

Multi-Asset

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Market review

- Global equities and bonds driven higher by central banks' dovish signals.
- Emerging markets and Asia ex-Japan lead equity markets.
- Tactical ranking for global government bonds raised from a neutral three to a positive four.

Markets are navigating a narrow channel between caution and optimism. These sentiments are shaped by several factors, including monetary policy shifts, ongoing tariff uncertainty, geopolitics, stubborn inflation, and resilient corporate earnings and market fundamentals. On the first of these, the concentration of leading central bank meetings in September gave the month added poignancy for investors. What signals might the policymakers give to markets?

In the event, the widely anticipated quarter-point rate cut by the Federal Reserve, which is coming under increasing political pressures from President Trump, and further dovish signals from other leading central banks in September, were well received by markets. The prospect of gradual monetary easing ahead helped global financial markets to make significant headway over the month. Indeed, all the Liontrust Multi-Asset funds delivered positive returns, extending their gains year to date.¹

There are reasons to be cautiously optimistic about markets overall. The economic environment and outlook remain reasonable; markets are generally cheap and under-owned and there is a lot of cash waiting on the sidelines. While companies have been expressing caution in their forecasts, latest reports show they continue to generate good revenues.

But significant question marks remain over what the ultimate impact of President Trump's tariffs will be. Other concerns include the high valuations of US equities, which made new record highs in September as their pre-tariff momentum appeared to have returned. The federal shutdown, which is another manifestation of the political conflicts in the US, could also weigh on economic growth and disrupt the data aggregation on which the Fed's decisions are based. President Trump's intention might be to Make America Great Again, but the irony is that his policies threaten US exceptionalism by making his country less attractive to investors, and not least because of his wish to compromise the Fed.

The propensity of the world's companies, especially in the US, to adapt and reinvent themselves over time cannot be ignored, however. As we move towards the third-year anniversary of the markets' nadir in October 2022, when the world faced a wave of heightened risks, performance figures illustrate how world markets eventually leave setbacks in their wake.

Over the three years to end-September, global equities returned 58.9%, with regional returns ranging from 38.5% (emerging markets) to 61.3% (US), all in sterling terms. Fixed income also saw strong returns, including 46.2% by global high yield and 41.6% by emerging market bonds in US dollar terms.²

Past performance is no guide to future returns, but these figures illustrate the potential for a diversified portfolio to help manage risk while giving access to a range of world class assets that are ultimately driven by fundamentals. Eventually, world markets move on from the 'noise', and the longer the investment term, the more opportunities there are to grow wealth.

Emerging markets lead the pack

Emerging markets led equity markets in September in sterling terms with a return of 7.6%, and over the third quarter (13.0%).² They almost equalled Europe ex-UK year to date in sterling terms with a 19.2% return, although they led overall in US dollar terms. Close behind in September was Asia Pacific ex-Japan with a return of 6.2% in sterling terms. US equities also performed strongly in September with a return of 4.1%, and a year-to-date return of 7.4%, both in sterling terms. Japanese equities returned 2.9% in sterling terms in September, and the UK and Europe ex-UK equities lagged, but they were still in positive territory with returns of 1.6% and 2.7% respectively in sterling terms.²

Emerging markets have lagged their global peers for much of the last five years and have been in the news for the wrong reasons this year as they became prime targets for President Trump's tariffs, but they have performed well year to date, having benefited from a weaker US dollar easing the debt burdens of many of their companies and sovereigns. We retain a positive four out five Tactical Asset Allocation (TAA) outlook for them. They are demonstrating their dynamism and flexibility by paving ways to new trading partners despite the tariffs, their equities offer good value and we believe in the long-term economic growth story of many of them through such drivers as demographics, an expanding middle class, and deregulation.

Global fixed income markets were also strong in September and year to date. Emerging market debt stood out over the month and quarter with returns of 1.8% and 4.8% respectively in US dollar terms, but global high yield bonds delivered the stronger double digit returns year to date (13.7%).² Although we are broadly neutral on fixed income, we give a four out of five TAA rating to global high yield bonds, which have been a significant contributor to the performance of our funds and portfolios. In our latest quarterly TAA review, we also raised our ranking for global government bonds from a neutral three to a positive four. Government bond yields are higher, representing a longer-term opportunity. Raising the target allocation here means we can add to our non-equity allocations to add to diversifiers in our funds and portfolios following the equity rally seen in recent months and access a diversified suite of yields that have drifted up.

¹Source: Financial Express, 6 October 2025

²Bloomberg, 1 October 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>

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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