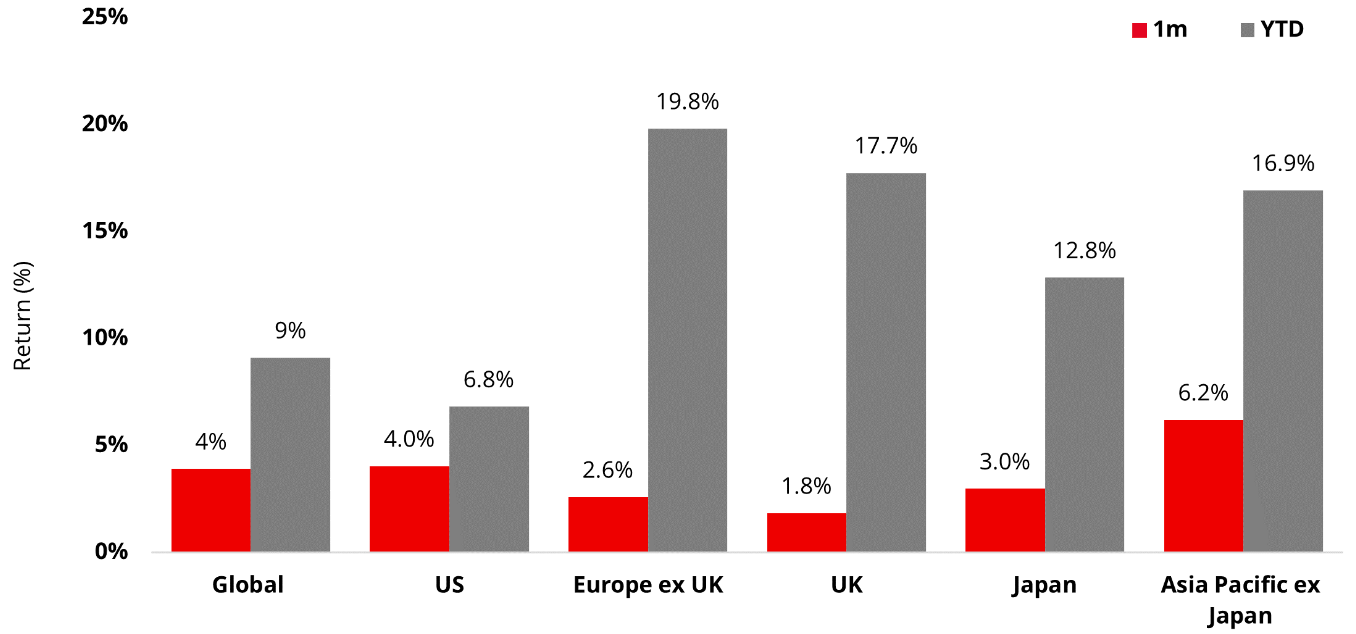

Figure 1. Regional equity returns (Source: Pacific Asset Management, September 2025).

Much has been made about the AI theme in recent weeks as investors contemplate whether we are entering a golden age of heightened productivity, or whether the NVIDIA circular economy which sees the company invest or lend money to companies who in return use NVIDIA GPU's, may be creating an inflated perception of the demand for AI.

This creates an innovators dilemma for Corporate America, where if they do not embrace new technology, they would risk losing their competitiveness. Think Blockbuster dismissing streaming as being too expensive and instead continuing to focus on their bricks and mortar model.

The fear of being left behind has seen management teams at US technology companies adopt a cavalier approach with Mark Zuckerberg (CEO of Meta) expressing that misspending a couple of hundred of billion in the US would be 'unfortunate' but 'the risk is higher on the other side'. Similar comments have been made by Larry Ellison of Oracle and Sundar Pichai of Alphabet.

The ability to invest billions of dollars in projects with uncertain returns has been made possible only by the exceptional financial strength of leading U.S. technology companies. Simply put, few firms have the scale or resilience to take such risks. In today's market - where investors are rewarding companies viewed as enablers and beneficiaries of the emerging AI economy - this dynamic has led to a renewed period of narrow leadership, with a small group of companies driving the majority of returns.

This can be seen when we look at the returns of US Technology companies which after a challenging start to the year have returned over 30% since April compared to the 14% return of the broader market. Meanwhile technology companies as a share of the US equity market have more than doubled to 35% from the 15% in September 2006.

Returns of US Mega Cap companies

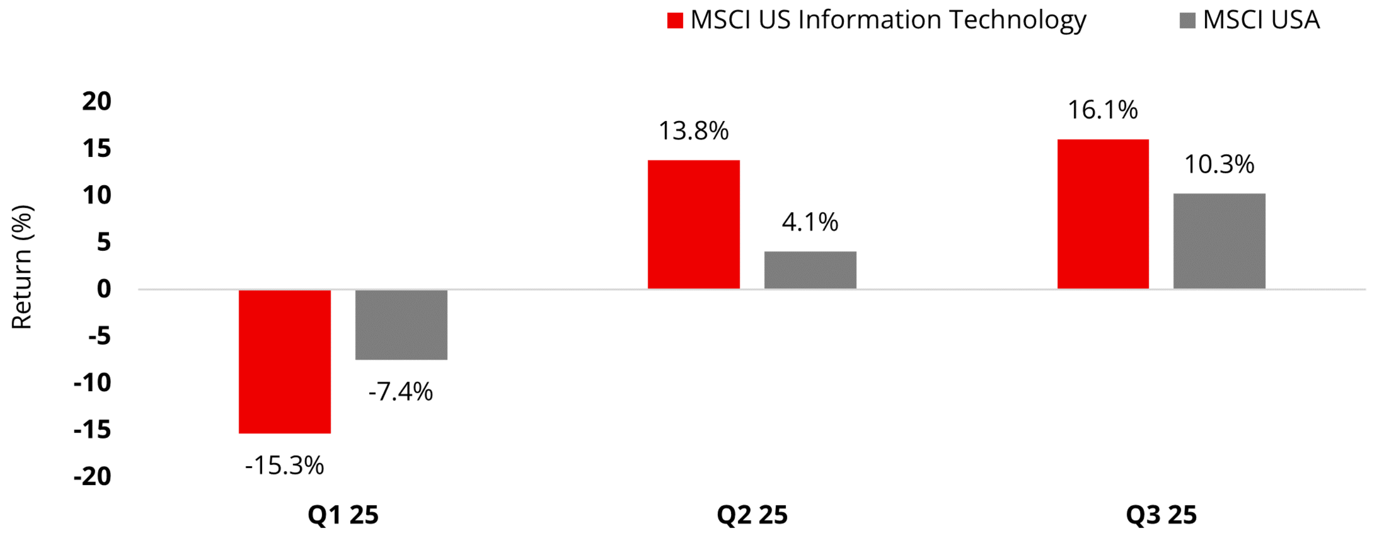

Figure 2. Returns of US Mega Cap companies (Source: Pacific Asset Management, September 2025).

US Equity Market: Sector composition

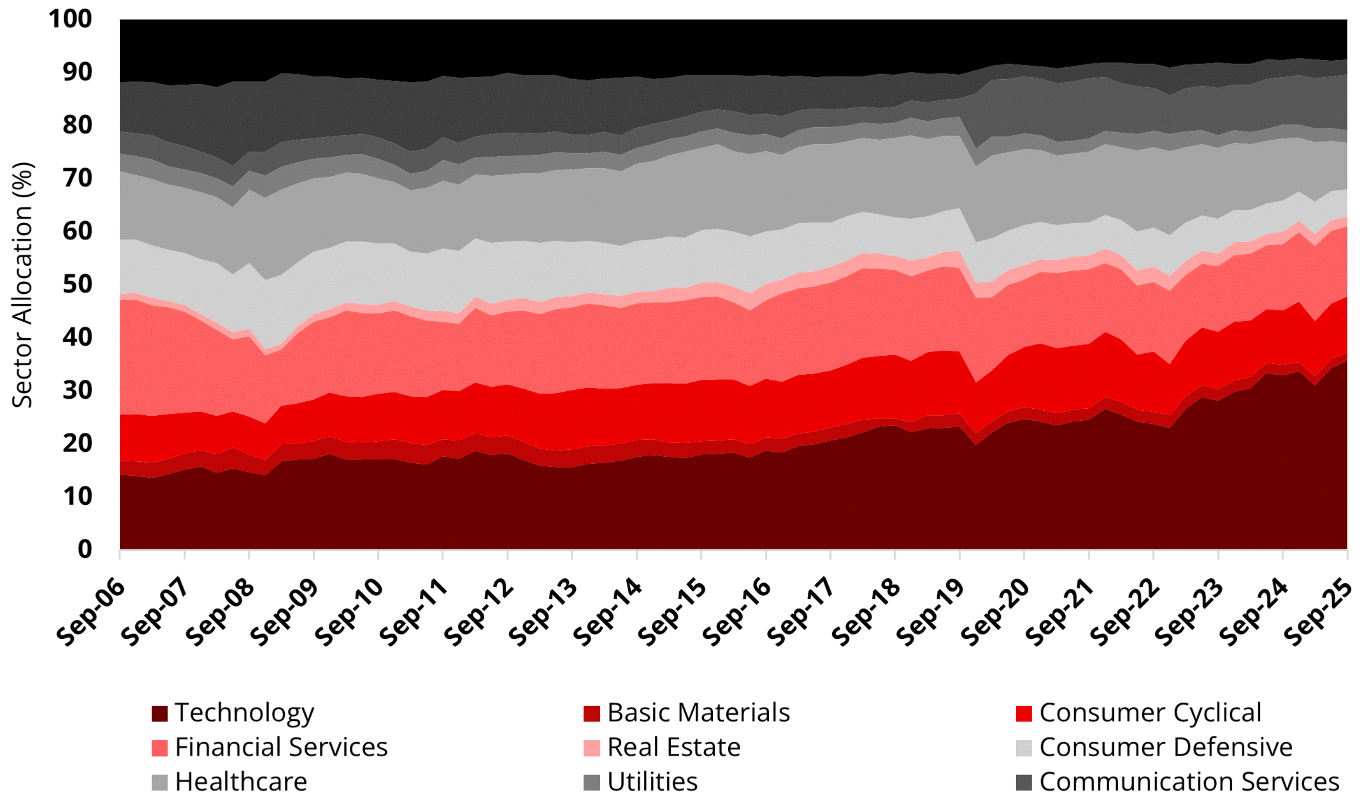

Figure 3. US Equity Market: Sector composition (Source: Pacific Asset Management, September 2025).

This combination of enthusiasm, unprecedented level of spending and market moves have raised the inevitable question of valuations and whether we are in a financial bubble. The challenge lies in that bubbles in markets are only known after the fact - one person's richly valued stock is another's growth company of the future.

What is worth noting, however, is that there are several ways to gain exposure to the AI theme beyond simply buying U.S. technology companies. Chinese technology firms, for instance, which trade at significantly lower valuations than their U.S. counterparts, rose 12.6% last month. Meanwhile, sectors such as clean energy - which will form critical infrastructure in an AI-driven world - could also present attractive opportunities for investors.

This challenges the conventional view that the U.S. is the only game in town. Technology companies outside the U.S. have contributed to a broader rally in emerging market equities, with particularly strong returns in China, Taiwan, and South Korea. Combined with a weakening dollar and lower debt levels relative to their developed-market peers - the average debt-to-GDP ratio stands at 75% for emerging markets versus 110% for developed markets - the outlook for these economies remains constructive.

September's market developments highlight both the opportunities and risks in a market driven by AI and concentrated leadership in U.S. technology. While U.S. tech companies continue to lead returns, attractive opportunities are also emerging in international markets. Investors are reminded that growth is not confined to the U.S. and maintaining regional diversification allows for not just diversification but also capturing new and emerging opportunities.

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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

Andrew Toll, APFS
Executive Director

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 Towers
Managing Director

Andrew is a Chartered Wealth Manager, Chartered Financial Planner as well as a Fellow of the Personal Finance Society. For the past 4 years, he has also been recognised in the Spear's 500 list of top recommended High Net Worth and Ultra High Net Worth advisers in the UK. Andrew brings over 20 years of experience in financial services.

Tom Evans, APFS
Financial Planner

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.

Elliott Owens, APFS
Financial Planner

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.

George Baker-White, ACSI
Financial Planner

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.

Simon Bullock, APFS
Executive Chairman

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.

Marc Baldrey
Financial Planner

Marc joined Mulberry Bow in 2025, strengthening our Midlands presence. With 15 years in professional rugby and as founder of Bold Sports Management, he combines financial expertise with elite sports insight. Holding the DipFS, he's now pursuing Chartered status to deliver strategic, empathetic, and long-term financial planning advice.

James England
Non-Exec Director

James England, Head of Investments at Debrett's, has over 20 years' experience in M&A, private equity, and corporate leadership. Founder of Debrett's Advisory and Investments, he has led 100+ mid-market deals across technology, services, industrials, and healthcare, shaping group strategy and fostering long-term, trusted client partnerships.

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 £12.2bn* of client assets.

**As at 31 August 2025*

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