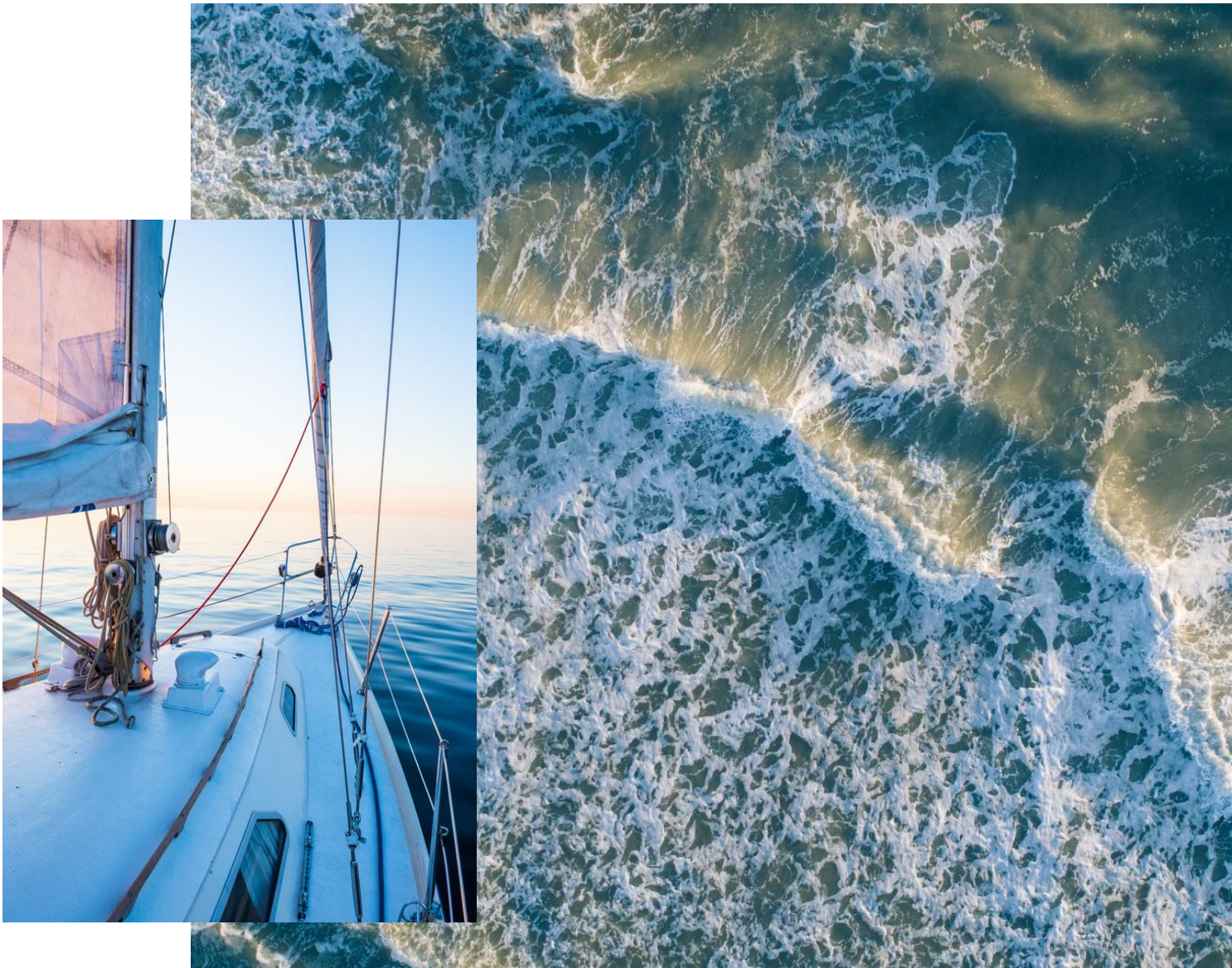




Wealth  
Management

# Navigating noisy geo-politics ...while reflation still looms as a H2 headwind



## Core Offerings February 2026

Chief Investment Office, Australia

Our Australian investment team's view of the markets and insights into our latest strategic and tactical positions

Forward-looking  
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# Navigating noisy geo-politics

## ...while reflation still looms as a H2 headwind



Scott Haslem  
Chief Investment Officer

“Over the next three months, we are concerned with the build-up of risks. The Greenland stuff is just...stupid. But it could fracture the West for the first time since World War II. Fiscal prudence (SCOTUS decision on tariffs) and central bank independence (Fed under investigation) are at risk. And on top of that, we could have a significant oil shock from Iran.

BCA Geo-macro Research,  
January 2026

Geo-politics have come in ‘hot’ (again) as 2026 gets underway, and much hotter than we expected as we exited 2025. January alone has seen us navigating no less than five key geo-macro events, from the US’s abduction of the Venezuelan President to Trump’s threats to strike Iran and compulsorily ‘acquire’ NATO-aligned Greenland, outraging much of Europe. And then there’s the attack on the independence of the US Federal Reserve with its Chair Powell under investigation for fraud. Less controversially but adding more ‘angst’ to concerns about inappropriately ‘easy’ policy, new Japan Prime Minister (PM) Takaichi called a snap election. Closer to home, a hawkish Reserve Bank of Australia (RBA) – and strong inflation data – has flipped the rate outlook from cuts to hikes.

Will markets navigate 2026 in the same manner as 2025, ending materially higher? There are likely grave medium-term market implications from the US’s hostile assault on the post-war global order. Shorter-term, in 2026, there’s a strong argument for putting on geo-political ‘noise-cancelling’ headphones to avoid being distracted. Yet, we’d also argue this “ignorance is bliss” mentality does not extend to the macro, and could prove damaging for portfolios performance in H2 2026. Our ‘tariffs are disinflationary’ mantra for 2025 was instrumental in keeping us ‘risk on’ throughout, and we should make hay while the sun shines in H1 2026, while benign inflation and interest rate conditions persist, despite all the geo-political bluster.

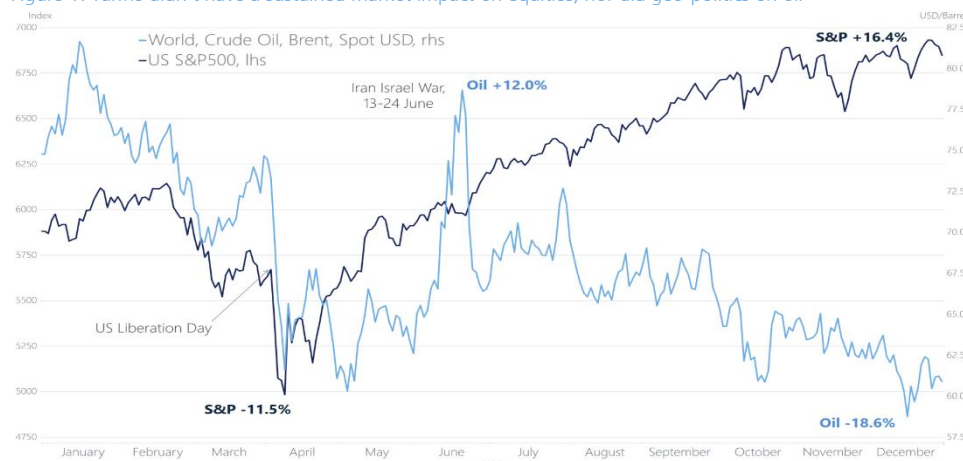
But as we discussed in our 2026 Outlook, our view that reaccelerating growth will flag liquidity reversal by central banks later this year – the macro – poses the greatest risk to a repeat of 2025’s strong returns. Thus, H1 2026 should also be the time to future proof portfolios for more challenging times ahead. Seek resilience via truly diversified portfolios, that are not overexposed to US assets or the AI thematic, while ensuring inflation protection, particularly via sufficient private market assets.

### 2025 was a ‘geo-politically’ volatile year...but markets performed strongly

As Northern Trust notes, looking back at 2025, “the year’s great market performance is difficult to reconcile with an environment of high uncertainty”. Yet markets and economies largely navigated peak trade uncertainty (with escalating tariffs and shifting trade flows), mis-placed inflation worries from tariff-led price imposts as well as future debt and inflation worries regarding significant US tax cuts. The impact on oil prices of unrest in the Middle East also created volatility – thankfully to the downside, aiding our disinflation narrative. The promise of AI-related productivity (and capex-led growth) was also a positive force sustaining optimism regarding the outlook as 2025 unfolded.

Indeed, despite one sharp bout of volatility in April (see Figure 1, below), 2025 was a standout year for markets. Global equities rose by around 20% – a third strong year – led by a resurgence in global tech stocks, while non-US markets such as Europe, Japan and emerging markets outperformed the US. Fixed income markets also delivered strong returns of 7-10% across global bonds and credit (albeit Australian fixed income, like domestic equities, underperformed global peers). Unlisted assets such as infrastructure (circa 8%) and private credit (9-10%) also performed solidly, while non-oil commodity prices – gold (70%) and lithium (83%) especially – saw sharp gains.

Figure 1: Tariffs didn’t have a sustained market impact on equities, nor did geo-politics on oil



Source: BCA Research, Macrobond, LGT Wealth Management



The ongoing macro backdrop of benign inflation and lower central bank rates gives us some comfort that liquidity withdrawal – through Kindleberger’s lens – is not in our immediate future...

...but reaccelerating growth from mid-year could drive a focus on liquidity reversal by central banks, posing the greatest risk to a repeat of 2025’s strong returns.

A ‘TACO’ filter may be appropriate for geo-political noise, but may not be the right approach for macro fundamentals.

“Economic fundamentals seem robust for now, but we think maintaining situational awareness is warranted”

Barclays Research  
January 2026

## We still believe geo-politics will take a backseat to more macro factors in 2026...

As our journey through 2026 gets underway, we expect geo-political volatility and increasing scrutiny into the substance of the AI boom will persist. But we also believe these factors, particularly the former, will take a backseat to more fundamental macro drivers (rates/inflation) in the year ahead.

These drivers should initially present a constructive backdrop for markets through the first half of this year, as outlined below. Initially, softening (but only moderately below-trend) growth into early 2026 should keep inflation benign and keep central banks on an easing footing for a while longer. But before too long – potentially as Q2 2026 gets underway – we expect our theme of reflation to take centre stage. This second phase of the macro cycle is characterised by reaccelerating growth (rather than inflation), as the usual lagged impact of interest rate cuts from 2025 – and renewed global fiscal stimulus – drives a 2026 credit-led recovery in the non-AI economy, spurred by consumer and housing sectors, at the same time the AI capex cycle remains robust.

The third and final phase of the macro cycle – expected to emerge beyond mid-year (and persist into 2027) – is likely to prove more challenging for markets. Reaccelerating growth and a re-tightening of jobs markets globally, could drive a more inflationary ‘reflation’ impulse. The likelihood that reaccelerating growth will drive a focus on liquidity reversal by central banks later this year likely poses the greatest risk to a repeat of 2025’s strong returns. Monitoring that evolution will prove a key macro driver for returns as 2026 unfolds.

### Our three phases of the macro-cycle for 2026

- **Global growth to slow further into early 2026:** The US jobs market is slowing due to still-tight policy, the tariff-induced trade shock has slowed H2 2025 growth in Europe, Japan and the UK, while China has yet to stall its weak momentum. This will keep inflation benign and underpin further modest rate cuts (in the US, the UK, emerging markets among others).
- **Growth should reaccelerate beyond Q1 2026** – monetary policy acts with a lag, and with global central banks in 2025 amidst a meaningful cutting cycle, a credit-led recovery in the non-AI economy – led by consumer and housing sectors – remains our 2026 central case. Fiscal easing in the US, China, Europe will also support growth.
- **Challenges could arise in H2 2026 as jobs markets re-tighten** – this would likely forestall any further rate cuts. And should inflation trends deteriorate, tighter monetary policy could eventually follow (as early as late 2026). The evolution to a more inflationary ‘reflation’ impulse, and reversal of liquidity, could pose challenges for both equity and bond markets later in 2026.

## ...but geo-politics have nonetheless come in ‘hot’ as 2026 gets underway

Despite our call that macro factors will take the lead in 2026, geo-politics have come in ‘hot’ as the year gets underway. January alone has seen us navigating no less than five key geo-macro events. This now appears to be life in a multi-polar world! At least for those developments with a truly geo-political bent - the US’s abduction of the Venezuelan President through to Trump’s threats to strike Iran and compulsorily ‘acquire’ NATO-aligned Greenland, as well as the attack on the independence of the US Fed – the market has taken the approach of putting on noise cancelling headphones.

As Barclays Research wrote earlier this year. “Noise cancellation is a technology designed to reduce unwanted ambient sounds, enhancing audio clarity and creating a quieter listening environment. Markets seem to apply a similar approach in an investing environment that has started to become disturbingly noisy”. Barclays also argue that noise cancellation, while beneficial for reducing disturbing background sound, comes with risks and drawbacks. We would extend that to the realm of the macro phases we have laid out above. A ‘TACO’ filter may be appropriate for geo-political noise, but may not be the right approach for macro fundamentals. As we argue, they may be sound now – through phases one and two – but maintaining ‘situational awareness’ to the macro will be key to navigating more challenging market conditions should our macro phase three arrive.

**Here are the five key geo-macro developments over the ‘summer break’.** The latest attempts by President Trump to cap US credit card fees, recent additional tariffs on various countries as well as US citizens being killed amidst Trump’s forced immigration removals are also worthy of note.

- **Venezuelan incursion (abducting the president)** – On January 3, the US military and law enforcement conducted a special operation, capturing Venezuelan President Maduro and his wife (who were relocated to the US to be charged on drug-related offences). While a clear assault on post war global order, the market implications of removing a non-benevolent dictator are likely

Trump has 'walked back' demands for Europe to negotiate the sale of Greenland...

...while outrage over the attack on the Fed has seen Trump distance himself from the matter.

The path of least resistance would now appear to be a rate hike for the RBA in the first week of February, albeit the path of least regret is likely to not reverse course, and hold rates at a mildly restrictive stance, and await more clarity

limited. Delivering higher output of US-led oil from Venezuela is a likely motivation, albeit the limited oil price response reflects that damaged infrastructure will take years to repair.

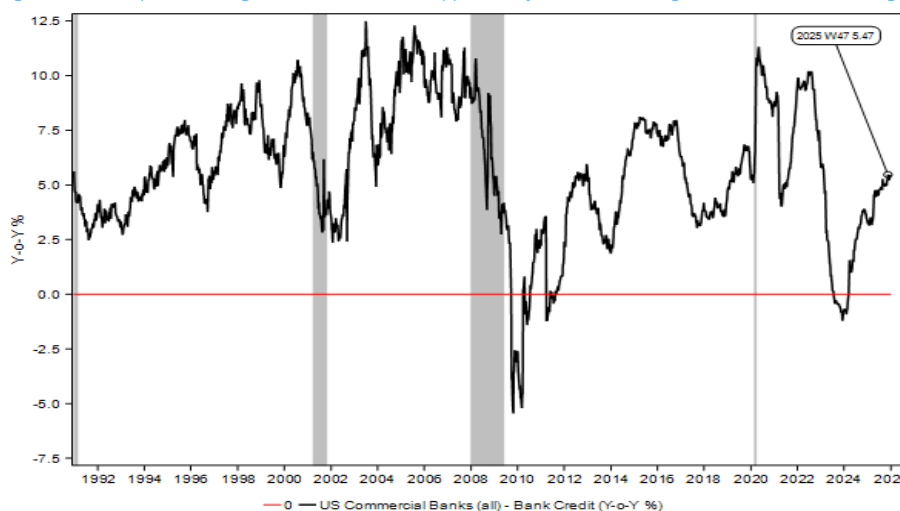
- **Iran regime instability** – while far from US-led, the most significant protest in a number of years (and with protests targeted at the regime rather than the US or Israel) saw Trump flag the possibility of militarily forcing regime change. This had the potential to create broader Middle East uncertainty, particularly given the significance of Iran as an oil exporter. In late January, President Trump boosted the US's naval presence in the region threatening to intervene in Iran if it does not sign a nuclear deal or fails to stop killing protesters.
- **Fed credibility attacked** – The Trump Administration initiated criminal investigation into Fed Chair Powell. But bond market constraints, and a global uproar by other central banks officials, has led Trump to distance himself from the matter. The action is likely targeted at encouraging Powell to retire once he steps down from the Chair, rather than any imminent removal process. The market is also awaiting the Supreme Court's decision on whether Governor Cook can continue to vote while she is investigated for fraud, as well as Trump's reciprocal tariffs.
- **Japan's PM calls a snap election** – New PM Takaichi surprised markets in January with her decision to dissolve the Lower House and call an election for February 8<sup>th</sup>. This has led to speculation of greater fiscal stimulus and more market-friendly growth, driving the local equity market 5% higher in the following days. Speculation about the earlier timing for Bank of Japan (BoJ) rate hikes – and a relatively hawkish post January meeting statement – has seen a sharp 20-30 basis point (bps) rise in bond yields together with a stronger Japanese yen.
- **Greenland's 'compulsory acquisition'** – Trump initially set publicly announced deadlines for Greenland's 'acquisition'. In the wake of additional escalating tariff threats on Europe to demand negotiation, this too has been 'walked back' by Trump, reversing equity market weakness at the time. Access to critical minerals is likely to have been a key driver, with Trump heralding additional access as he announced a deal had been reached.

#### Are Australia's inflation woes a bellwether for other economies in H2 2026?

Closer to home, local markets have experienced volatility associated with increasing expectations that reaccelerating inflation will force the Reserve Bank of Australia (RBA) to reverse course from its well-announced rate cutting cycle to one of near-term rate hikes. A reacceleration in consumer and housing activity on the back of three rate cuts in 2025 (from 4.35% to 3.60%) has clearly and pleasingly led to a pickup in the private sector economy (which was in recession), with stronger consumers and housing activity in H2 2025. However, this also appears also to have stalled progress on moderating inflation, with the core trimmed measure rising from 2.7% (in the 2-3% target) in mid-2025 to 3.4% (above the target) end-2025 (released late January).

The path of least resistance would now appear to be a rate hike for the RBA in the first week of February, albeit the path of least regret is likely to not U-turn, and hold rates steady at a mildly restrictive stance, and await more clarity. While inflation is clearly too high, growth is far from above trend, employment growth is well below trend and there remains questions over the extent the

Figure 2: Macro phase two (growth-led reflation) supported by renewed leverage – US credit accelerating



Source: Longview Economics, Macrobond

Putting on noise cancelling headphones as it relates to geo-political bluster, has merit as a strategy over coming quarters...

...however, tuning out the noise when it's macro fundamentals could prove problematic.

With potential reflationary storm clouds beyond the horizon, we believe investors should use the current 'sunny' environment to interrogate their portfolios and build in adequate resilience ahead of future rainy days.

"Given elevated public equity valuations and tight credit spreads, and traditional diversification is proving less reliable in a world where stock-bond correlations are structurally higher."

Henry McVey  
KKR, January 2026

consumer and housing sectors will sustain their current pick-up over coming quarters in the absence of rate cuts they were anticipating. During January, the shifting rates outlook has led to volatility and underperformance of Aussie government bonds and equity markets during the month, while the currency has strengthened to its highest level (USD0.70) in several years.

### 'Noise cancellation' is not a strategy to detect shifting macro fundamentals

As we look to navigate 2026, we believe that trade and geo-political uncertainty are moderating as market-relevant risks, with market reactions thus far in January corroborating this view. Putting on noise cancelling headphones as it relates to geo-political bluster, viewed carefully through our constraints-based lens, has merit as a strategy over coming months.

We expect that strategy, as the first and second phases of our macro outlook play out, to allow us to 'make hay while the sun shines' in terms of harvesting returns in rising markets, as growth slows but doesn't collapse, inflation moderates (except in Australia) and interest rates stay benign.

However, we would caution whether that same strategy will be appropriate as we transition to phase three of our macro outlook. Tuning out the noise when it's macro fundamentals could prove problematic. As we wrote in our 2026 Outlook, Charles Kindleberger's "Manias, Panics and Crashes" enduring conclusion was that while many forces can fuel a speculative upswing, there's ultimately only one force that ends a bubble, namely, the withdrawal of liquidity.

With that in mind and noting a key feature of our H2 outlook is precisely the end of increasing liquidity, we see H1 2026 as a key time to future proof portfolios for the next phase of the cycle.

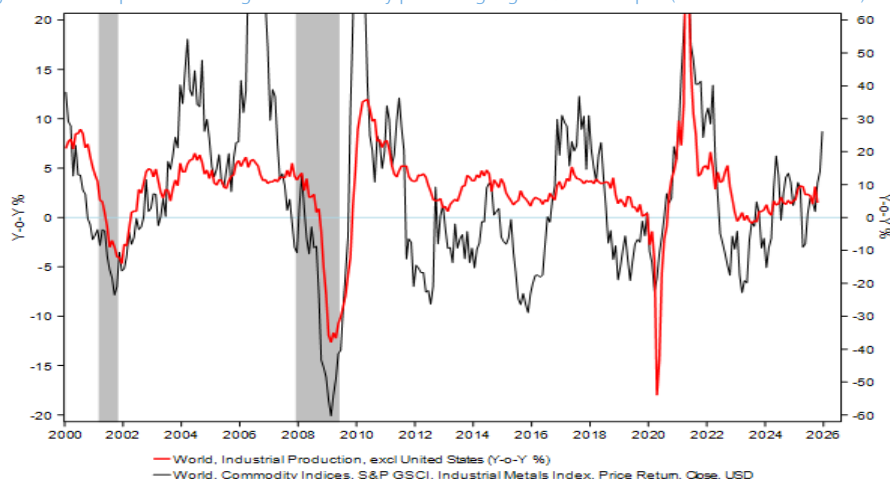
### H1 2026 is the time to future proof portfolios...

The near-term macro backdrop continues to look supportive, with fiscal and monetary policy both in various stages of easing. That said, with potential reflationary storm clouds beyond the horizon, we believe astute investors should use the current 'sunny' environment to interrogate their portfolios and build in adequate resilience ahead of future rainy days. Prudent portfolio diversification and active management will be important tools in the astute investor's arsenal.

### We see the first half of 2026 as one where investors should:

- review their exposure to narrow US mega-cap tech equities. We are fans of the AI thematic, but that is different from allowing portfolios to drift into an 'over-exposed' position via a collective of direct equities, less visible manager positions and private markets;
- review the robustness of listed equity positions across sectors and regions, and examine whether reducing US exposure in favour of non-US markets, including Europe, Japan and emerging markets, is warranted given improved structural and cyclical outlooks;
- ensure sufficient defence through active management, given concentration risks in listed indices, more dispersion tends to greater alpha *below* the market's surface, in sectors and styles, such as small and mid-cap equities and quality;
- have some exposure to fixed income given elevated starting yields (especially in Australia), while ensuring a focus on quality in the credit space; and
- increase exposure to uncorrelated and real assets that provide volatility and inflation protection (such as infrastructure, commodities, low-beta hedge funds).

Figure 3: Macro phase three – global commodity prices flag higher world output (and less new stimulus)



Source: Longview Economics, Macrobond

# What's driving our views?

## Navigating geo-political noise with a firm eye on what matters most

Geo-political noise 'came in hot' to start 2026, but despite the headline focus on these developments, we have kept our focus on what we believe matters most to investors over the next 12 months. In particular, our reflationary thesis remains intact with global fiscal and monetary policy settings likely to continue imparting a stimulatory effect to the global economy. We also believe that trade and geo-political uncertainty are moderating as market-relevant risks, with market reactions thus far in January corroborating this view. Furthermore, the ongoing roll-out of artificial intelligence (AI) should add further tailwinds to a broadening of the global economic cycle. As such, we maintain our constructive positioning, recognising that equity markets are expensive and vulnerable to downside shocks.

The Supreme Court's expected ruling on the Trump Administration's reciprocal tariffs is a key near-term event to monitor over coming weeks and months. If the tariffs are struck down, that could lead to upward pressure on US bond yields as it would remove a key revenue pillar offsetting US fiscal stimulus.

More broadly, cooling labour markets and acceptable inflation outcomes should allow global central banks to maintain a dovish bias in Q1 2026. We expect the pulse of easier monetary policy to support a cyclical recovery for the global economy, particularly in more interest-rate sensitive areas such as the housing and industrial sectors. Further modest easing of mortgage rates in the US should help to unlock the significant excess homeowners' equity on US household balance sheets. That said, we do acknowledge the risk that a stronger-than-expected recovery in global growth could impart upside pressures to inflation, forcing central banks to adopt a more restrictive policy stance in H2 2026. Australia's RBA may be a bellwether for this risk.

We believe 2026 will be a key proving ground for whether Large Language Models (LLMs) like ChatGPT can ultimately add enough value to the broader economy to justify their expense. We are already seeing increasing dispersion across AI hyperscaler share prices as investors grow more discerning and more insistent on return on investment. That said, we are also seeing developmental progress across different paradigms, including agentic AI and integration with robotics. Advances in these areas could unlock further productivity gains. We remain optimistic that AI adoption should support a broadening of the admittedly extended equity rally to smaller and mid-sized companies and to regions outside the US. Of course, we also acknowledge the justified angst that a bubble may be forming amongst hyperscalers like the Magnificent 7.

In summary, while we acknowledge a pick-up in near-term geo-political shocks amid expensive markets, we see a broadly supportive macro and market environment to start 2026. We strongly suggest that investors use this supportive window to 'make hay while the sun shines' and increase portfolio resilience for potential risks that may emerge in H2 2026.

### Key cyclical views

#### **Policy uncertainty has peaked as a market-relevant risk.**

Despite the noise and thunder that started the year, our constraints-based framework tells us that trade and geo-political uncertainty has peaked in the near-term as market-relevant risks. While this may seem hard to believe, we judge that the triple constraints of bond markets, US Constitutional checks and balances, and voter support (or lack thereof) have and will continue to prevent worst-case outcomes from occurring. Of course, we recognise that new risks can always emerge, and investors should prepare for further potential shocks as the world increasingly comes to terms with multi-polarity.

**Central banks may face hiking pressures in H2 2026.** While policymakers should maintain a dovish line into Q1, a resilient US economy and rising reflationary risks may leave central banks on hold as the year progresses and the potential for rate hikes may come into the picture later in 2026.

#### **Opportunities are ripe for 'active' hunters versus 'passive' gatherers:**

The best opportunities will likely lie beneath the broad index level, rewarding more active 'hunter' versus passive 'gatherer' investors. This has proven particularly true in 2025, and an active approach should continue to pay dividends amid increasing market concentration and dispersion risks.

**Make hay while the sun shines:** The near-term macro backdrop continues to look supportive, with fiscal and monetary policy both in various stages of easing. Still, with potential reflationary storm clouds beyond the horizon, we believe investors should use the current 'sunny' environment to interrogate their portfolios and build in adequate resilience ahead of future rainy days. Prudent portfolio diversification and active management will be important tools in the astute investor's arsenal.

### Key structural views

**Welcome to a multi-polar world:** The global community is increasingly adjusting to a multi-polar world, an environment that should create more volatility and uncertainty but also present more growth and opportunities for investors who understand how to navigate and invest in a multi-polar world.

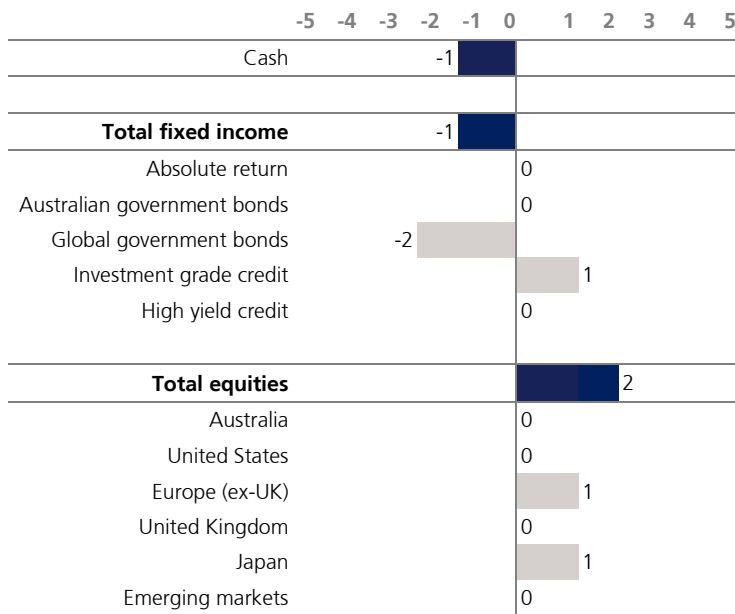
**Are you ready for the 'Great Recalibration'?** We believe global trade, capital, and investment flows are in the process of a 'great recalibration' towards a more balanced setting with more active fiscal and consumer spending outside the US. This epochal shift carries significant implications for long-term portfolio design and construction.

**The rise of artificial intelligence:** AI presents key challenges and opportunities for the global economy and human society.

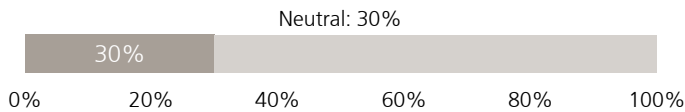
**Higher base rates increase investor options:** We expect interest rates to remain higher-for-longer. Higher base rates increase forward-looking returns across all asset classes, giving investors more options to build robust, multi-asset portfolios.

# Tactical asset allocation

Tactical asset allocations (% weights)



Foreign currency exposure (Balanced SAA)



Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
<b>Cash</b>	<b>-1</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Fixed income</b>	<b>-1</b>	<b>51</b>	<b>33</b>	<b>15</b>	<b>12</b>
Absolute return	0	11	6	2	2
Australian government bonds	0	13.5	7	3.5	2.5
Global government bonds	-2	11.5	5	1.5	0.5
Investment grade credit	1	12	13	6	5
High yield credit	0	3	2	2	2
<b>Equities</b>	<b>2</b>	<b>24</b>	<b>42</b>	<b>60</b>	<b>40</b>
Australia	0	9	16	24	11
United States	0	8	14	20	16
Europe (ex-UK)	1	3	4	6	5
Japan	1	2	3	4	3
United Kingdom	0	1	2	2	2
Emerging markets	0	1	3	4	3
<b>Alternatives</b>	<b>-</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>45</b>
<b>FX exposure</b>	<b>0</b>	<b>20</b>	<b>30</b>	<b>40</b>	<b>40</b>



Decreased weight this month



Increased weight this month

Source: LGT Wealth Management. Investment grade credit includes Australian listed hybrid securities.

## Our current tactical asset allocation views

We continue to believe that despite the noise and thunder, trade and geo-political uncertainty have peaked as near-term market-relevant downside risks. We assess reflation to be the base case scenario for 2026 which should support risk assets but impart upward pressure on bond yields. This supportive macro backdrop should give investors a window to shore up their portfolio resilience.

The ongoing roll-out of AI presents a potentially enduring tailwind to productivity and earnings, though it brings with it risks longer-term to current labour structures.

**Cash:** We remain slightly underweight cash, though we retain ample dry powder to deploy into any buying opportunities that may emerge.

**Fixed income:** We remain underweight fixed income, favouring investment grade credit over global government bonds, reflecting our positioning for reflationary risks and hedging against rising sovereign term premia.

**Equities:** We remain overweight equities and retain our preference for European and Japanese equities, where fiscal stimulus, less demanding valuations, and the 'great recalibration' of global trade, capital and investment should favour these regions.



# Strategic asset allocation

## Why do we believe in strategic asset allocation?

We believe that the central component of successful long-term performance is a well-constructed strategic asset allocation (SAA). Empirical evidence suggests that a disciplined SAA is responsible for around 80% of overall investment performance over the long term<sup>1</sup>. Diversification plays a critical role within SAA. By diversifying your portfolio among assets that have dissimilar risk and return behaviour, lower overall portfolio risk can be achieved, and your portfolio can be better insulated during major market downswings.

## Why do we advocate SAAs to our clients?

We believe that SAAs encourage a disciplined approach to investment decision-making and help to remove emotion from these decisions. A thoughtfully designed SAA provides a long-term policy anchor for clients. Over the long term, we believe clients are best served by identifying the risk they can bear, then adjusting their return expectations accordingly. Return expectations may be anchored unrealistically. However, risk tolerance tends to remain more consistent through different cycles.

## Why strategic asset allocation?

Strategic asset allocation is an important part of portfolio construction as it structures your portfolio at the asset class level to match your specific objectives and risk tolerance.

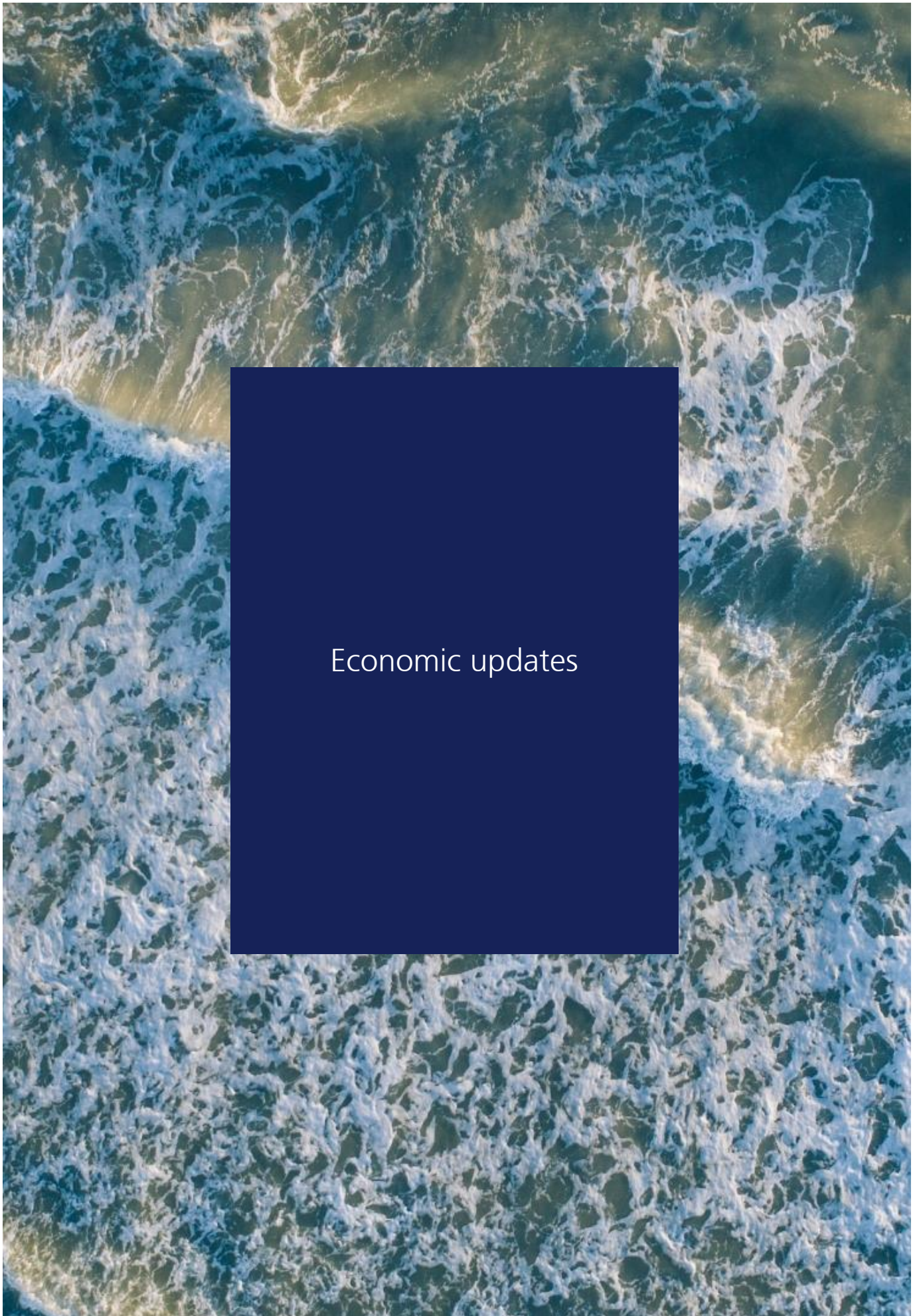
History has shown that a disciplined strategic asset allocation is responsible for around 80% of overall investment performance over the longer term.

### Strategic asset allocations in models

	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
<b>Cash</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Fixed income</b>	<b>52</b>	<b>34</b>	<b>16</b>	<b>13</b>
Absolute return	11	6	2	2
Government bonds	27	14	7	5
Investment grade credit	11	12	5	4
High yield credit	3	2	2	2
<b>Equities</b>	<b>22</b>	<b>40</b>	<b>58</b>	<b>38</b>
Domestic	9	16	24	11
United States	8	14	20	16
Europe (ex-UK)	2	3	5	4
Japan	1	2	3	2
United Kingdom	1	2	2	2
Emerging markets	1	3	4	3
<b>Alternatives</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>45</b>
Private markets	8	10	11	20
Real assets	9	8	7	14
Hedge funds and diversifiers	5	4	4	11
Target foreign currency exposure	20	30	40	40
Indicative range for foreign currency	15–25	25–35	35–45	35–45

Source: LGT Wealth Management. Investment grade credit includes Australian listed hybrid securities.

<sup>1</sup> Ibbotson, Roger G., and Paul D. Kaplan. 2000. 'Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?' Financial Analysts Journal, vol. 56, no. 1 (January/February).



## Economic updates



# Economic outlook

## Global Economy



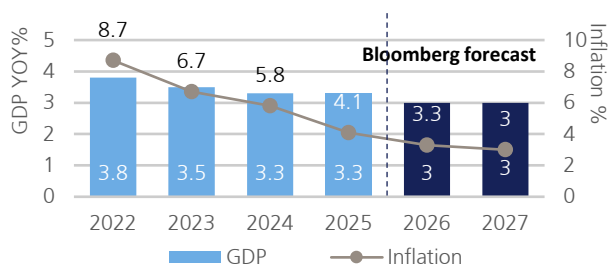
As 2026 gets underway, the outlook for the global economy has almost instantly been buffeted by a raft of geo-political ‘shocks’. As BCA highlights, “we are [now] concerned with the build-up of risks. Greenland could fracture the West for the first time since World War II. Fiscal prudence (the US Supreme Court decision on tariffs) and central bank independence (US Fed under investigation) are at risk. And on top of that, we could have a significant oil shock from Iran.” Looking back to 2025, a cavalcade of geo-macro developments – from the trade deals, the US’s One Big Beautiful Tax Bill, to Middle East unrest – proved ‘surmountable’ for markets. And the anticipated H225 slowing in global growth proved much less austere. Whether the ‘play book’ for 2026 is the same will bear close watching as the year unfolds.

While it might be hard to argue that geo-politics is taking a backseat to more typical macro drivers, as we flagged for 2026, we continue to expect shifting macro fundamentals will play a more substantive role ahead. Indeed, as Barclays argues, while there may be merit in “applying the noise-cancelling ‘TACO’ filter to investment decisions in a loud [geo-political] policy environment”, currently robust macro fundamentals can change over time, and investors will require “situational awareness”. Indeed, we continue to expect that after a period of slower growth and softer inflation in early 2026 – a positive for markets – reaccelerating global activity in H2 2026 could see a more challenging liquidity environment if inflation re-emerges.

While the current easing cycle by global central banks is nearing its conclusion, the usual lagged impact of rate cuts to activity should ensure a 2026 credit-led recovery in the non-AI economy, spurred by consumer and housing sectors, at the same time the AI capex cycle remains robust. Strong corporate balance sheets and low consumer debt are also key ingredients, as is further fiscal easing in the US, Japan, China and Europe during 2026. Focus for 2027 will, in time, shift to tighter policy in response.

After likely world growth of 3.3% for 2025 (little changed from 2024), consensus expects modestly slower growth of 3.0% for both 2026 and 2027. Barclays forecasts a similar outcome (to 3.1%), while UBS is marginally more upbeat (3.2%).

Global GDP growth and inflation



Source: Bloomberg

## Australia



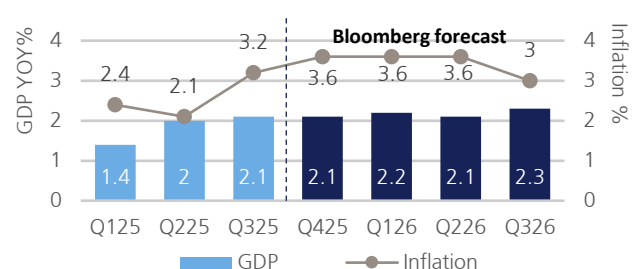
During H225, Australia’s cyclical recovery gathered further impetus. Moderately lower interest rates improved demand across both housing and consumer sectors, lifting growth from below 1% in mid-2024 to a little over 2% by late 2025. We expect growth can pick-up further through 2026, as the growth baton is passed from the previously dominant public sector to a recovering private sector. Key to the outlook is whether a still tight jobs market and the recent higher inflation data is flagging a lower growth rate ‘speed-limit’, due to persistent poor productivity. A pick-up in inflation, despite slowing wages growth, has raised the prospect of near-term rate hikes, and while this is not our central case, weaker sentiment in response could shift the cycle weaker in 2026 and 2027.

Growth rose by a solid 0.4% in Q3, building on Q2’s strong 0.7% gain, and lifting the annual pace from 1.8% to 2.1%. Domestic activity rebounded strongly (1.2%), led by stronger business capex (3.5%) and housing (1.8%) activity, while consumers continued to recover (0.5%) and the external sector dragged modestly. Recent data have provided more evidence of a better trend. Household spending strengthened further during October and November, rising to an annual 6.3%, its fastest since mid-2023, while residential building approvals rose 6.5% in the two months to November, their highest since early 2022. While jobs growth has slowed, unemployment remains low falling to 4.1% in December.

Inflation again surprised higher in Q4, with the key core trimmed mean rising to 3.4% from 3.0% (above the target), having accelerated from 2.7% mid-2025. At its December meeting, the RBA left rates unchanged at 3.6%, as expected, with Governor Bullock sounding hawkish, noting “risks to inflation have tilted to the upside”. While trend-like growth and below average jobs gains argue for the RBA to hold fire on hiking rates, most analysts including CBA, UBS and Barrenjoey now forecasting a February rate hike. While expectations centre on two hikes this year, we see an ‘on hold’ RBA as still a potential pathway.

Growth is generally expected to strengthen modestly in 2026, led by stronger consumer and housing activity, as well as renewed China stimulus. UBS forecasts a pick-up from an expected 1.9% in 2025 to 2.3% in 2026, while CBA forecasts a pick-up to 2.4%.

Australian GDP growth and inflation



Source: Bloomberg

# Economic outlook

## United States



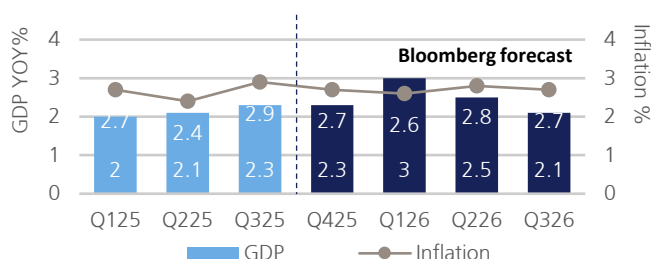
Growth in the US economy slowed by less than expected in Q3, albeit growth was narrowly focused in high-income consumption and AI-related capex. Most forecasters expect a 'softer patch' to emerge for Q4 and early 2026. Key to the rest of 2026 will be whether the lagged impacts of recent rate cuts, together with likely politically motivated fiscal stimulus, fosters a stronger than expected cyclical recovery in consumer and housing activity by mid-year. This has the potential to shift the narrative from further cuts to possible hikes into 2027. While 2025 ended positively with the US government's re-opening and a US-China trade truce, as expected, geo-political volatility has reemerged in early 2026 with President Trump's military action in Venezuela, threatened action in Iran, attacks on the credibility of the US Federal Reserve (Fed) and demands compulsorily acquire Greenland from Denmark. The Supreme Court decision on the Trump tariffs is also imminent.

Growth in Q3 jumped 1.1% (saar 4.3%), after Q2's 0.9% (3.8%), led by a stronger consumer, equipment capex and a rebound in exports (while housing remained weak). Recent data, still lagging due to the shutdown, has been more mixed, but still consistent with firm Q4 growth. January's composite purchasing managers' index (PMI) was little changed at 52.8 from 52.7 (still above the key 50-mark). Core retail sales remain robust, easing from 0.6% to 0.4% in November. According to BCA Research, "the December [jobs] report sent mixed signals, one of resilience, albeit without strength". New job rose 50,000, missing estimates, with the 3-month moving average now 22k job losses per month. However, the unemployment rate unexpectedly fell to 4.4% from 4.5%.

In January, the Fed left rates unchanged at 3.50-3.75% (post December's cut). While the 'dot plot' still signals one further cut in 2026 and 2027 to 3.00-3.25%, Chair Powell gave a more upbeat assessment of the outlook, albeit noting job market concerns. Once again, December's CPI printed below expected, with core at 0.2%, leaving the annual rate at 2.6% (down from August's 3.1%).

Growth is expected to be stronger in 2026, led by a broadening of growth beyond high-income consumption and AI capex. After a likely 2.2% in 2025, Barclays forecasts a pick-up to 2.5% (before slowing to 1.7% in 2027), while UBS forecasts 2.4% (and 2.0%).

US GDP growth and inflation



Source: Bloomberg

## Europe



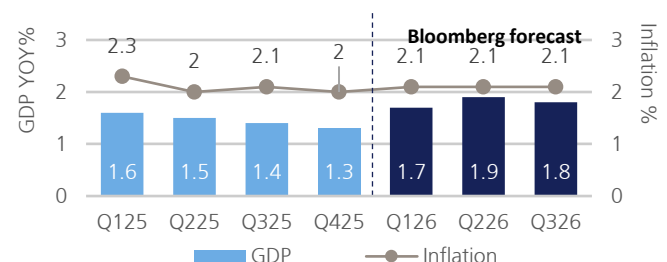
While growth in Europe was likely relatively lacklustre during H225 (as US tariffs impact and the global backdrop softens), we continue to believe renewed fiscal stimulus, and the lagged impact of lower rates, will improve activity during 2026. Despite the prospect that ongoing political dysfunction will present a headwind to Europe's growth, Longview Economics notes that "over the past few months, the European Parliament has quietly put its foot on the accelerator of regulatory reform", which should aid economic momentum. Trump's play at Greenland will also encourage ongoing and more material defence spending. With limited further progress on inflation, interest rates appear more likely to remain at their new lower 'neutral' rate, though further stimulus could be forthcoming should growth turn negative over coming quarters.

Growth in Q3 rose by 0.2%, beating Q2's 0.1% pace, with the annual rate easing to 1.3% from 1.5%. There was regional divergence between Spain/France (strong) and Germany/Italy (weak). Momentum through Q4 has been mixed, albeit improving on balance. January's PMI was unchanged at 51.5, still above the key 50-mark, though down from its 52 average in October and November (and consistent with weaker sentiment in other business surveys). In contrast, industrial output in November rose by 0.7%, its third consecutive increase, while unemployment remains low, easing to 6.3% in November.

Inflation in Europe remains well-behaved, easing 0.2% to 1.9% in December, reflecting lower energy and non-energy goods and services prices, while core inflation eased from 2.4% to 2.3%. As widely expected, the European Central Bank (ECB) kept rates on hold in December (at 2.0%) and reiterated that it will maintain a data dependent outlook, continuing to see itself "in a good place". According to UBS, "the ECB's new macro projections were more hawkish than expected, particularly on the inflation side". Absent renewed growth weakness, the ECB is widely seen to now be 'on hold' at 2.0% in 2026, broadly neutral.

Growth is expected to ease toward trend in 2026. After likely growth of 1.4% in 2025, both Barclays and UBS expect growth to ease to 1.1%, before rising toward 1.4% in 2027. However, improving quarterly momentum is expected through H1 2026.

European GDP growth and inflation



Source: Bloomberg



# Economic outlook

## United Kingdom



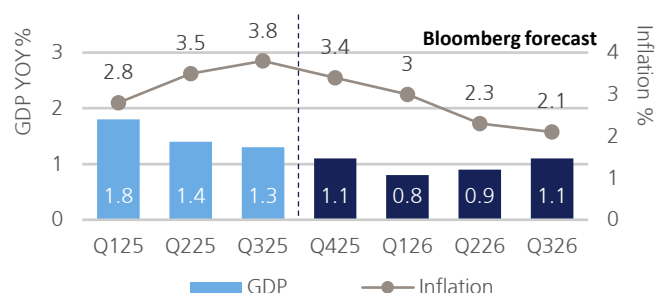
Despite stronger-than-expected H125 growth, recent data have confirmed a significant slowing in UK activity during H225, with a near-term fiscal tightening likely to impede any growth recovery during early 2026. However, with recent data showing “unemployment rising and wage growth continuing to ease”, as noted by Barclays Research, and with inflation passing its recent peak, further reductions in interest rates seem likely over coming months. This has the potential to support a cyclical recovery in UK activity during 2026, led by the consumer and housing sectors, with business investment expected to strengthen and more than offset a likely softening in government activity.

UK growth rose just 0.1% in Q3, marking a slowdown compared to strong growth in H125 of 0.7% in Q1 and 0.3% in Q2. But the details were on balance more positive, with private and public consumption and capex together contributing 0.5 percentage points to Q3 growth. Recent data have taken on a more positive tone, albeit consistent with a similar pace of growth in Q4. As noted by CBA, the economy expanded by 0.3% in November (0.1% expected), driven by stronger industrial production alongside a recovery in the car industry after an August cyberattack.” January’s PMI jumped higher to 53.9 from 51.4, while retail sales revealed no further weakening in November.

Inflation in December surprised higher, rising to 3.4% from 3.2%, although core inflation was unchanged at 3.2%. Despite a still restrictive stance of policy, the Bank of England (BoE) is expected to remain on hold in February (in line with more cautious tone at their December meeting), ahead of renewed cuts from March. Recent labour market data supports further easing, with weak jobs growth in October and November, elevated unemployment and slowing wages growth. Barclays Research still expects two further rate cuts to 3.5% over the coming year, while UBS forecasts three cuts to 3.25%, starting in March.

Growth is expected to slow moderately in 2026, due to H225 and early 2026 weakness. After likely growth of 1.4% in 2025, Barclays forecasts growth of 1.3% in 2026, while UBS expects more slowing to 1.1% in 2026.

UK GDP growth and inflation



Source: Bloomberg

## Japan



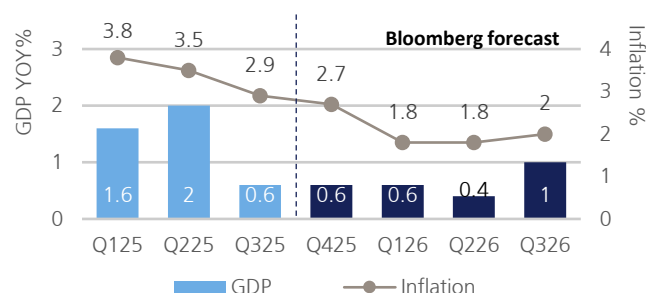
Despite a flat mid-year growth showing, recent data point to a firmer end to 2025 for the economy. This aligns with our long-held view that Japan is on a recovery path after decades of deflation with stronger growth likely to emerge as 2026 unfolds. Business conditions continue to lift, and the jobs market remains tight. According to UBS, “the outlook for 2026 is supported by three tailwinds. First, the global economic outlook is favourable, [helped by] momentum in AI-related investments, while fiscal policies are supportive for major economies. Second, real wages are finally expected to turn positive. Third, fiscal policy is expansionary”. In late January, new PM Takaichi dissolved parliament, calling an election for 8 February, in an attempt to secure her party’s position. As BCA notes, “election campaigns typically delay rate hikes. Significant fiscal stimulus would raise inflation pressures, and the multi-year path for yields is higher”.

Growth in Q3 retraced after a strong Q2, falling 0.6% (-2.3% saar), its first decline in six quarters, led by sharply weaker housing activity. Consumer spending was stronger, a positive sign for future growth. Incoming data (consumption, exports and public investment) for October and November imply solid Q4 growth close to 2% (saar). The PMI jumped to 52.8 in January, its best since mid-2024, while other business surveys also remain upbeat. Unemployment was 2.6% in November, little changed over the past year. Retail sales have also strengthened through Q4.

As expected, the Bank of Japan (BoJ) raised rates in December by 0.25% to 0.75%, a multi-decade high. As expected, the BoJ kept rates on hold in January. However, according to UBS, “the overall tone was unexpectedly dovish [with] Governor Ueda cautious and provid[ing] no indication regarding the timing of the next rate hike”. After rising through September and October (after a multi-month easing), inflation once again edged lower in November, to 2.9% from 3.0%. Further modest hikes are anticipated in 2026.

Growth is expected to slow moderately in 2026, due to H2 2025 and early 2026 weakness. After likely growth of 1.3% in 2025, Barclays forecasts growth of 1.1% in 2026 (and 1.2% in 2027), while UBS expects 1.2% (slowing to 0.9% in 2020).

Japanese GDP growth and inflation



Source: Bloomberg

# Economic outlook

## China



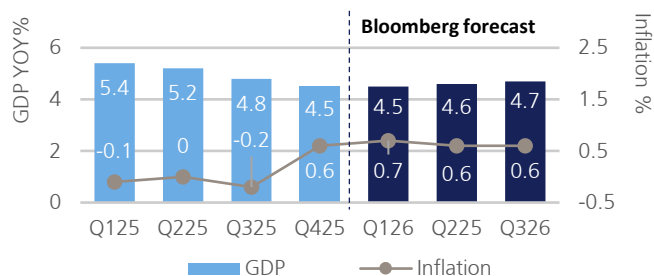
China's economy continues to face significant cyclical challenges, with H2 2025 growth falling well below the key 5% target. The property sector has continued to deteriorate (a trend that is likely to continue in 2026), while H1 2025 fiscal stimulus has faded, leaving consumer demand weaker as 2025 ended. Despite this, China's growth is expected to remain in a 4-5% range over the next few years, significantly contributing to global growth momentum. Key structural positives include the ongoing offshoring of its manufacturing capacity, the pickup in 'new economy' sectors which should mitigate the ongoing property downturn. The involution campaign continues to focus on easing overcapacity, while policy support targets stronger consumption.

China's Q4 growth slowed to 4.5% from 4.8%, bringing full-year growth to 5%, in line with the government's target. According to Barclays, trade (net exports) contributed around one-third of 2025's growth, its highest since the data became available in 2009. In contrast, capex fell to a low of 15%, while consumer spending rose to 52%. But December data revealed little pick-up in momentum. While strong exports lifted industrial output from 4.8% to 5.2%, other indicators of demand disappointed. Retail sales slowed to a multi decade low of 0.9% (was 1.3%), capex fell to -15% (after -11%), while property sales eased to -16%.

The PBOC announced additional easing measures in mid-January, including lower interest rates, lower minimum downpayments, additional lending for tech innovation and private SMEs with significant R&D. According to UBS, "the moves were a positive surprise" as they were not announced in the wake of clear data weakness. The PBOC's annual work conference outlined key priorities for the coming year. According to Longview Economics, "it plans to (i) maintain currency stability; (ii) keep policy "moderately loose"; and (iii) pursue general goals, including "expanding domestic demand" and "strong financial support".

After 5.0% in 2024 and 2025 (in line with the government's target), expectations are for growth closer to 4.5% in 2026 and beyond. This is UBS's forecast, while Barclays are weaker at only 4.0% ahead (though have acknowledged upside risks).

Chinese GDP growth and inflation



Source: Bloomberg

## Emerging Markets

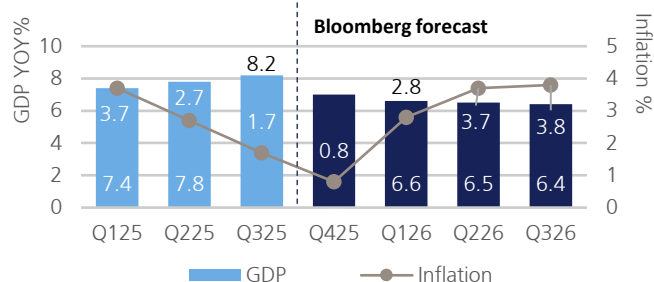
The outlook for Emerging Markets (EM) remain vulnerable near-term to a largely anticipated slowing in global growth into early 2026 (as well as renewed global tariff uncertainty). Assuming the recent escalation is tempered, global growth is expected to stabilise and recover through mid-year, led by developed economy fiscal expansion and the lagged impacts of easier monetary policy across the US, Japan, Europe and EM (aided by a weaker US dollar). These more positive dynamics are likely to be balanced by weak exports outside of the tech sector, limited EM fiscal stimulus and excess manufacturing capacity in China, according to UBS. EM growth ex China is likely to be modestly below trend in 2026, before recovering to trend through 2027.

ASEAN economies are expected to slow modestly after a strong 2025, with UBS forecasting a 2026 easing from 5.0% to 4.8% before inching up to 4.9% in 2027. "The pullback reflects the fading boost from export front-loading, with net exports turning from a tailwind in 2025 to a drag in 2026. Supportive tailwinds from tech exports should provide some offset to tariff-related drags, especially for Vietnam, Malaysia, and Singapore". India's growth should remain robust, near 6.5% for the next two years, led by domestic demand and global supply chain shifts. UBS's leading indicator suggests momentum moderated in November after a strong pickup in October, albeit "early indicators suggest activity likely continued to maintain momentum in December".

Although inflation has fallen within the upper end of the target range in both of LatAm's largest economies, Mexico's latest inflation prints surprised to the downside, while Brazil's were in line. According to BCA Research, rate cuts will continue in Mexico, while the easing cycle will be more cautious in Brazil, given "a hot labour market, sticky services inflation, and the risk of an inflation rebound stemming from potential fiscal easing." Recent data also suggest strong domestic activity into end-year.

For EM ex China, after expected growth of 4.2% in 2025, Barclays expects some further slowing to 3.8% in 2026 before edging up to 3.9% in 2027. In contrast, UBS has EM growth ex China relatively steady around 4.0% for 2026 and 4.2% 2027.

Indian GDP growth and inflation



Source: Bloomberg



An aerial photograph of the ocean with white-capped waves. A solid dark blue rectangle is centered on the image, containing the text "Asset class updates" in white.

Asset class updates

# Fixed income update

## Absolute return and government bonds

Position: Neutral absolute return; underweight global government bonds; neutral Australian government bonds

### Key points

- Global bond markets remain range-bound, but recent volatility, particularly in Japan, highlight upside risks to yields.
- Locally, strong jobs and inflation data have reopened questions around the RBA's next move, with February now priced for a rate hike.
- We remain underweight global bonds as markets may be underpricing the risk that rate cuts are delivered later and more gradually than expected.

Global fixed income markets have started the year in a range-bound environment, though recent moves in Japan have served as a reminder that technical breaks can emerge quickly. Focus has been the sharp sell-off in Japan Government Bonds (JGBs), driven by concerns around fiscal policy and upcoming elections, which has pushed global yields higher. US Treasury yields were confined to a tight range through December, with the 10-year trading between 4.10–4.20%, before briefly spiking to around 4.30% in early January and settling near 4.21%. Curve steepening has continued, with the 2s10s spread widening to around 70–75bps, led by the long-end of the curve. We see ongoing upside risks to global yields as markets reassess the timing and magnitude of policy easing.

From a macro perspective, the US economy continues to expand at a solid pace, and recession risks have largely faded. Inflation data has been constructive, with recent core CPI undershooting expectations, supporting the view that price pressures are gradually moderating. However, the labour market remains resilient, reinforcing the view that the Fed is under no urgency to cut rates early in 2026. In Europe, the ECB appears to be nearing the end of its easing cycle, having held policy steady through consecutive meetings. German bund yields have followed gilts lower recently, though we expect yields to stabilise as policy rates are likely to remain on hold through 2026.

Australian rates have shifted materially higher in outright yields, while the curve has traded flatter. Strong labour market data and last year's upside inflation surprise have reopened debate around the RBA's next move, with some economists flagging the February meeting as live for a hike. Australian government bonds have underperformed US Treasuries, with the 10-year ACGB trading around 4.8%, close to the late-2023 peak, though these levels have started to attract dip-buyers. In the near term, geopolitics are likely to continue influencing market direction, although this volatility appears to be moderating. From a fundamentals perspective, the RBA's focus will be on the upcoming inflation release, with any upside surprise likely to lift hike expectations. Against this backdrop, we maintain a neutral stance on ACGBs, viewing current levels as an inflection point where Australian rates could perform well if the RBA remains on hold this year.

## Investment grade credit and high yield credit

Position: Overweight investment grade credit; neutral high yield credit

### Key points

- Investment grade (IG) and high yield (HY) credit spreads remain tight, with resilience despite higher base rates and episodic rates volatility.
- Primary market activity has started the year strongly, supported by thin dealer inventories and significant cash on the sidelines.
- We remain overweight IG and neutral HY, as credit benefits from attractive all-in yields and supportive technicals.

Credit markets have entered 2026 in a relatively constructive position. While there have been pockets of volatility driven by global rates, credit spreads have remained resilient and continue to grind tighter. This has reinforced the view that credit is increasingly benefiting from both a 'rates bid' and a 'credit bid', with investors willing to accept historically tight spreads given compelling all-in yields. January is seasonally quieter, but demand conditions remain strong, and technicals are supportive heading into the year.

In Australia, the primary market reopened early in January with CBA launching one of the first transactions of the year. The bank printed a 3-year senior at BBSW+60bps and a 5-year at BBSW+74bps, levels that sit close to 15-year tightens for major bank senior spreads. Looking ahead, APRA's consideration of including covered bonds in the High-Quality Liquid Assets definition could encourage greater covered bond issuance offshore and reduce senior unsecured issuance, a dynamic that would be supportive for senior spreads. Corporate and kangaroo issuance is expected to partially fill the supply gap, with a growing pipeline of first-time offshore issuers road-showing domestically in Q1.

Tier 2 issuance is expected to be lower in 2026 following record volumes last year, as banks shift from capital increase to refinancing. Despite this, strong demand persists, with 5-year major bank Tier 2 FRN spreads trading below BBSW+120bps. Higher outright yields have offset tighter spreads, keeping all-in yields attractive, particularly in AUD credit where longer-dated IG assets are offering yields close to 6%. We continue to recommend selectively adding duration in high-quality AUD credit while remaining mindful of episodic volatility driven by rates uncertainty.

High yield markets have recovered from the volatility seen late last year and have started the year grinding tighter again, though sector dispersion remains. Cable, Technology and some Consumer segments continue to lag, with higher distressed debt ratios. With US HY spreads trading sub-300bps, forward return potential is more limited, but fundamentals remain constructive and refinancing activity is expected to continue while spreads are tight. Against this backdrop, we maintain an overweight to IG credit, particularly AUD, and a neutral stance on HY, focusing on quality and carry rather than aggressive risk-taking at current valuations.



# Our outlook and tactical asset allocation

## Australian government bonds – we are neutral

Recent jobs and inflation data have reinforced the notion that the Australian economy is amidst a cyclical recovery. However, the RBA is likely to remain data dependent before making any policy adjustments, with upside risks to yields if the RBA stays on hold for an extended period (or hikes rates over coming months). In this environment, we prefer to add duration through high-quality investment grade bonds and continue to harvest income by selectively adding credit to portfolios.

## Global government bonds – we are underweight

While volatility has been relatively subdued, recent moves in JGBs and persistent fiscal concerns have highlighted upside risks to global yields. Further rate cuts remain possible but are not assured, and markets may need to reprice expectations closer to central bank guidance, leaving yields vulnerable to further upside. Our underweight stance also aligns to our positioning for H2 2026 reflation risks as central bank easing cycles come to an end.

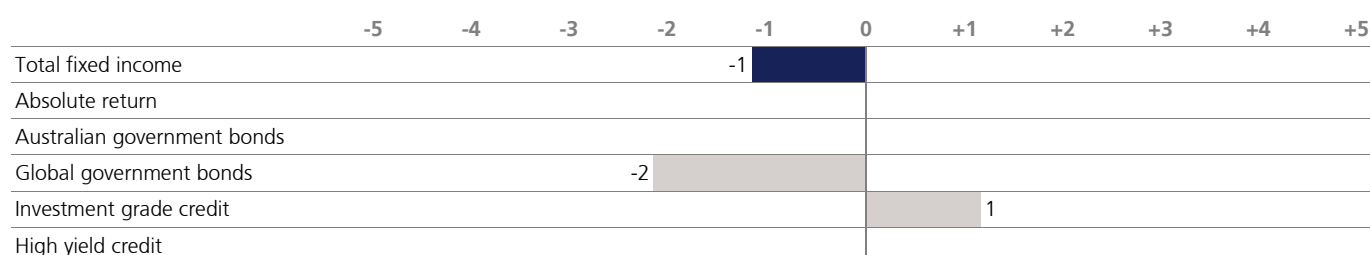
## Investment grade credit – we are overweight

Although spreads remain close to cycle tights, they have proven resilient with higher base rates, especially in AUD credit. With outright yields still attractive relative to history, we see value in adding duration through high-quality investment grade issuers, particularly where all-in yields remain compelling in a higher-for-longer environment.

## High yield credit – we are neutral

High yield spreads remain near historical tights, but fundamentals continue to hold up, supported by stable leverage and manageable refinancing profiles. With rate cuts potentially delayed, carry remains an important driver of returns, and we expect HY to continue to perform provided the macro backdrop remains constructive.

### Active fixed income weights (%): we are underweight fixed income



### Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx	65.15	64.00
Australian 3-year yield	4.27%	4.23%
Australian 10-year yield	4.81%	4.84%
Australian 3/10-year spread	53.2 bp	60.2 bp
Australian/US 10-year spread	56.9 bp	0.7 bp
US 10-year Bond	4.24%	4.19%
German 10-year Bund	2.84%	2.90%
UK 10-year Gilt	4.52%	4.54%
Markit CDX North America Investment-Grade Index	49.4 bp	50.1 bp
Markit iTraxx Europe Main Index	51.4	50.4
Markit iTraxx Europe Crossover Index	247.3	243.7
SPX Volatility Index (VIX)	17.4	14.5

Source: LGT Wealth Management, Bloomberg as of 31<sup>st</sup> January 2026. Active fixed income weights sourced from LGT Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

# Alternatives update and outlook

## Hedge funds and diversifiers

**Hedge funds and diversifiers have proven attractive year to date.** 2025 was a volatile period for traditional asset classes despite equity markets returning to all-time highs. Markets have been impacted by volatility, greater asset price dispersion and higher interest rates, and we're now starting to see more corporate activity. Hedge funds navigated and took advantage of these challenging market conditions, and we expect this to continue through 2026. We continue to focus on uncorrelated strategies that are appropriately diversified and able to capture the full spread of (hedge fund) return drivers, alongside other diversifying return streams – these strategies include insurance, royalties and litigation. Outside of credit-focused strategies, which are typically more contractual in nature, we remain cautious on single strategies where like private markets peers, manager dispersion and manager selection risk remain.

## Private markets

**Private equity distributions remain muted; secondaries are key to activity.** Private Equity distributions i.e., exits, have remained muted relative the overall market net asset value. But there are signs of improvement across traditional routes e.g., IPO/trade sale. The secondary market also looks set to continue its acceleration into 2026. Valuations appear elevated but not grossly over-valued. Critically, vintage matters, with the 2021 to early 2022 vintages most challenged given the peak valuation underwriting environment at the time.

We continue to like secondaries, which should remain an attractive space in 2026. We prefer more complex GP-led secondaries than discounted LP-stakes which are increasingly competitive amidst excessive evergreen capital flows in the US. Venture capital and growth equity is really capturing the major AI growth trends outside of the larger public stocks. We expect this continue but it's not without risks as paper gains are just that – we are looking to appropriately diversify in this space. Manager selection remains critical across private equity and venture capital.

**Private debt remains preferred, despite the noise.** Despite ASIC's recent private credit surveillance report, global BDC discounts and recent public noise led by JPMorgan's Dimon's 'cockroach' comment, we continue to believe that private debt remains well positioned, when considering its potential to deliver risk-adjusted returns. While interest rates and spreads have declined, relative to public counterparts – sub-investment grade broadly syndicated loans and high yield bonds – private debt continues to outperform. Like private equity, we believe that manager dispersion will play a more critical role. Secondaries are particularly attractive and asset-based finance should be a strong diversifier to corporate as 2026 gets underway. We believe that ASIC's investigations should be a positive for the local market, and we remain comfortable that our institutionally focussed managers remain solid players, locally.

## Real assets

**Real estate is recovering despite dispersion across sectors.**

Both US and domestic property indices have continued their positive momentum in 2025, re-enforcing a shift in sentiment following a very challenging period for the asset class. Meaningful dispersion remains across sectors and regions but the case for real estate is far more constructive than it has been in recent years. Supply constraints across sectors locally combined with increasing tenant demand is improving prospects for domestic commercial real estate. Potential future offshore rate cuts and their impact on cap rates is also a potential upside risk.

**Infrastructure appetite is growing.** Private infrastructure is likely to continue to grow given: (1) the recent evolution of evergreen vehicles; (2) ongoing exposure to major mega-trends including digitisation and decarbonisation (both have linkages to AI); and (3) contracted and inflation-linked revenue streams. We seek to invest in core assets with long-term regulated and/or inflation-linked contracts as a defensive line in portfolios. We also plan to build-out core-plus and value-add exposures via secondaries globally, particularly in mid-market assets that have historically been valued at a discount to large cap assets.

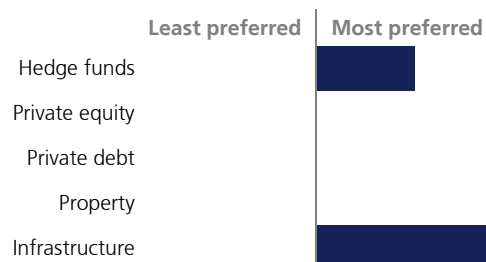
We favour infrastructure, hedge funds and diversifying strategies, and are maintaining private equity and private debt exposures. We are now more constructive on real estate globally.

### What we like

- Multi-strategy hedge funds and other diversifying strategies
- Global infrastructure across the risk spectrum and investment type (including secondaries), particularly playing to long-term structural themes.

### What we don't like

- LP-stake private equity secondaries overly focussed on upfront discounts.
- Construction and/or junior lending within real estate
- Carbon-intensive assets and industries with no transition plan.



# FX and Commodities update and outlook

## Currencies

### Key points

- The US dollar weakens as investors digest a 'hot' start to US geo-political actions in Venezuela, Iran, and Greenland.
- The Australian dollar rallied to a 14-month high and is trading around USD 0.70.

The US dollar (USD) started 2026 on the front foot off the back of decent economic momentum and investor sentiment. However, US President Trump's geo-political salvo (Venezuela, Iran, Greenland, Powell investigation) saw a sharp decline in the latter half of January, as the 'Sell America' dynamic from Liberation Day returned. We expect the currency to remain volatile in the near-term as these shocks play themselves out.

Looking further out, our thesis of a weaker dollar remains intact. Fundamentally, the structural drag from US fiscal headwinds relative to many of its peers (e.g. Germany's re-armament, China's stimulus prospects, Japan's easing) still argues for modest dollar weakness over time.

The Australian dollar (AUD) pushed higher over the summer, and is now trading at a 14-month high at around USD 0.70. A number of factors have influenced this performance. Risk-on sentiment globally, as well as an ongoing shift in interest rate expectations (RBA expected to hike this year, Fed expected to cut) provided tailwinds for the AUD. Recent market drawdowns have seen the AUD weaken against the euro (EUR) but not the USD, in another example of the increasing scrutiny that investors are placing on US assets. That said, the currency remains sensitive to shifts in the global risk tone (given Australia's commodity / China exposure). On top of this, Australia's long-standing productivity challenges and lack of economic reform likely places a ceiling on the AUD's near-term upside.

The EUR is trading around USD 1.18, with gains accelerating in the back half of January as US-EU tensions around Greenland escalated. In a similar dynamic to Liberation Day, flows out of US assets seem to be supporting the EUR, as global investors continue recalibrating their appropriate long-term exposure to the US. That said, the structural risks for the EUR remain: cyclical trade exposures persist, geopolitical and global-policy uncertainty remain elevated.

The Japanese yen (JPY) was volatile over the month, initially weakening towards the key 160 mark against the USD on rising concerns around fiscal stimulus – PM Takaichi has called a snap election for 8 February, where she will seek to further increase spending on defence and tax relief. The currency staged an abrupt rally in late January, however, amid speculation that US and Japanese authorities were considering intervening to support the currency. Putting the near-term noise aside, the outlook for Japan's inflation and macro dynamics remains skewed toward policy normalisation and 'economic renaissance'.

## Commodities

### Key points

- Global commodity prices rallied higher to start the year, as gold surged to a record USD 5,500 per ounce (p/o).
- Iron ore prices are broadly stable at around USD 106 per tonne (p/t).

Global commodity markets have surged higher to start the year, with Bloomberg's broad commodity price index up around 9% so far in 2026, boosted by a broad-based rally in precious metals, industrial metals, and oil.

Crude oil prices trended higher over the month amid geo-political tensions following the US' seizure of Venezuelan President Maduro and amid ongoing domestic political tensions in Iran (and uncertainty about possible US intervention there). Brent crude is currently trading at around USD 66 per barrel (p/b) towards the end of January, up around 9%. We expect oil to remain volatile while these developments play out, though if our reflation thesis proves true, oil prices should base sometime in the first half of 2026 before pushing higher as a cyclical recovery takes hold.

Meanwhile, gold prices surged over 20% from the start of the year, with investors piling into the previous metal as a geo-political and sovereign risk hedge. Gold was trading at just under USD 5,500 per ounce late in January. Structural considerations around fiscal profligacy and currency debasement should continue to provide a secular support for the precious metal, though it experienced significant volatility towards the end of the month amid profit-taking and stretched technicals.

Industrial metal prices also rallied over the month, on a combination of positive economic sentiment and as investors anticipated an 'Age of Empires'-like scramble for strategic industrial commodities. Copper prices are up about 5%, aluminium also up a similar amount, and iron ore is trading around USD 106 p/t.

The evolution of US trade policy, particularly in relation to China, as well as the trajectory of China's own economy, will likely remain key factors for commodity markets. Furthermore, internal Chinese economic dynamics, particularly around the health of the underlying economy and/or signs of further stimulus, will be closely watched by market participants.

That said, market adjustments to a multi-polar world could very well reduce the global commodity complex's reliance on China, as governments and corporations seek to shore up physical access to strategic commodities and prioritise stability of supply over economic efficiency. Market moves since the start of the year seem to corroborate this thesis; investors would do well to monitor these dynamics closely to ascertain whether they might add another secular pillar of price support to commodities and other real assets.

# Equities update

## Domestic equities

### Key points

- Domestic equities managed to outperform in January, rising by 1.8% in the month.
- Materials and Energy stocks led gains, as strong and resilient commodity prices, and a sense of a 'reflationary backdrop' helped push stocks like Rio Tinto to all-time highs.
- Investors will be eagerly anticipating the February reporting season for signs that earnings are indeed broadening and growing in line with recent positive revisions.

Australian equities are entering 2026 with a somewhat conflicting setup: earnings momentum is improving but starting valuations (and sticky bond yields) leave less room for error if growth expectations soften. The key near-term swing factor remains the market's evolving view on domestic rates and the extent to which 'higher for longer' becomes a valuation headwind for a market that is already screening expensive on a headline basis.

After several years of relatively stagnant earnings growth, the clearest incremental positive is the mining-led upgrade cycle. Higher commodity prices (in several complex metals), stronger volumes, and better cost structures are collectively lifting the earnings, which matters given resources remain a material share of ASX200 profits. The market is therefore more plausibly positioned for a better earnings year than the typical "start strong, downgrade later" pattern that has historically characterised consensus expectations.

The bigger debate is whether that earnings support can offset the valuation and positioning headwinds that have built over recent years. In particular, passive and benchmark-aware flows have increasingly concentrated into index heavyweights, leaving parts of the market looking optically 'crowded' and meaningfully above long-term relative valuation norms.

Within Financials, the upside scenario (while not our base case) rests on banks: strong credit growth, the potential for higher domestic rates, and a steeper curve can be supportive for sector earnings and relative performance. However, this is occurring against a backdrop where valuations have already moved materially higher, which increases sensitivity to any disappointment on margins, credit quality, or the rate path.

The more growth-orientated segments of the ASX200 suffered in January, as AI fears (combined with some valuation risk) saw investors adopt a 'shoot first' mentality. The sector was the worst performing, down 3%. Concerns over AI disruption to portal and Software as a Service (SaaS) economics has led investors to recalibrate valuations and longer-term earnings growth vectors, in line with what is happening in the US, where the Software sector remains one of the worst performing.

Healthcare stocks were able to rebound, led by the largest cohort of stocks – CSL, Cochlear, ResMed, Ramsay Health Care, Sigma Healthcare and Sonic Healthcare.

## International equities

### Key points

- Global equity markets consolidated to start the year, rising 2.9% during January.
- This came despite weakness in key markets – the US fell, as did French, German, Spanish and Italian equities.
- Offsetting this weakness was strength in LatAm, Asia and Japanese equities. Fading tariff headwinds, a broadening of the AI investment set, and continued USD weakness are all positive tailwinds for Asia and Emerging Market equities.

Despite one sharp bout of volatility in April, 2025 was an unusually strong year for global equities, with the benchmark up around 23%, and with broad-based sector participation. Notably, ex-US markets outperformed over the year, even though H2 2025 was heavily influenced by a re-acceleration in global Tech leadership.

Looking forward, the global earnings backdrop remains constructive. Bottom-up expectations imply global earnings per share (EPS) growth accelerating to roughly +14% in 2026 (from +11% in 2025), with contributions expected to broaden across regions and sectors. That is supportive, but comes with a high bar, as valuations are already elevated (around the 90<sup>th</sup> percentile on price/earnings (P/E) versus history). In practical terms, the market can keep grinding higher, but it will likely require ongoing "delivery" on earnings and a generally benign macro/financial conditions backdrop.

The central swing factor for global equities remains the AI capex cycle – whether the substantial AI and infrastructure investment of 2025 is translating into sufficiently visible Return on Investment (ROI) and/or accelerating adoption. If upcoming reporting confirms improving traction, the market may be reluctant to provide a substantial deployment opportunity, particularly given financial conditions remain supportive and the broader macro narrative remains consistent with a soft landing.

US policy is an additional variable worth monitoring closely into the mid-terms. A plausible "run it hot" policy mix – targeted interventions alongside pro-growth initiatives – can support risk assets, but it can also create sharper sector-level dispersion as policy effectively chooses winners and losers (for example, housing-linked themes versus parts of consumer credit).

Positively, market leadership is broadening. A continuation of that broadening (including improving participation from mid/small caps) would help de-risk the global equity backdrop by reducing reliance on a narrow cohort of mega-cap growers – particularly important given how extended aggregate valuations have become.

Europe remains an attractive diversification allocation: positioning is light, valuations are supportive relative to the US, and fiscal easing (including defence and infrastructure) plus falling energy prices can create scope for upside surprises. It also offers portfolio hedging characteristics if the AI-led trade narrows further, or rotates.



# Equities outlook and tactical asset allocation

## Domestic – we are neutral

The earnings impulse is improving (resources-led), but valuation and rate sensitivity remain constraints. We prefer to stay balanced and express risk selectively, rather than leaning aggressively into the index. The performance of the Financials sector, with rate increases being priced, remains a key factor for how the aggregate ASX200 index will perform over the year ahead.

## US – we are neutral

Consensus remains constructive on US earnings, but the trade-off between strong fundamentals and high starting valuations remains acute. The market can still move higher, but it is likely to be more sensitive to guidance quality, earnings growth, and bond yield volatility than it has been at points over the past year.

## Europe (ex-UK) – we are overweight

Europe remains an attractive diversification allocation: positioning is light, valuations are supportive relative to the US, and fiscal easing (including defence and infrastructure) plus falling energy prices can create scope for upside surprises. It also offers portfolio hedging characteristics if the AI-led trade narrows or rotates.

## United Kingdom – we are neutral

The UK's setup is improving (greater fiscal clarity and stabilising yields), but growth remains modest. We prefer a neutral stance, expressed selectively through quality and cash-return profile. The potential for further interest rate cuts could prove positive.

## Japan – we are overweight

Japan retains one of the more compelling medium-term equity setups, supported by ongoing corporate reform and the potential for further fiscal support. While the recent rally tempers near-term upside, the structural case remains intact, particularly if governance improvements continue to lift ROE and sustain foreign inflows.

## Emerging market equities – we are neutral

EM earnings growth expectations are attractive, but valuations are no longer 'easy', and sustained outperformance likely requires more synchronised performance across the two key poles (India and China). We remain neutral while monitoring policy follow-through and the USD path.

### Active equity weights (%): we are overweight equities

	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5
Total equities								2			
Domestic											
United States											
Europe (ex-UK)							1				
United Kingdom											
Japan							1				
Emerging markets											

### Equity market summary

Region	Index	Latest price	Consensus 1 yr		Next year	
			Target	Upside	P/E <sup>1</sup>	D/Y <sup>2</sup>
Australia	S&P ASX 200	8,869	9,329	5.2%	20.9	3.2%
New Zealand	S&P NZ 50	13,423	14,782	10.1%	28.3	2.9%
United States	S&P 500	6,939	8,119	17.0%	22.2	1.2%
Europe	Euro Stoxx	629	706	12.2%	15.5	2.9%
United Kingdom	FTSE 100	10,224	11,237	9.9%	13.9	3.1%
China	CSI 300	4,118	4,749	15.3%	14.1	2.6%
Japan	Nikkei 225	53,323	57,809	8.4%	23.3	1.5%
India	Sensex	80,723	97,852	21.2%	20.5	1.5%

Source: Bloomberg. Data as of 31 January 2026; 1 P/E = Price to earnings ratio; 2 D/Y = Dividend yield. Active equity weights sourced from LGT Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

# Domestic equities: Best sector ideas

## Objective of this list

The objective is to identify the best business models or best in breed by GIC's Industry Group for longer-term investors. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to earnings before interest, tax, depreciation, and amortisation (EBITDA).
- **Efficiency**—Capital expenditure to sales.
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	Dividend yield	ROIC	ROE	1yr EPS growth	MSCI ESG rating
REA	REA Group Ltd	Comm. Services	\$189.75	\$228.93	38.6	1.6%	45%	31%	16.0%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	\$53.56	\$71.82	19.7	1.9%	29%	25%	11.7%	AA
TLC	Lottery Corp Ltd/The	Cons. Disc.	\$5.15	\$5.63	29.6	3.3%	24%	118%	13.8%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.32	\$3.94	13.5	5.4%	15%	16%	10.6%	AAA
ALD	Ampol Ltd	Energy	\$28.84	\$33.53	16.1	3.5%	13%	13%	10.8%	AA
BPT	Beach Energy Ltd	Energy	\$1.23	\$1.16	8.1	3.6%	15%	11%	13.2%	AAA
MQG	Macquarie Group Ltd	Financials	\$212.18	\$230.80	19.1	3.3%	na	12%	10.3%	AA
SUN	Suncorp Group Ltd	Financials	\$17.00	\$19.16	18.5	4.1%	6%	10%	31.4%	AAA
COH	Cochlear Ltd	Health Care	\$269.10	\$305.17	39.1	1.7%	29%	22%	14.4%	AAA
RMD	ResMed Inc	Health Care	\$37.54	\$46.73	23.7	0.7%	30%	25%	10.8%	A
MND	Monadelphous Group Ltd	Industrials	\$31.14	\$25.40	30.2	2.9%	26%	20%	2.0%	AAA
BXB	Brambles Ltd	Industrials	\$22.40	\$25.53	21.7	2.0%	21%	29%	10.5%	AAA
XRO	Xero Ltd	Info. Tech	\$93.75	\$174.49	77.3	0.0%	10%	6%	3.9%	AA
IGO	IGO Ltd	Materials	\$8.32	\$8.20	na	0.5%	2%	6%	246.0%	AAA
GMG	Goodman Group	Real Estate	\$30.73	\$36.84	23.7	1.0%	10%	11%	11.2%	AA
APA	APA Group	Utilities	\$8.86	\$8.94	44.5	6.5%	6%	12%	25.6%	AAA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31<sup>st</sup> January 2026. ESG is environmental, social, and corporate governance.

## Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

**Aristocrat Leisure (AAA AU) – Buy.** ALL's 30% peak-to-trough drawdown is now approaching the worst outside of COVID. Part of this is because of perceived better value in Light and Wonder. Nonetheless, over the past 15 years, the stock has delivered a positive one-year forward return around 90% of the time from this magnitude of drawdown.

**ResMed Inc. (RMD AU) – Buy.** The stock trades at just a 10% premium to the ASX 200 Industrials Index, a significant discount to its longer-term average (around 60%), yet is forecast to generate almost 10% p.a. revenue and EPS growth to the end of the decade. The buyback remains at around USD 600 million p.a., but cash continues to build – approaching USD 2 billion by the end of this year, suggesting this can increase.

**Cochlear Limited (COH AU) – Buy.** Despite trading around 25% off its highs, Cochlear's medium-to-long-term growth drivers remain intact - a large addressable market with unmet need, a tight oligopoly with high barriers to entry, low risk of technological substitution, and a growing installed base, giving rise to increase Services revenue that is more akin to recurring.

# Domestic equities: Sustainable income

## Objective of this list

This objective is to generate 'sustainable income' over time. Historically, companies that grow their dividends consistently can offer superior long-term performance. While we also overlay valuation, companies are included based on anticipated three- to five-year performance. When analysing companies to add to this list, some metrics we consider are:

- **Profitability measures** – Return on assets, cashflow, return on invested capital and return on equity.
- **Liquidity and leverage** – Net debt to equity.
- **Efficiency** – Change in revenue, EBITDA, and margins.
- **Management signalling** – Dividend growth and pay-out ratios.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking	Div. yield	1yr DPS growth	MSCI ESG rating
SUN	Suncorp Group Ltd	Financials	\$17.00	\$19.16	18.5	1.74	100%	4.1%	25.5%	AAA
MQG	Macquarie Group Ltd	Financials	\$212.18	\$230.80	19.1	2.25	35%	3.3%	9.8%	AAA
ANZ	ANZ Group Holdings Ltd	Financials	\$36.70	\$35.54	15.0	1.54	75%	4.6%	2.0%	AA
QBE	QBE Insurance Group Ltd	Financials	\$19.74	\$22.22	10.4	1.90	25%	4.1%	-4.8%	AAA
COL	Coles Group Ltd	Cons. Staples	\$21.28	\$23.58	22.4	7.47	100%	3.7%	9.9%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.32	\$3.94	13.5	2.19	100%	5.4%	10.1%	AAA
TLC	Lottery Corp Ltd/The	Cons. Disc.	\$5.15	\$5.63	29.6	35.61	100%	3.3%	12.3%	AAA
TAH	Tabcorp Holdings Ltd	Cons. Disc.	\$0.89	\$1.03	32.8	1.61	0%	2.5%	27.3%	AA
TLS	Telstra Group Ltd	Comm. Services	\$4.88	\$5.10	23.8	4.00	100%	4.1%	5.0%	AA
CAR	CAR Group Ltd	Comm. Services	\$27.60	\$37.49	25.2	3.50	0%	3.2%	12.4%	AA
RMD	ResMed Inc	Health Care	\$37.54	\$46.73	23.7	5.95	100%	0.7%	9.4%	A
PME	Pro Medicus Ltd	Health Care	\$184.12	\$277.73	121.0	74.85	100%	0.4%	35.9%	BBB
REP	RAM Essential Services	Real Estate	\$0.56	\$0.78	12.2	1.41	0%	8.9%	2.0%	--
MGR	Mirvac Group	Real Estate	\$2.00	\$2.43	15.5	0.87	0%	4.9%	8.2%	--
IRE	IRESS Ltd	Info. Tech	\$8.16	\$10.10	22.7	3.94	0%	2.9%	16.7%	AA
DBI	Dalrymple Bay Infrastructure	Industrials	\$4.86	\$5.15	28.3	2.29	0%	4.9%	4.6%	--
ALX	Atlas Arteria Ltd	Industrials	\$4.97	\$5.28	23.0	1.18	0%	8.0%	0.0%	AA
APA	APA Group	Utilities	\$8.86	\$8.94	44.5	4.33	0%	6.5%	1.7%	AAA
ALD	Ampol Ltd	Energy	\$28.84	\$33.53	16.1	2.21	100%	3.5%	23.2%	--
BPT	Beach Energy Ltd	Energy	\$1.23	\$1.16	8.1	na	100%	3.6%	43.2%	AAA
BHP	BHP Group Ltd	Materials	\$50.57	\$47.90	14.4	3.75	100%	2.6%	-6.8%	A
AMC	Amcor PLC	Materials	\$62.49	\$78.47	10.8	1.71	0%	4.1%	-10.0%	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31<sup>st</sup> January 2026. ESG is environmental, social, and corporate governance.

## Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

**Pro Medicus Limited (PME AU):** PME has fallen over 40% from its highs. This drawdown is consistent is the most significant outside of COVID in the past 15 years and brings valuation back to 2022 and 2023 levels. Throughout, earnings have remained stable and with 30%+ EPS growth and unmatched profitability, longer-term investors should view this as an opportunity.

**QBE Insurance Group (QBE AU):** With a Return on Equity of around 16/17%, a <10x P/E multiple, a dividend yield of around 5.5% now supplemented by a share buyback and stable margins despite a weakening rate environment, there are a number of reasons for investors to buy the 20% peak-to-trough pullback in the QBE share price.

**Suncorp Group (SUN AU):** SUN's late November earnings downgrade now has the stock below Liberation Day lows and although the outlook for IAG is superior, at a 15% P/E discount to the ASX200, there is value now emerging. Longer-term, simplifying the business model should see the stock do well, notwithstanding the near-term 'perils' uncertainty.

# International equities: Best sector ideas

## Objective of this list

The objective is to provide a list of large-cap international companies across sectors with sustainable business models that generate compounding returns on investment and capital over the longer term. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures** – Return on net operating assets, return on invested capital, free cashflow and return on equity
- **Liquidity and leverage** – Net debt to equity, Altman Z-score, net debt to EBITDA
- **Efficiency** – Capital expenditure to sales
- **Valuation** – Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
GOOGL US	Alphabet Inc	Comm. Services	USD	338.00	354.85	30.9	0.2	4,081,735	BBB
UMG NA	Universal Music Group NV	Comm. Services	EUR	20.68	28.73	20.1	2.9	44,948	AA
DIS US	Walt Disney Co/The	Comm. Services	USD	112.80	132.69	17.1	1.5	200,038	A
9988 HK	Alibaba Group Holding Ltd	Cons. Disc.	HKD	169.20	194.34	27.8	0.6	413,771	BBB
NKE US	NIKE Inc	Cons. Disc.	USD	61.81	75.69	39.2	2.7	91,502	BB
SBUX US	Starbucks Corp	Cons. Disc.	USD	91.95	96.91	39.8	2.9	104,759	A
ABNB US	Airbnb Inc	Cons. Disc.	USD	129.37	143.46	31.4	0.0	79,634	BB
RMS FP	Hermes International	Cons. Disc.	EUR	2029.00	2394.10	47.8	1.1	253,827	A
COST US	Costco Wholesale Corp	Cons. Staples	USD	940.25	1039.41	46.4	0.6	417,348	A
288 HK	WH Group Ltd	Cons. Staples	HKD	9.18	9.10	9.6	0.7	15,081	--
SHEL LN	Shell PLC	Energy	GBP	2794.00	3067.18	12.2	0.1	217,725	AA
LSEG LN	London Stock Exchange	Financials	GBP	8122.00	12263.13	19.7	1.9	56,507	AA
LLOY LN	Lloyds Banking Group PLC	Financials	GBP	108.95	112.84	11.0	4.6	88,090	AA
WFC US	Wells Fargo & Co	Financials	USD	90.49	101.67	13.0	2.3	284,056	BB
2318 HK	Ping An Insurance Group	Financials	HKD	72.70	80.55	8.0	4.0	171,630	A
939 HK	China Construction Bank	Financials	HKD	7.91	9.86	5.5	5.0	270,050	AA
MA US	Mastercard Inc	Financials	USD	538.79	660.83	27.8	0.7	483,831	AA
JNJ US	Johnson & Johnson	Health Care	USD	227.25	234.32	19.6	2.5	547,512	BBB
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	369.55	385.27	15.9	3.1	261,836	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	504.22	616.62	50.7	0.0	178,744	A
EXPN LN	Experian PLC	Industrials	GBP	2758.00	4229.78	21.2	0.0	34,676	A
DSV DC	DSV A/S	Industrials	DKK	1769.00	1920.95	35.4	0.4	67,496	AA
2330 TT	Taiwan Semiconductor	Info. Tech	TWD	1775.00	2283.89	20.0	1.6	1,462,903	AAA
ASML NA	ASML Holding NV	Info. Tech	EUR	1215.60	1335.01	41.9	0.8	559,121	AAA
MSFT US	Microsoft Corp	Info. Tech	USD	430.29	605.53	26.0	0.9	3,195,174	AA
ACN US	Accenture PLC	Info. Tech	USD	263.64	295.27	19.0	2.7	162,404	AA
SHW US	Sherwin-Williams Co/The	Materials	USD	354.64	383.83	29.2	1.0	87,913	A
EQIX US	Equinix Inc	Real Estate	USD	820.93	958.30	55.6	2.5	80,604	AA
CEG US	Constellation Energy Corp	Utilities	USD	280.68	398.59	29.7	0.6	101,706	AAA
Average Yield:							1.7		

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31<sup>st</sup> January 2026. ESG is environmental, social, and corporate governance.



# Thematic investing – Trade wars

## Objective of this list

Thematic investing is an approach which focuses on predicting long-term trends rather than specific companies or sectors. As it is also often associated with secular forces, this means it can provide investors with exposure to themes that are expected to grow at rates above economic growth over the longer term. Thematic investing is best suited to longer-term investors and those looking for opportunities beyond the comparatively smaller investment universe that exists in Australia. Some key themes that investors are exploring include:

- Climate change
- Cryptocurrency and blockchain
- Demographics
- Electric vehicles
- Healthcare and genomics
- Energy transition
- Artificial Intelligence
- Security and safety
- Supply chain disruption
- Sustainable investing.

## Supply chain disruption: Select exposures

A recent convergence of factors has put global supply chains in focus. Trump's bluster around global tariffs, simmering geopolitical tensions, and ongoing military conflicts around the world have emphasised the importance of our logistics networks.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
AMZN US	Amazon.com Inc	Cons. Disc.	USD	\$239.30	\$299.52	25.1	0.0%	2,558,169	BBB
BABA US	Alibaba Group Holding	Cons. Disc.	USD	\$169.56	\$198.54	19.0	5.1%	404,809	BBB
EBAY US	eBay Inc	Cons. Disc.	USD	\$91.22	\$92.68	15.8	1.3%	41,231	AA
WMT US	Walmart Inc	Cons. Staples	USD	\$119.14	\$124.09	40.0	0.8%	949,566	BBB
SHEL LN	Shell PLC	Energy	GBP	\$2,794.00	\$3,067.18	12.2	0.1%	217,725	A
BPT AU	Beach Energy Ltd	Energy	AUD	\$1.23	\$1.16	7.2	5.1%	1,950	--
LLOY LN	Lloyds Banking Group	Financials	GBP	\$108.95	\$112.84	9.3	0.0%	88,090	AA
DSV DC	DSV A/S	Industrials	DKK	\$1,769.00	\$1,920.95	26.1	0.4%	67,496	AA
KNIN SW	Kuehne + Nagel	Industrials	CHF	\$178.70	\$168.35	22.7	3.6%	27,937	AAA
DHL GY	Deutsche Post AG	Industrials	EUR	\$47.32	\$46.27	14.1	4.1%	64,485	A
DE US	Deere & Co	Industrials	USD	\$528.00	\$526.60	24.1	1.4%	143,127	AA
BXB AU	Brambles Ltd	Industrials	AUD	\$22.40	\$25.53	19.7	2.2%	21,142	AAA
WTC AU	WiseTech Global Ltd	Info. Tech	AUD	\$58.00	\$112.65	38.8	0.4%	13,546	AA
ACN US	Accenture PLC	Info. Tech	USD	\$263.64	\$295.27	17.7	2.7%	162,404	AA
INTC US	Intel Corp	Info. Tech	USD	\$46.47	\$47.24	46.1	0.0%	232,118	AA
SAP GY	SAP SE	Info. Tech	EUR	\$170.56	\$251.80	20.1	1.8%	248,297	AAA
GMG AU	Goodman Group	Real Estate	AUD	\$30.73	\$36.84	21.3	1.0%	43,671	A
PLD US	Prologis Inc	Real Estate	USD	\$130.56	\$138.91	38.8	3.4%	123,970	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31<sup>st</sup> January 2026. ESG is environmental, social, and corporate governance.

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