

# Multi-Asset

## July 2025



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### Market review

- Markets benefit from positive news flow, economic data and company results
- Global equities and fixed income higher over the year to date
- High yield, UK, emerging market and Asia Pacific ex-Japan overweights enhance returns for Liontrust MA funds and portfolios

There was a positive tone to markets as the curtain rose on the second half of the year given relatively benign news flow combined with investors' fear of missing out (FOMO) to drive equities higher in July.

This positivity derived from geopolitics, economic data and company results. For example, most US second quarter earnings beat expectations, notably the AI-dominated technology firms including Meta Platforms, Alphabet (Google) and Microsoft, while Nvidia saw its market cap push past \$4 trillion. Notable exceptions were Tesla and Apple, but, generally, the positive impact of AI on earnings was re-affirmed and duly attracted investors' capital, pushing the US market to new record highs.

Investors appeared to be less fazed by President Trump's tariff salvoes, which continue to be the main source of uncertainty. While markets ebbed towards the end of July as President Trump's 1 August deadline loomed for certain countries to agree deals, key agreements were reached with the EU and Japan during the month. Generally, the scale of tariffs in place and anticipated are significant but smaller than originally articulated on "Liberation Day" in April, but there is still uncertainty over trade negotiations, especially with the all-important China.

Growth is slowing in key economies, but it still looks resilient, and the IMF has revised global projections upwards to 3.0% this year and 3.1% in 2026.<sup>1</sup> Inflation continues to be stubborn, and the initial impact of tariffs was seen in June's US core inflation data. Inflation could be pushed higher by tariffs, but the consensus is that it will fall over time, allowing central banks to ease rates eventually, even if some of them are maintaining a hawkish stance. The longer-term impact from tariffs on growth remains to be seen, however.

## Markets in July

Global equities made a good start to the second half of the year, delivering 5.1% in sterling terms in July, but fixed income fared less well, with mixed performance across the board. All the Liontrust Multi-Asset funds and portfolios delivered positive returns.

Equities were led by the US and Asia Pacific ex-Japan, which both delivered 6.0% in sterling terms, closely followed by emerging markets with returns of 5.8%, also in sterling terms. UK stocks returned 4.4% and recorded new all-time highs. Europe ex-UK was the poorest performer, delivering 0.7%, although the region has produced the strongest returns of 15.2% year to date.

The US has been the poorest equity region so far in 2025, returning 3.3% in sterling terms, while the UK, emerging markets and Asia Pacific ex-Japan have delivered 13.8%, 11.6% and 10.8% respectively, also in sterling terms. Over this period, our tactical positioning versus the US and overweights in the other three regions have significantly enhanced the performance of our Liontrust Multi-Asset funds and portfolios.

Global fixed income markets had been strong in June and the first half of the year, but while corporate bonds, European high yield and emerging market debt saw moderate gains, global high yield and government bonds, including UK gilts, were down slightly in July. Ongoing headwinds to the asset class include growing concerns about the sustainability of developed market government debts and budget deficits, while central banks are looking increasingly hawkish due to inflationary pressures. The magnitude of these moves was also modest when compared to the performance of equities, which is to be expected in periods of relative calm in markets.

From the start of the year to the end of July, however, fixed income was higher across the board, with global high yield returning 10.5% in US dollar terms. Although we are broadly neutral on fixed income, we give a four out of five TAA (tactical asset allocation) rating to global high yield bonds, which have been a significant contributor to the performance of our funds and portfolios. We view the nominal yields of global high yield bonds to be currently attractive at over 7.0%, which is indicative of long-term returns and analogous to those of equities, even though spreads versus government bonds are only moderately attractive. These slim spreads on high benchmark yields result in attractive total yields.

<sup>1</sup>Source: World Economic Outlook Update, International Monetary Fund, July 2025

For a comprehensive list of common financial words and terms, see our glossary at:  
<https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms>

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## Key Risks

**Past performance does not predict future returns. You may get back less than you originally invested.**

The Funds and Model Portfolios managed by the Multi-Asset Team may be exposed to the following risks:

**Credit Risk:** There is a risk that an investment will fail to make required payments and this may reduce the income paid to the fund, or its capital value. The creditworthiness of a bond issuer may also affect that bond's value. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts. The value of a bond would be significantly affected if the issuer either refused to pay or was unable to pay;

**Counterparty Risk:** The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss;

**Liquidity Risk:** If underlying funds suspend or defer the payment of redemption proceeds, the Fund's ability to meet redemption requests may also be affected;

**Interest Rate Risk:** Fluctuations in interest rates may affect the value of the Fund and your investment. Bonds are affected by changes in interest rates and their value and the income they generate can rise or fall as a result;

**Derivatives Risk:** Some of the underlying funds may invest in derivatives, which can, in some circumstances, create wider fluctuations in their prices over time;

**Emerging Markets:** The Fund may invest in less economically developed markets (emerging markets) which can involve greater risks than well developed economies;

**Currency Risk:** The Fund invests in overseas markets and the value of the Fund may fall or rise as a result of changes in exchange rates.

**Index Tracking Risk:** The performance of any passive funds used may not exactly track that of their Indices.

Any performance shown in respect of the Model Portfolios are periodically restructured and/or rebalanced. Actual returns may vary from the model returns.

**ESG Risk:** there may be limitations to the availability, completeness or accuracy of ESG information from third-party providers, or inconsistencies in the consideration of ESG factors across different third party data providers, given the evolving nature of ESG.

The risks detailed above are reflective of the full range of Funds managed by the Multi-Asset Team and not all of the risks listed are applicable to each individual Fund. For the risks associated with an individual Fund, please refer to its Key Investor Information Document (KIID)/PRIIP/KID.

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