

Circular November 2025

Markets AI

After several markets posted a strong first 10 months of the year, volatility picked up through November as sentiment around the crowded tech and AI trade has become more fragile and earnings have left investors unsettled.

Nvidia's shares jumped sharply after delivering another strong quarterly earnings beat, driven by continued demand for AI chips and data centre growth. However, the initial surge faded as investors questioned how long this level of demand can remain at peak levels and whether expectations are becoming too ambitious. This has reinforced the more valuation-aware tone appearing in markets.

It seems that markets are becoming more selective than before around AI. Meta delivered solid results, but the commitment to ramp up investment and spend more on long-term projects (such as AI infrastructure) led the market to question near-term profitability. Palantir delivered what would typically be seen as strong results, yet the share price still slipped. Taken together, both point to a market that is behaving more rationally and with greater scrutiny. Investors are starting to focus more on sustainability of earnings and valuation rather than momentum alone.

These swings can generate unease, yet they rarely alter the long-term case for staying invested. Periods like this highlight the importance of discipline, diversification and a clear process. They also create opportunities for investors who remain patient and selective.

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UK Budget

In the weeks leading up to the UK Budget, proposals have been floated, leaked and then hastily withdrawn, leaving a fog of uncertainty. This is why we only comment on facts, not speculation.

Income Tax

Income Tax hikes were 'in' before being scrapped, replaced by an extended freeze on thresholds, the income levels at which higher tax rates come into force.

This freezing tactic, known as fiscal drag, will bring in over £23 billion over a 3-year period.

Pensions

The new State Pension will increase by 4.8% (average earnings) in April 2026. As UK State Pensions near the current tax-free allowance next year, there is comment on not taxing those who wholly rely on the State Pension with minimal tax. That needs further details as likely in 2027 some will fall into that category as the triple lock continues vs frozen allowances.

However, restrictions for those abroad paying voluntary National Insurance Contributions (NICs) apply from 2026 tax year onwards. Class 2 will no longer be available and for class 3 increasing the initial residency period or contributions requirement to 10 years. If you are in the process of doing this, you should check with the Department of Work and Pensions that contributions are still valid. Class 3 contributions are considerably more expensive, 5 x more. You may still be able to backdate 6 years and pay the current year, so check if you could benefit.

Despite rumours, there were no further changes to pensions.

2% increases in tax on dividends, savings and property income all make offshore investing even more attractive vs UK for long-term non-resident expats.

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Others

- Venture Capital Trust tax relief is reduced from 30% to 20%.
- There were no headline rate changes to NI, however, thresholds will remain frozen in line with income tax until 2030/31.
- There were no changes to the AEA or CGT rates.
- The CGT relief available on qualifying disposals to Employee Ownership Trusts will reduce from 100% of the gain to 50% from 26 November 2025.
- The nil-rate band (£325,000) and Residence Nil-Rate Band (£175,000) thresholds extended by a year to include the 2030-31 tax year.
- From 6 April 2027, the annual cash ISA limit will be set at £12,000, within the overall annual ISA limit of £20,000. Annual subscription limits will remain at £20,000.
- From April 2029, the amount of pension contributions that can be made via salary sacrifice and benefits from employee and employer NICs relief will be capped at £2,000 per year.
- The government will introduce the High Value Council Tax Surcharge “Mansion tax” a new charge on owners of residential property in England worth £2 million or more, starting in 2028-29.
- Removal of the two-child benefit cap.

The Office for Budget Responsibility (OBR) revised its forecast for productivity growth downward by 0.3 percentage points to 1%, which is projected to reduce tax revenue by £16 billion by the end of the forecast period. In March, the OBR anticipated the government’s day-to-day tax revenues and spending would reach ‘balance’ by 2029-30 with a surplus – or ‘headroom’ – of £9.9 billion. That figure has now increased to £21.7 billion, providing the government with greater flexibility.

Gilts, the pound and shares all made gains following the budget detail.

If you think this would be useful to others, please feel free to pass on and refer them to us for further information.