

Multi-Asset

January 2026



John Husselbee
Head of Multi-Asset

Market review

- Liontrust MA funds and portfolios well positioned in January for strength in non-US equities
- Global equities edge higher but US weighs
- Fixed income markets mostly positive; global high yield and corporate bonds among leaders

January continued the whirlwind of events and headlines seen in 2025. Gold and silver reached all-time highs and oil futures rose 13.6%¹ as Venezuela, Iran and Greenland took centre stage. It was also a month in which the inherent diversification embedded in the Liontrust Multi-Asset funds and portfolios meant they were well positioned for much of what unfolded as markets demonstrated their resilience.

A look through the geopolitical headlines reveals that non-US equities performed well, particularly in regions where we are tactically overweight. The momentum of emerging market and Asia ex-Japan equities from 2025 continued and they led their regional peers, delivering 6.8% and 6.0% in sterling terms over January. Japanese equities were close behind with a return of 4.5% in sterling terms, while UK equities returned 3.1%.¹

January is a testament to the fact that major political developments do not necessarily drive markets. Much of January's market performances was in many ways a continuation of fundamental themes over the last year, including some investors beginning to rotate away from the US.

Emerging markets and Asia ex-Japan have been benefiting from the weaker greenback, which eases their dollar-denominated debts, although they have encountered headwinds due to tariffs. We retain a positive tactical outlook on these regions, supported by favourable demographics, productivity trends and corporate earnings momentum.

We also assign positive tactical ratings to Japanese and UK equities. In Japan, ongoing corporate governance reforms and supportive policies continue to boost investor confidence. In the UK, where the FTSE 100 hit record highs in January, we see a stock market that has benefited from relative cheap valuations and growing investor confidence despite domestic economic challenges.

Our relatively circumspect stance on US equities, especially towards the mega caps, proved to be prudent in January. The stock market lagged its peers, declining -0.6% in sterling terms and weighing on global equities, which delivered a marginally positive 0.3% in sterling terms.

In January, the earnings season gave another insight into the US market's fundamentals, with large parts of the US market, especially software and technology, experiencing selloffs as investors became more discerning about AI's potential winners. Microsoft's disappointing results and subsequent 10% one-day share price fall were among the more impactful developments given its multi-trillion-dollar capitalization. Microsoft did not change materially that day; what shifted was the market perception of the future value of its profitability.

At present, the market's discernment regarding AI is welcome. But the impact of volatility from certain stocks such as Microsoft on the market is being cushioned by a broader range of stocks performing well. This dispersion of performance was absent in recent years as investors bought AI en masse. If this dispersion falters, then it could be painful for markets. This is why we continue to view the US stock market as unusually concentrated and expensive, which is a potentially dangerous combination. Strong flows into passive vehicles only add momentum to this concentration and amplify the risks.

Fixed income markets mixed

Commodities were the best performing asset class in January, rising 10.0% in USD terms. Much of this was driven by precious metals (gold rose 8.6%) and oil futures.

Fixed income markets were mixed but mostly positive. Global government bonds softened and both US Treasuries and UK gilts fell -0.1% in terms of their respective currencies. Markets reacted poorly to Federal Reserve Chairman Jerome Powell admitting that he was being investigated for criminal activity, perhaps illustrating the political pressures being placed on the world's leading central bank. There was some clarity on the Fed's future, however, with President Trump's nomination of Kevin Warsh for its next chair. Analysts broadly view Warsh as credible, although they have some reservations about his hawkish credentials.²

Global high yield and corporate bonds were notable performers, each returning 1.2% in USD terms over January. Global high yield bonds were a standout performer in 2025, returning 14.8% in USD terms. We are overweight the sub-asset class and assign it a positive four out of five tactical rating. The nominal yields it offers are attractive at close to 7.0%, offering long-term yield potential comparable to equities. Active credit selection remains preferable in this sub-asset class because of the ample scope it offers for this.

¹Source: Bloomberg, 3 January 2026

²Source: Financial Times, 30 January 2026

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.

Disclaimer

This document is issued by Liontrust Investment Partners LLP (2 Savoy Court, London WC2R 0EZ), authorised and regulated in the UK by the Financial Conduct Authority (FRN 518552) to undertake regulated investment business.

It should not be construed as advice for investment in any product or security mentioned, an offer to buy or sell units/shares of Funds mentioned, or a solicitation to purchase securities in any company or investment product. Examples of stocks are provided for general information only to demonstrate our investment philosophy. The investment being promoted is for units in a fund, not directly in the underlying assets.

This information and analysis is believed to be accurate at the time of publication, but is subject to change without notice. Whilst care has been taken in compiling the content, no representation or warranty is given, whether express or implied, by Liontrust as to its accuracy or completeness, including for external sources (which may have been used) which have not been verified.

This is a marketing communication. Before making an investment, you should read the relevant Prospectus and the Key Investor Information Document (KIID) and/or PRIIP/KID, which provide full product details including investment charges and risks. These documents can be obtained, free of charge, from www.liontrust.co.uk or direct from Liontrust. If you are not a professional investor please consult a regulated financial adviser regarding the suitability of such an investment for you and your personal circumstances. All use of company logos, images or trademarks in this document are for reference purposes only. 2026