STRATEGY OUTLOOK

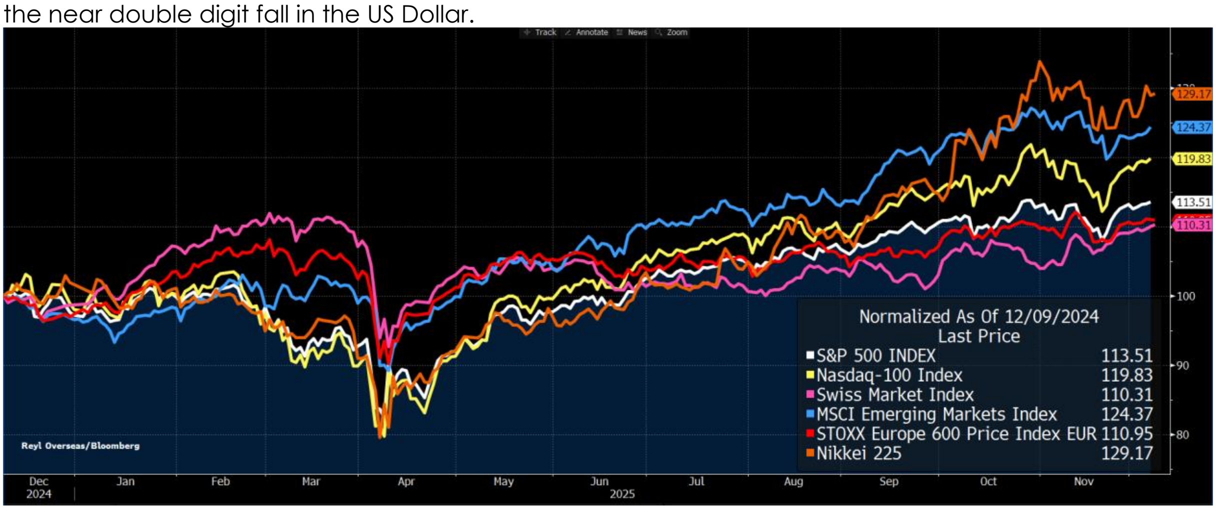
JANUARY 2026

Key takeaways-

- 2025 - A stellar year despite fears over trade wars & geopolitics
- 2026 - Biggest gains come at the end of the cycle but risks are rising.

2025 was a year of equity gains and gold outperformance. Markets wobbled in April as investors digested trade negotiations and persistent inflation pressures. Since the low in early April the S&P rallied 37.4% led by Western Digital, Micron Technology and Seagate Technology.

Technology driven by AI infrastructure and semiconductor demand led the move however rest of the world indices outperformed the broad US indices having seen a very strong start to the year aided by the near double digit fall in the US Dollar.



Gold was a standout performer rising to over $4300 per ounce in October which unleased Silver to rally from $29 at the beginning of the year to over $71 by the end. A lack of positioning helped the move but ultimately the fuel was fiscal, geopolitical and trade uncertainties. We remain overweight commodities.

	YTD in local currency	YTD in USD
China Equities	18%	13%
European Equities	18%	34%
Germany Equities	23%	40%
India Equities	11%	5%
Italy Equities	31%	49%
Japan Equities	22%	23%
Mexico Equities	30%	12%
Norwegian Equities	20%	6%
S. Korea Equities	76%	72%
Spain Equities	49%	69%
Switzerland Equities	14%	31%
UK Equities	22%	31%
US Equities	16%	16%
US Tech Equities	20%	20%

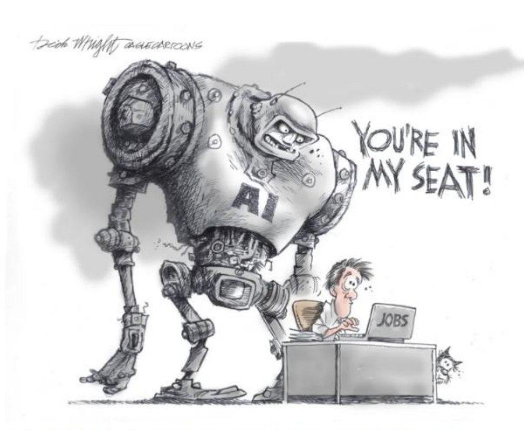
	YTD in USD		YTD in USD
Latin American Equities	46%	Nvidia	39%
Emerging Markets Equities	31%	Apple	9%
USD Index	-9%	Microsoft	15%
Bitcoin	-6%	Brent Crude Oil	-18%
Euro	13%	WTI Crude Oil	-20%
Japanese yen	0.3%	Iron Ore	4%
Swiss franc	14%	Copper	41%
US Government	6%	Gold	65%
US Short Treasury Index	4%	Palladium	127%
US Corporate IG	8%	Platinum	78%
US Corporate HY	9%	Silver	148%

Politics and geopolitics were dominant drivers for markets over the year. The Trump administration introduced sweeping regulatory rollbacks, acceleration of energy productions and a goal to dismantle the administrative state. The Midterms in November 2026 are the first chance to see how voters react.

Looking forward into 2026

The Federal Reserve cut interest rates 25bps in mid-December 2025 and are likely to continue that trend into the new year. Interestingly, within the details provided with the announcement was a sentence stating the purchase of short dated bonds which may prove to be the restart of QE by another name. Monetary policy is therefore likely to remain supportive as will Fiscal policy as spending remains strong and tax takes sensitive to stock market returns. Central bank liquidity will also remain supportive enabling the rollover of maturing debt in a system that is leveraged. These should all provide support to markets on top of easing financial conditions via the path of the USD, oil and interest rates. Economic growth should remain buoyant globally with inflation slowly coming back to trend. However, the forward-looking indicators remain lacklustre (see second chart) and are not reflecting the AI impact. **The principal risk is the true state of the labour market and what impact, yet AI is having**. Geopolitics should also reduce as a risk, likely into the Mid terms where agreements in Ukraine are probable.

Tech remains the dominant theme. It accounts for 36% of S&P500 earnings and 56% of its capex spend over the last 12 months. There is a structural transition going on and we expect this to spread to lower margin value type businesses. Indeed, that could well see a rotation from the Mag 7 into value stocks as the impact of AI sees their margins grow. We believe AI remains in its infancy but there are going to be various points over the next year when the narrative flips and markets are battered. This should be viewed as the natural process of a bull market.



Political and economic support into the Mid terms will be a constant but this won't necessarily stop markets reacting in short brutal moves. We expect stocks to have a good year probably with emerging market outperformance and we suspect we will see sector rotation away from the Mag 7 into other parts of the market e.g. pharma/biotech, manufacturing etc. We continue to like commodities with exposure in Gold, Silver, Palladium and a broad commodity fund. For more conservative mandates we like moving exposure into alternative funds that offer market neutral opportunities. We continue to like Bitcoin despite a tough year where performance has been flat.

So, 2026 could deliver a fourth consecutive year of double-digit returns. It's rare—only three times in the past century: wartime stimulus (1942–1945), post-war capex booms (1949–1952), and the tech bubble (1995–1999). The U.S.–China tech race means Washington may act as a backstop—a "policy put" for strategic AI. Still, rising electricity costs for all, tied to AI, are becoming a political flashpoint heading into midterms.

We close the year fully invested: overweight commodities and alternatives, neutral equities, underweight fixed income. Liquidity will be the key driver into the new year—alongside the structural tailwinds we've discussed.

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