

A bumpy ride round the block

3 December 2025

Stock markets bounced wildly up and down, ending November roughly where they began. The ride for private equity might look smoother, but don't be fooled by appearances.

One of the privileges of being a private equity (PE) manager is that they don't have to adjust the valuation of their investments every day to account for short-term market movements. This helps to smooth the ride for their investors. It also helps the PE industry to claim much better 'risk-adjusted' returns for their portfolios, which encourages more investment.

The road through public stock markets was bumpy and circular again in November, leaving investors pretty much back where they started but with some new bruises. By contrast, PE investors experienced a luxury sedan chair ride, despite having largely the same type of underlying economic exposure. In fact, much recent PE investment has been directed at technology, and generative artificial intelligence (genAI) in particular, so it's not unreasonable to believe that PE assets should have been even more volatile than the overall stock market.

Quick take:

- Equities ended roughly where they started over a volatile month
- Meanwhile a tumble in Softbank shares may reflect souring sentiment toward AI-related private-equity
- Uncertainty around the next Fed rate cut also curbed investor enthusiasm

No soft landing

The biggest privately owned player in genAI is OpenAI, creator of ChatGPT. Its last funding round, based on employee share sales valued the company at \$500bn, with loose talk of a possible initial public offering at a \$1 trillion valuation. One of its largest shareholders (via the Vision Fund) is SoftBank, a Japanese holding company for telecoms and technology assets run by the mercurial Masayoshi Son. It now holds 11% of OpenAI. At a \$500bn valuation, this comes to around a third of the SoftBank market capitalisation, making its shares highly sensitive to perceived movements in the value of OpenAI.

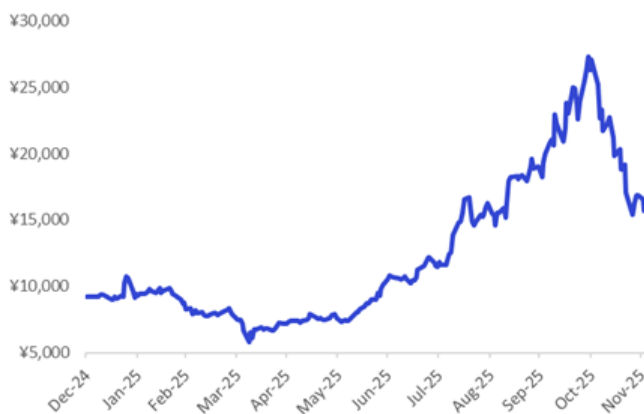
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As the excitement around genAI built over the summer, SoftBank's shares rose 258% to their late-October peak. They've since fallen 40%. It's impossible to draw an exact line between the performance of SoftBank shares and the valuation of OpenAI, but there are enough clues here to suggest that OpenAI's valuation has also fallen from whatever theoretical heady heights it reached. And yet the value of PE investors' stakes in OpenAI won't have changed on their books.

The ups and downs of SoftBank

A proxy for private-asset volatility?



Sources: Factset, Rathbones as of 2 Dec

In reality, publicly listed shares tend to exaggerate fluctuations in their intrinsic value, influenced as they are by investor sentiment, the forces of liquidity and the effects of leverage. A happy medium between public and private markets may not exist, but the good news is that this

greater volatility offers up opportunities when it pushes valuations to extremes.

No commentary on the evolution of genAI is complete these days without reference to whether related equities are in a bubble. We can acknowledge that some of the key ingredients for creating a bubble are in place and various pockets of speculation have been punctured recently. But we don't think a bubble has formed more generally. We've written a deeper analysis of this, which will appear in our December issue of Insights.

Fed up... or down?

Uncertainty about the timing of the next US interest rate cut, a key anticipated support, has been the other key factor affecting markets. In mid-October, the market-derived probability of a quarter-point cut by the Federal Reserve's (Fed's) December meeting was 110%: in other words, more than this was expected. That fell below 30% during November as various Fed officials expressed concerns about the risks of higher inflation.

But by the end of the month the probability was back over 100% as the cry (or cooing, to be ornithologically correct) from the 'doves' grew louder. They were focussing on the risks of weakening employment. Their confidence was bolstered by President Trump's calls for lower rates and the fact that he will almost

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certainly choose the successor to current Chair Jerome Powell (whose tenure ends in May) from amongst their ranks. Kevin Allen Hassett, the director of the National Economic Council and a key Trump adviser, is the current favourite.

These swings in rate expectations were mirrored in the shares of rate-sensitive companies, such as smaller ones which tend to borrow more and at shorter maturities. Unprofitable companies, with more need for borrowed funds, followed a similar trajectory.

As we look into 2026, we see US interest rates continuing on their downward trajectory. Even if markets get in a tangle because the Fed ends up holding rates unchanged in December, that should be a postponement rather than a cancellation. Yes, price increases on account of tariffs are still working their way through the system, but that should be fully digested some time in the first half of next year. Meanwhile, a paper from the San Francisco Fed maintains that, ultimately, tariffs are deflationary because of their negative effect on consumption.

As SoftBank might be a good proxy for PE valuations, so bitcoin might be viewed as a proxy for a combination of overall liquidity and traders' tolerance for risk. We might have found a use for it at last!

Having hit a peak of \$125,000 in early October, it has since fallen to below \$90,000, losing close to 30% of its value. This is hardly the 'safe haven' status that many of its proponents invoke. We don't see any role for cryptoassets in our portfolios today, not least because of their higher volatility, relative to other asset classes. Meanwhile, gold has largely held onto its gains and remains our preferred diversifying asset.

Bitcoin is down nearly a third from its peak Reflecting big swings in sentiment



Sources: CoinMarketCap, Rathbones, as of 2 Dec

You can read more about our opinions on cryptoassets in our Insights article from last month, [No golden opportunity](#).

Dodging the bullet... for now

After a seemingly interminable wait, the Autumn Budget arrived early thanks to the

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OBR's premature release of the supporting documents.

The good news is that UK government bond and currency investors seemed to think that Rachel Reeves managed to find the right balance between spending and higher taxes. Even so, we view the Budget as a missed opportunity to ignite growth, investment and innovation, pre-requisites to the country's future prosperity.

Our comprehensive coverage of both the economic impact and the implications for personal wealth and financial planning can be found here on our [Budget hub](#).

Filtering the noise

One of my favourite sources of wisdom on investment behaviour is American author and commentator Morgan Housel, who often returns to one simple message: "History reminds us that the past wasn't as perfect as nostalgia suggests; today's challenges aren't as dire as they feel; and the future often turns out better than expected." Markets move through cycles, but progress is the constant. It pays to bear this in mind as long-term investors.

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