

Multi-Asset

December 2025



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Market review

- All the Liontrust Multi-Asset class funds and portfolios deliver positive returns over December and 2025
- Global markets deliver strong returns over the year
- Markets underscore benefits of diversification and asset allocation

December closed the curtain on a dramatic year in which global equities notched up a third successive double-digit rally, rewarding our positive tactical outlook on the asset class. It was also a year in which investors rotated away from US equities – to which we have relatively low allocation – into regions where we were overweight, including the UK, emerging markets and Asia ex-Japan. Our tactical overweight in global high yield bonds was also a positive contributor to performance.

As a result, all the Liontrust Multi-Asset class funds and portfolios were well positioned in 2025, recording positive performance for December and the full year. On a 12-month basis, returns ranged from 7.7% to 16.6% in the funds and from 8.6% to 16.3% in the portfolios,¹ comfortably outpacing inflation.²

The annual performances underscored the benefits of the diversification and disciplined asset allocation that characterise the Liontrust Multi-Asset process. Markets demonstrated in 2025 that outcomes are driven far more by asset allocation than by attempts to predict short-term winners. True diversification goes beyond simply adding funds; it requires blending investments across styles, regions and return drivers. Discipline, balance and long-term thinking proved essential in helping investors navigate complex markets often skewed by shifting narratives and data points.

After a strong year, the debate around valuations is more nuanced than a year ago: while the US remains expensive, most other markets are close to fair value. Momentum remains strong, and history suggests it can be a mistake to overreact to short-term market strength.

In the US, elevated valuations and macro risks—rates, inflation, geopolitics—could spark volatility, but strong earnings and policy support remain tailwinds. Optimistically, it is plausible that US valuations could normalise through slower price growth which could give company profitability a chance to catch up with stock prices. Either way, another salutary lesson from 2025 was that short term market performance cannot be forecast with

confidence: bubbles and crashes are unpredictable, but a disciplined investment process provides a clear framework for manager selection, blending and ongoing reviews aligned with long-term objectives.

Market performances

December continued many of the year's prevailing themes. Europe ex-UK and the UK led equities, each returning 2.2% in sterling terms, followed by emerging markets on 1.4% and Asia ex-Japan on 1.2%.³ Over the year, Europe ex-UK delivered the strongest return at 27.2%, followed by the UK (25.8%), emerging markets (25.0%) and Asia ex-Japan (21.4%).³ We had recognised the positive fundamentals in these regions, which started the year at low valuations and benefited from capital flows away from the US into cheaper markets. The latter two regions also gained from the weakening dollar easing their hard currency-denominated debt burdens, although they faced headwinds from President Trump's tariffs.

US equities lagged in December, falling 1.5% in sterling terms and contributing to the -0.8% decline in global equities overall. The US also brought up the rear over 2025 but still delivered a double-digit return of 10.3% in sterling terms. Japanese equities were also slightly negative in December with a -1.0% return in sterling terms. Its annual return of 16.5% in sterling terms may have been outstripped by most other regions, but its local currency return of 24.7% compared more favourably, highlighting the impact of the weakening yen. Looking ahead, a weaker currency typically benefits Japan's export-led economy, and we see compelling themes around rising inflation, interest rates, and structural reforms.

In fixed income, global high yield bonds led in December and were the standout performer over the year, returning 1.1% and 14.8% respectively in USD terms. We maintained our positive four out of five rating for the sub-asset class in our latest Tactical Asset Allocation review. Nominal yields are appealing at close to 7.0%, signalling long-term return potential comparable to equities. Spreads have narrowed versus government bonds, and we believe they could stay low for some time. However, defaults have not risen in the market and the slim spreads on high benchmark yields translate into attractive total yields. Overall, global fixed income markets had a positive year in 2025, and other sub-sector returns included emerging market debt (14.3%), global corporate bonds (12.9%), UK corporate bonds (7.3%), US Treasuries (6.3%), UK gilts (5.0%), and European high yield (4.8%).

¹Source: Financial Express, 6 January 2026

²Source: ONS, 17 December 2025. Annualised CPIH was 3.5% in November

³Source: Bloomberg, 6 January 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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