TrinityBridge

2026 Outlook

Winter 2026

Our experts look back and take stock of what happened in 2025 and look forward to what we might expect in 2026.

Out with the old, in with the new: politics and technology reveal new frontiers

Geopolitically, at times 2025 was like peering through a kaleidoscope: very difficult to distinguish between a mere visual disturbance or an emerging, and vastly altered, reality. So much appeared to shift, with the old rules of the game – whether across political alliances, territorial claims or trade – seemingly being ripped up before the new ones had even been written. The faultlines are clear today, with the contours of a new global order taking shape. In technology, too, the revolutionary potential of all things artificial intelligence (AI) rippled through markets.

Amidst disorientating change and at times negative news headlines, 2025 might be remembered as a year for cool heads and simply holding course. For investors, the end-of-year school report might make for better reading than the 'news'.

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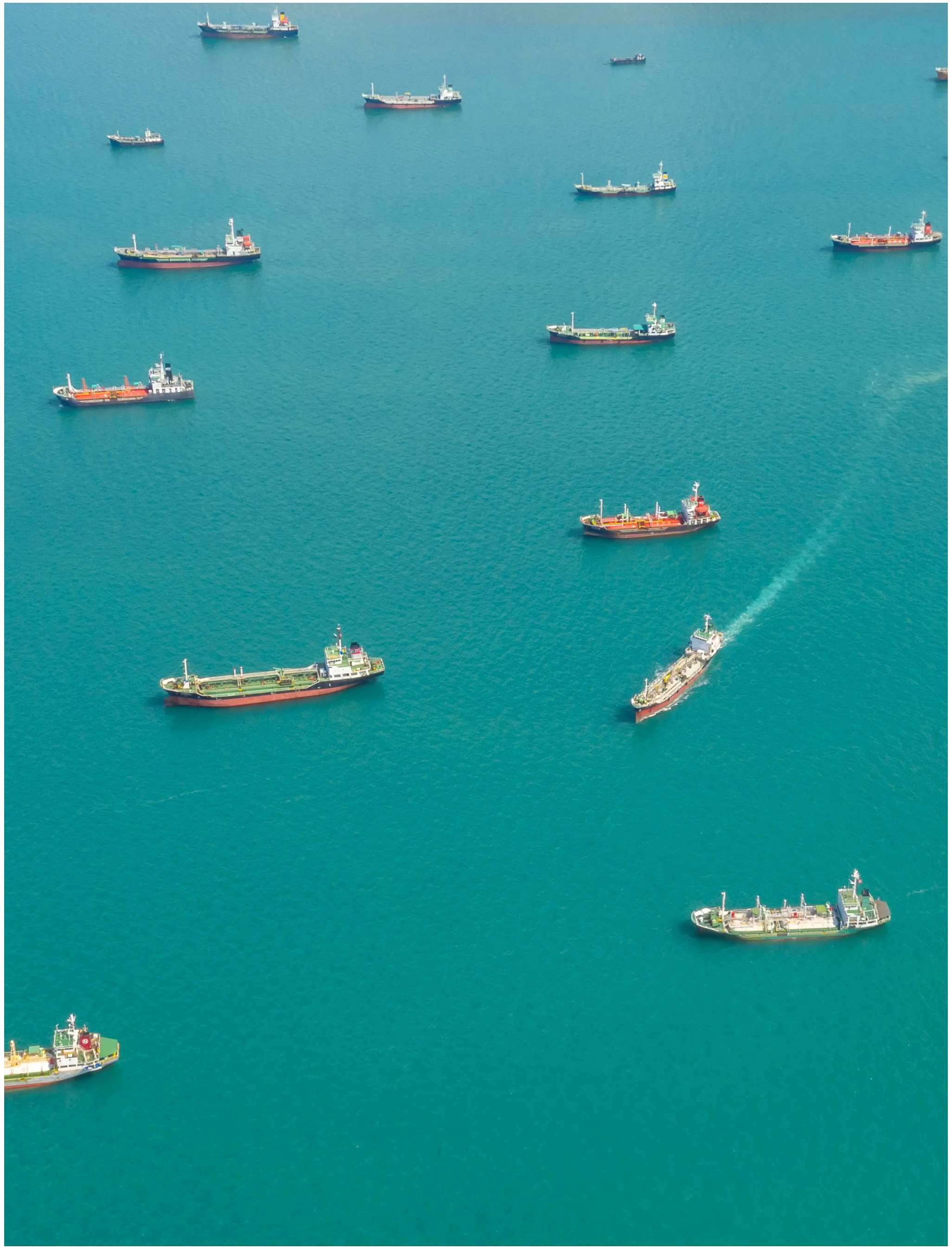
Tony Whincup
Head of Investment Specialists



Complex and difficult to break – the world's economy in 2025

Considering the imposition of US tariffs in April and the hokey-cokey that followed, few would have predicted such welcome returns from equity markets, albeit from a narrow base of companies (see the equities section below). Ultimately, economics trumped politics in 2025. And much like a spider's web, the global economy proved resilient: complex and difficult to break.

What then for 2026?

Certainly, investors might still enjoy decent returns in 2026 even with messy geopolitics. Drifting further to entrenched positions on the left or right, politics may fragment and become yet more partisan, and with scapegoating more common. Centrists are struggling to control the political narrative, particularly at a national level, with far-reaching consequences for immigration, welfare and defence spending, and fiscal policy. In the UK, 2026 could be a defining year for the Labour Party with elections in the Welsh and Scottish parliaments and many local elections in May.

Across many advanced economies, key central banks are nearing the end of their monetary easing cycles in 2026, but further interest rate cuts from the US Federal Reserve (Fed) in particular – the world's most important central bank – should help investors look through tricky politics.

No recession ahead – but US tariffs and US Fed independence in the spotlight

Taking jobs and inflation together, it's unlikely that the US, UK or eurozone will experience a recession in 2026, barring an exogenous shock. One could be US tariffs, which still have the potential to disrupt otherwise efficient supply chains, provoke retaliatory action through protectionism and stoke inflation. All this complicates the job for central bankers. For the Fed in particular, another jeopardy is its perceived independence in maintaining economic stability, apolitically. President Trump is set to replace the incumbent chair Jerome Powell by May.

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**Show me the money -
All eyes on AI in 2026**

AI's widening influence will continue to ripple throughout the economy. Much of the AI chatter in 2025 was of the eye-watering capital expenditure commitments of companies, both public and private, ramping up the building of AI-related infrastructure such as datacentres. This won't relent. But expect more real-world applications to emerge, as companies move from figuring out what AI can do, to finding novel ways of adopting it. For example, Agentic AI – or AI agents that do useful tasks such as booking personalised holidays, or shopping interactively for you – is coming, but in many industries it's not yet clear who the winners and losers will be.

For investors, a key question is whether equity and debt markets are in an AI-induced bubble or whether their currently lofty valuations are justifiable. By any reasonable measure, US equities – and by extension global equities – are more expensive than in recent years. The AI ramp-up has also bled more recently into bond markets, with some AI-enabled companies issuing debt for plans hitherto funded with cash on their balance sheets. What this might mean is hotly debated. Our asset class heads and experts share their views for the year ahead.

Our views into 2026

Economic Outlook

Isabel Albarran
Investment Officer, Bespoke Investment Office

In economic terms, 2026 is expected to provide a relatively favourable backdrop for markets. Global growth is expected to continue at a similar pace to that seen in 2025, moderating only modestly, while inflation is expected to cool further.

Slower inflation should put less pressure on consumer spending, as well as making the monetary policy decision less fraught in many developed economies. The receding risk of sustained high inflation is likely to see central bankers in the UK and US focus to a greater extent on the softening of labour markets. On balance, this increases the probability that central banks cut policy rates further.

While growth expectations are not stellar, recession does not appear to be an imminent risk. Employment demand has cooled somewhat in the US, but we do not yet see evidence of a significant reduction in activity. Tighter labour supply, due to lower immigration, and tax cuts could provide a boost to activity in the first half of the year. Activity in Europe remains stable, with German fiscal policy likely to provide support. China's growth remains weak by Chinese standards, but the executive continues to provide stimulus to keep growth at just-acceptable levels. Japan's outlook is brighter, with fiscal policy changes and corporate reform expected to support growth as the year goes on. In the UK, with the policy risk of the Autumn Budget in the rear-view mirror, we expect activity to recover, as businesses and households regain confidence, though growth is likely to remain muted.

Geopolitical risk has been a constant feature of recent years, and 2026 looks to be no different. The US's actions in Venezuela crystalise the increased likelihood of military action in other regions – Greenland is in focus for the US, and Taiwan for China. Events in Venezuela also signal the US's renewed interest in Latin America, bringing the region into greater focus for investors also.

Equities

Giles Parkinson
Head of Equities

This year, as in 2025, we anticipate that US interest rates will be the dominant driver of equity returns. Last year the US Federal Reserve continued to reduce interest rates from the abnormally high levels set in order to curb inflation in the aftermath of the pandemic. Meanwhile, the American economy remained out of recession, as judged by ongoing GDP growth and job creation. These two factors – lower interest rates and no recession – constitute a 'soft landing' economically, which has historically provided a favourable backdrop for equities. We see this dynamic continuing into at least the first half of 2026.

Volatility in 2025 came via upsets from US fiscal policy with geopolitical overtones, specifically the chaotic implementation of tariffs after 'Liberation Day' in April and follow-on trade spats, most notably with China. A preservation of relative calm is important; we expect reason to prevail but acknowledge the downside risk.

Equities delivered another year of strong gains in 2025, but valuations are only slightly higher than they have been in recent years thanks to the strong rate of corporate earnings growth that looks set to continue as long as economies remain out of recession. Beneath the surface, equity market returns were "narrow" for a third consecutive year, defined as a third or fewer of individual stocks by number beating the size-weighted index averages. Although this persistence of narrow market leadership is unprecedented, it is difficult to make a case why it cannot repeat for a fourth year – at least until the efficiency gains from artificial intelligence diffuse more broadly throughout the economy. Selectivity will remain key.

Fixed Income

Andrew Metcalf
Head of Fixed Income

In January 2026, macroeconomic data and fixed income valuations provide a supportive backdrop for bond markets over the next 12 months – provided investors remain conservatively positioned and patient. While valuations in credit (corporate bond) markets are expensive versus all historic timeframes, 'all-in' yields for the lowest risk bonds remain attractive. Specifically:

- The Bank of England (BoE) cut the UK base rate four times in 2025 to 3.75% (from 4.75%). Economists and markets are forecasting further rate cuts in 2026
- UK inflation is 3.2% – and forecasts indicate it will fall to around 2.3% over the next 12 months
- The 10-year UK Gilt offers an attractive yield of around 4.5%, while the 5-year UK Gilt offers a yield of around 4.0%

While forecasting the future is difficult given the huge number of variables involved, we take significant comfort from the relatively benign macroeconomic outlook in the UK (especially expectations of falling inflation and subdued GDP growth), as well as relatively attractive yields in low-risk government bonds. These positives provide a significant buffer in an increasingly uncertain world.

Our core fixed income strategy is well-placed for an uncertain world and the challenges of the year ahead. The ability to access a global investment universe and flexibly combine government and corporate bonds should be an advantage. On a stock selection level, we aim to reinforce this approach through our focus on 'deep dive' fixed income research – i.e. finding the best ideas for changing economic and market conditions. As of January 2026, our core strategy offers attractive yields, while keeping duration (or sensitivity to changing interest rates) short - i.e. by holding mostly bonds that will mature and repay capital in the near-term - and a very strong average credit quality rating.

Alternatives

Alec Slater
Head of Diversifiers

In 2026, we expect real inflation-proofing investments to continue to benefit from lower inflation and further interest rate cuts which should result in valuations strengthening. We have seen investment trust discounts (to their net asset values) return to the tightest they have been since 2022, following another big year for corporate activity. We've seen eight takeovers and seven mergers completed in this space, along with 40 investment trusts changing their fees to benefit shareholders. These positive catalysts and further corporate activity are likely to continue to make the market more attractive to investors. This is particularly true in infrastructure, where there is a considerable disconnect between public and private market ratings, with cash available in private market funds to facilitate further consolidation. Investors are being paid to wait: attractive yields across assets have been beneficiaries of inflation; they offer an increasingly attractive real return, with inflation-linked contracts that are still feeding into their long-term defensive cash flows.

Our Hedge Fund allocations should benefit from widening valuation dispersion across global equity markets. This is creating a more favourable environment for active managers to generate *alpha* on both the *long* and *short* sides of their portfolios. These strategies are further supported by elevated market volatility stemming from government policy shifts, geopolitical tensions and ongoing economic uncertainty – conditions which have historically enhanced *alpha* opportunities. We focus on finding strategies that produce low correlations even in major market events, particularly in selecting quantitative strategies, providing meaningful diversification benefits. In contrast, many strategies appear to exhibit low correlation during normal market conditions but have sharp rises in correlations and volatility during market drawdowns.

Gold has become a higher volatility holding with more near-term downside potential. However, long-term demand is supported by many major central banks continuing to diversify away from their dollar-dependency on geopolitical concerns. In private equity buyout and venture portfolios, exit activity has stagnated for all but the most-prized holdings that are starting to list onto a US market with record levels of crowding, concentration and high *beta* exposure, while private credit funds have loosened underwriting standards after a deluge of committed capital.

Collective investments

James Davies
Managing Director, Investments

A key tenet of our approach is to try and avoid getting too caught up in the macroeconomic and political noise, and this certainly helped us navigate markets last year. Our focus remains on trying to gently increase exposure to areas that still represent good relative value and reduce it in parts of the market where momentum might have run its course.

With that in mind, we are cautious about sections of the US that have benefited from a very significant share price appreciation on the back of AI spending. This is not a comment on the potential for AI, rather an observation that it's very difficult to make money out of something if you pay the wrong price for it. Instead, we see the opportunity within the US equity market as more one of broadening market returns, away from the so-called 'Magnificent 7' stocks – Apple, Microsoft, Amazon, Alphabet, Meta, Tesla and Nvidia – and the AI-related theme. We therefore anticipate a slow shift towards traditional quality companies, including select mid-cap exposure over the coming 12 months, while still sticking with exciting growth areas of the market where appropriate.

In a similar vein, returns in Europe have been concentrated within the *value* area of the market, notably banks, and we would look for some broadening of returns here, too. As always with Europe, sentiment can be fickle, so we tend to prefer to be diversified across region, factor style and market cap. The same goes for the UK market which enters 2026 having had one of its better years, and we see the potential for it to continue to perform well, given its current value relative to long-term history and global markets. Areas we do like for the coming year, though, are emerging markets and Asia. The potential for continued positive growth has drawn investors back to these regions, and we see good opportunities here in the near-term.

A muted outlook for inflation should be beneficial for fixed income, but this must be set against already 'tight' credit spreads – the difference in yield between a government bond and a corporate bond of the same maturity – and high levels of government debt in advanced economies. As a result, we would advocate being cautiously selective within bond allocations. Historically, such a backdrop has been supportive of bond proxies like infrastructure, an area to which we believe mulit-asset portfolios should maintain exposure. Finally, it was another very strong year for gold, and while we wouldn't want to call the end of the cycle (particularly against a backdrop of geopolitical uncertainty), it must be remembered that gold doesn't yield anything, and this needs to be weighed against the merits of other asset classes we might potentially own within a diversified portfolio.

Passive investments

Weixu Yan
Head of Passives

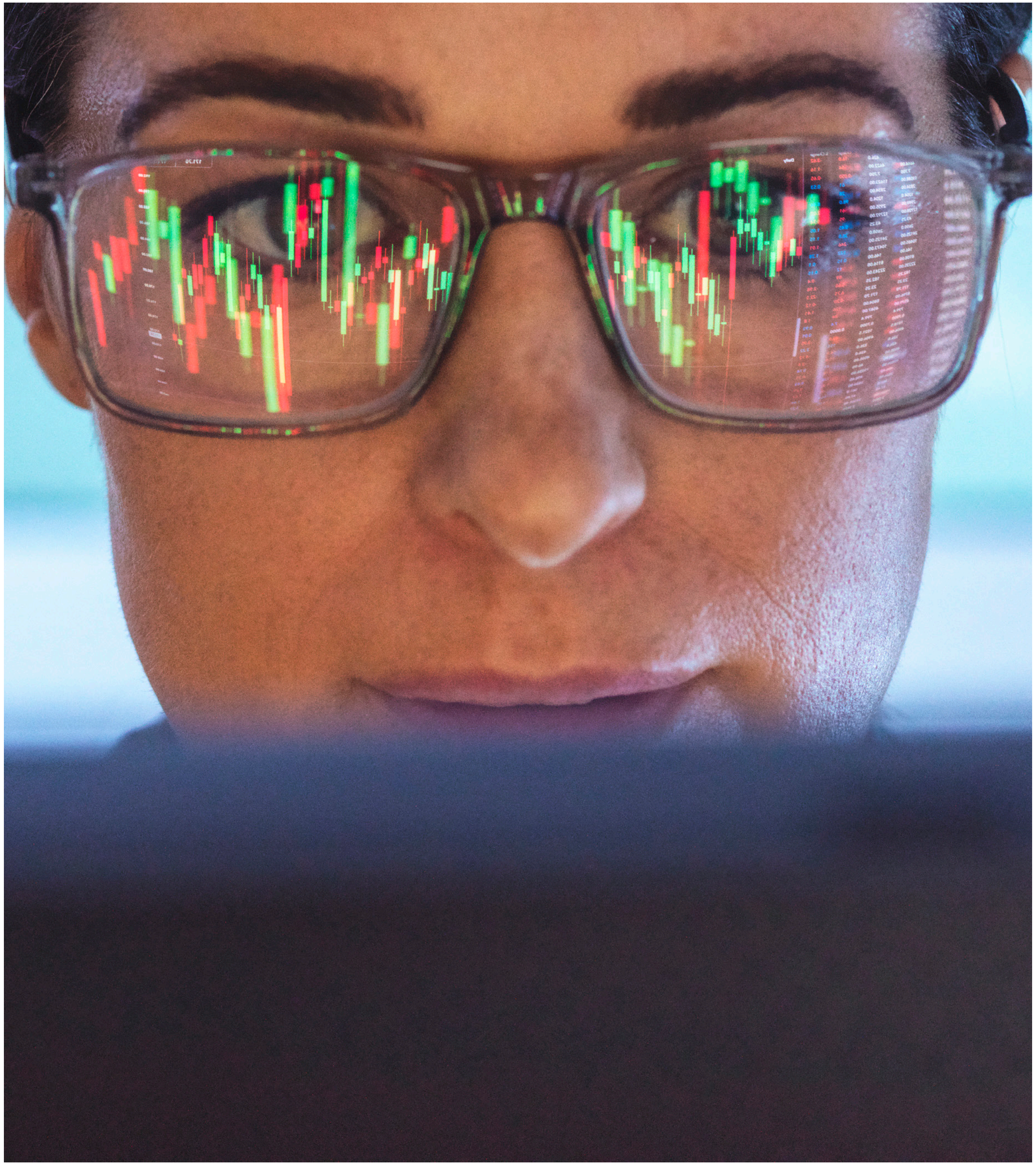
2025 was an interesting year for multi-asset investors. Two major factors helped us navigate tricky markets: first, our *active-passive* approach of taking broad market exposure coupled with small tactical tilts, without over-tinkering; second, the diversity of our holdings in a concentrated market. We therefore managed to navigate a path through several choke points, such as US tariffs or the changing fortunes of AI – for example, the arrival of the Chinese AI engine, DeepSeek, which shocked markets when it initially appeared it could nearly match rival ChatGPT at a fraction of the cost.

With all these factors in mind, our range of passive multi-asset funds performed very well, outperforming their respective peer groups across the board. Several decisions worked for us:

- Our underweight to US equities compared to UK and Europe;
- Moving our UK equity large- to mid-cap ratio from 60/40 to almost 80/20 in favour of large caps
- Gold was exceptional; we took some profits after a stellar 2024– though we could have not foreseen that it would do even better in 2025

Our only new thematic investment of 2025, the Global X US Infrastructure Development UCITS ETF, did very well and managed to outperform the broader US equity market by almost 2%; as such we are happy with the investment and will keep our exposure.

Heading into 2026, we will likely use cash inflows to rebalance our equity allocations. And we'll continue to be gradual and tactical when considering taking profits on gold. As for new ideas, we are always on the lookout: the ETF industry is constantly innovating and new interesting products are launching regularly. We'll continue our research to attempt to uncover and invest in the very best of them.



Looking ahead: Interest rates to normalise and company and index returns to broaden

Tony Whincup
Head of Investment Specialists

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From a multi-asset perspective for portfolios holding a blend of equities, bonds and alternatives, the set up looks reasonable for active investment management in 2026. For companies, an era of 'cheap' money during the 2010s and the early 2020s broadly supported share prices, even though not all companies were equally profitable on a return-on-equity, or ROE, basis – which effectively measures the return an investor receives for every invested euro, dollar or pound. Now that interest rates are normalising at the Fed, BoE and European Central Bank (ECB), investors will increasingly have to discern between 'good' and 'bad' companies, and therefore the dispersion of share price returns – and consequently, index returns – ought to widen. A rising tide may indeed have lifted all boats, but as the incomparable investor Warren Buffett once said, "only when the tide goes out do you discover who's been swimming naked".

From crisis management to business-as-usual – companies to the fore

Casting our minds back to the start of this decade, it's remarkable just how well corporates have tackled a bombardment of challenges: Covid-19, government intervention, run-away inflation, supply-chain bottlenecks, higher energy costs and AI disruption to name but a few. If companies can now increasingly focus on 'business-as-usual' rather than crisis management, then their recent track record gives us cause for optimism. The best companies should continue to deliver.

We therefore expect the discerning investor who seeks the long-run winners from an asset class, or opportunity set, to be relatively rewarded in 2026.

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Risks to watch in 2026

There are always risks to any view. Here are a few that ought to give pause for thought in 2026:

Fiscal largesse
The governments of many advanced economies look set to borrow and spend on defence and social services with scant restraint. The bill will ultimately come due, but many countries – notably the US – are deferring it. So-called ‘bond vigilantes’, who sell government debt in response to their perceived poor fiscal discipline, may yet spook markets in 2026 by pressuring governments. As bond prices fall, their yields rise, making governments’ borrowing and interest payments on outstanding debt more expensive. This may stress the long end of the yield curve, which central banks cannot control as easily through policy intervention. (Germany is a notable exception. It’s embarking on a spending spree of generational importance, and its low debt-to-GDP ratio means it can well afford to borrow and spend more. This major policy shift should spur growth at Europe’s lacklustre core - which has recently lagged peripheral economies like Spain’s).

US tariffs
We may have avoided outright trade wars in 2025, but the effective rate of US tariffs is still the highest in around a century. More sand in the gears of global trade could weaken growth, dent confidence and prove inflationary, complicating the job of central banks.

The circularity of the AI capital expenditure *(or cap-ex)* cycle
The investment of public and private companies in themselves, as suppliers or buyers of each other’s services, and the size of their mutual financial commitments, is perceived by some to be a looming concentration risk. Moreover, privately-owned companies don’t have to disclose information so regularly or with such transparency as their publicly-listed peers, potentially masking a wider systemic risk.

Inflation
The US Fed is simultaneously cutting interest rates and expanding its balance sheet; a new Fed chair may continue, and even quicken, interest rate cuts, even though the US may be well-clear of a recession. This could be inflationary.

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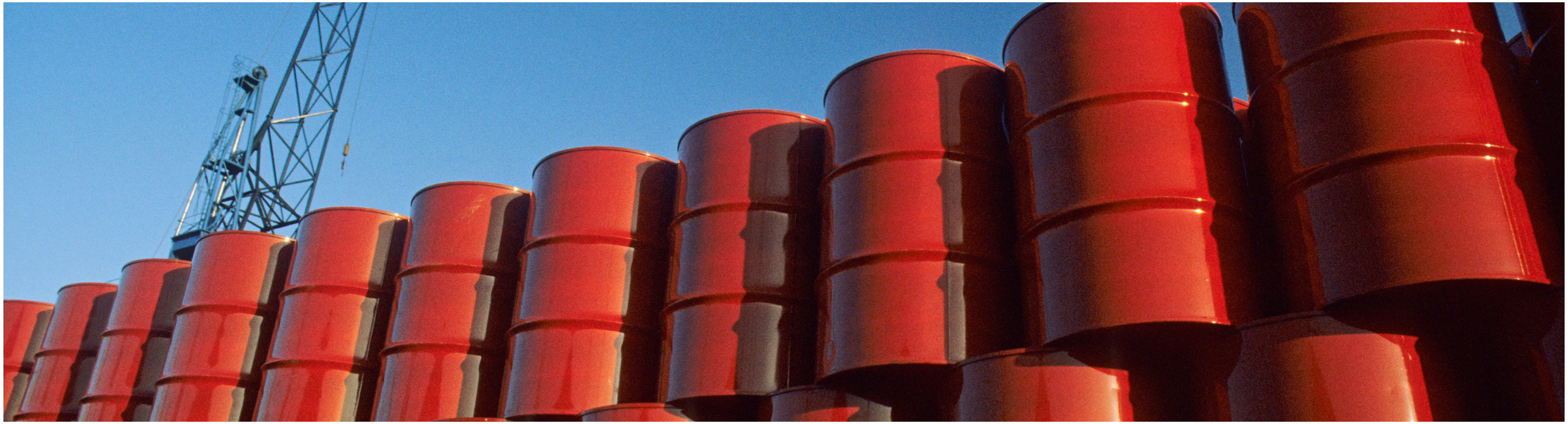

Misallocation of capital
The huge capital commitments of tech companies on AI-related infrastructure, such as datacentres, risks being misspent, potentially creating unforeseen risks. Investors chasing and pouring leveraged investments into faddish or unproven ideas may also create market risk. Capital will flow to where it's best rewarded. But this may also lead to overconcentration.

Credit risk
The collapse of First Brands and Tricolor in 2025, relatively unknown outside the US, may yet augur credit market stresses given some late-cycle risks have emerged at a time when credit conditions are easing.

Gold, silver and copper all hit all-time highs in 2026
Whilst a multi-asset approach may have captured outsized returns from this complex of precious and industrial metals, some fret that their gargantuan performance reflects geopolitical nervousness and a need to hold *real, inflation-proof assets*, to hedge against monetary debasement (when governments may effectively prefer to inflate away their debt burdens, rather than curbing spending, and in doing so devalue their own currencies).

Cheap oil of around or sub-$60 per barrel
Oil prices fell significantly in 2025, with Brent Crude and West Texas Intermediate both weak. Cheaper oil reduces an effective tax on consumption, but it may also reflect weakening global demand and growth prospects.

The strength of the consumer in 2026
That consumers feel good enough to keep spending is as important as their actual net wealth. Their *perception* of job security, and whether they are 'getting ahead' compared to inflation – which may be more keenly observed through higher-frequency, lower-value purchases like petrol or food, than bigger-ticket items – cannot be over-estimated.

War
Despite their disturbing nature and attendant human suffering and loss, prominent conflicts often have limited day-to-day impact on global financial markets. However, a more fragmented and multi-polar world may increase the risk of a more widespread conflagration, perhaps via nuclear proliferation.

Volatility
With the exception of a big spike in April, equity market volatility was muted in 2025. We might expect more volatility in 2026 as investors anticipate and react to market developments. In particular, the portability of financial assets, and the growing influence of retail investors particularly in the US, is a risk to market stability.

Valuations
There is a chance that some oversized equity returns of 2025 have been 'borrowed from the future' – after all, the more investors pay today for a future set of cashflows, the lower the future return they should expect.

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A reasonable set up | Diversification and a long-term perspective are key

The past year has reminded us that policymakers can be fickle and news headlines surprising. Yet acknowledging these risks, from a multi-asset investor's perspective it's difficult to get overly bearish at the start of 2026. Plenty could derail the current multi-year bull market for equities, but on balance we err on the side of cautious optimism, given:

- The fiscal largesse of many governments may well face its reckoning in the years ahead, but probably not in 2026. More fiscal fuel ought to sustain markets. Slowing inflation and lower interest rates are also likely ahead
- Peak US tariff uncertainty should be behind us
- The US and China have agreed to a reprieve on trade – for now
- AI – More corporates will work out how to monetise artificial intelligence, with the promise of productivity gains
- There is ample liquidity to deploy and support growth, whether in money market funds, cash on companies' balance sheets, or private equity, provided it's spent wisely.
- Mergers & acquisitions (M&A) – After several years of crises since the pandemic, as companies get back to "business-as-usual" and worry more about inflation, interest rates and labour markets, more M&A is likely, fuelled by a desire to react to disruptive technology and put cash to work.
- Facing the US's "*America First*" doctrine, multilateralism is not dead and new alliances beyond the US and China are forming. The UK and EU's nascent post-Brexit rapprochement is an example of pragmatism in the face of a changing world
- For the world's largest economy, specifically:
  - In the first quarter of 2026, tax rebates from President Trump's *One Big Beautiful Bill Act* will start to land in the US, supporting consumption
  - Trump will do everything in his gift to juice the US economy before the US mid-term elections potentially curb his power in November 2026
  - Before then, the US will celebrate its 250th anniversary and the Fifa World Cup – in the US, Mexico and Canada – could well lift confidence and consumer spending beyond summer

Many factors are intertwined, and investors won't get definitive answers to some questions in 2026. From a multi-asset perspective, the key is to continue to build resilient portfolios – which should protect against downside risks and take advantage of any opportunities. Diversification remains critical, as does *time in the market, not timing the market*, and taking a long-term perspective.

To continue the debate and get more service-specific views, we recommend that you speak with your TrinityBridge contact and teams, to hear about how the risks and opportunities may impact the investments you entrust to us.

Thank you for reading – and we wish you a healthy and prosperous 2026.

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