Lessons learned from 2025 and preparing for the year ahead

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2025 was a year of surprises. Volatility and uncertainty dominated headlines, driven by geopolitical tensions, sudden tariff changes, and the rapid rise of AI-driven market dynamics.

From oil price spikes to disruptive technology launches, investors were reminded that markets can change quickly and often without warning.

Reflecting on these lessons is essential. Not just to understand what happened, but to prepare for what's next. As we look ahead to 2026, our focus remains on staying disciplined and positioning portfolios for resilience and long-term success.

Lessons from 2025

The past year brought plenty of challenges, but also valuable reminders of the fundamentals of investing. Over the year, several events contributed to heightened uncertainty:

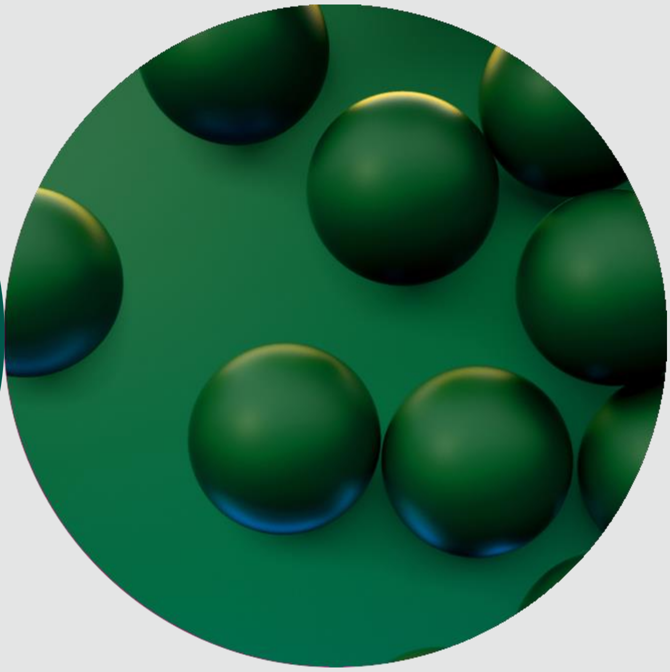
- **AI disruption**: The launch of Deepseek R1, a new AI model, shook up the tech sector and challenged Nvidia's dominance.
- **Trade policy shocks**: The "Liberation Day" tariff announcements disrupted global supply chains and created uncertainty for trade-dependent industries.
- **Geopolitical tensions**: Escalating conflict between Israel and Iran, combined with US military strikes, pushed oil prices higher and reignited inflation fears.
- **Prolonged conflict**: The ongoing Ukraine-Russia war continued to weigh on European markets and energy security.
- **Fiscal uncertainty**: Budget debates in France and the UK added another layer of unpredictability.

Looking ahead to 2026

While we cannot predict the future, we look to identify emerging trends to help us prepare accordingly. Looking ahead to 2026, several themes are likely to shape markets:

- **Geopolitical risks**: The Ukraine-Russia conflict remains unresolved. A positive surprise would be peace; however escalation is still possible.
- **Policy shifts**: A change in leadership at the US Federal Reserve could raise questions about central bank independence and interest rate policy.
- **Political events**: The US midterm elections may introduce fiscal and regulatory uncertainty.
- **Technology dynamics**: AI adoption will continue to accelerate, but any major shift in rollout or infrastructure spending could impact valuations.

On the economic front, expectations are that global growth will continue, though at a more moderate pace. Inflation should ease, and interest rates are likely to fall in the UK and US, remain stable in Europe, and rise in Japan.



Positioning for the year ahead

If 2025 reminded us of anything, it's that markets can be unpredictable. While we cannot forecast every twist and turn, we can prepare by focusing on the fundamentals:

- **Diversification matters:** Spreading investment across regions and asset classes remains the cornerstone of resilience, helping to reduce the impact of shocks in any one area.
- **Staying invested through volatility**: Market swings can tempt investors to step aside, but history, and 2025, shows that time in the market matters more than timing the market.
- **Risk awareness is essential**: Geopolitical and policy risks are real. However, it's a reminder of the importance of building portfolios with strong risk management to help maintain flexibility when uncertainty arises.

This approach allows us to adapt without losing sight of long-term goals. Whether 2026 brings surprises or stability, these principles help us to position our portfolios for resilience and opportunity.

In summary

2026 calls for balance and discipline. We maintain a neutral stance on equities and alternatives, remain underweight longer- duration assets, and favour short-dated bonds to benefit from potential rate cuts. By staying diversified, risk-aware, and focused on long-term goals, investors can navigate and seize opportunities in the year ahead.

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