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ULTIMATE INVESTING GUIDE

2026

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Every year brings market surprises, but 2025 was a masterclass in how fast sentiment can turn and why investors need to stay vigilant.

For much of the year, almost everything worked. All asset classes rallied. Then pockets of the market ran out of steam - from Bitcoin to Broadcom, Oracle and DroneShield - a reminder that hot trades can cool quickly.

It was also the year Warren Buffett announced his retirement, closing one of investing's greatest chapters. His parting advice felt timely: "Don't beat yourself up over past mistakes - learn at least a little from them and move on. It is never too late to improve. Get the right heroes and copy them."

No doubt a few of us felt we could have done better.

Across the following pages, some of Australia's greatest investing minds unpack what mattered. You'll hear from specialists across equities, fixed income, real assets, alternatives and commodities. More importantly, you'll get something investors rarely receive in one place: perspective.

Three themes stood out. Valuations mattered again - discipline returned, and momentum without fundamentals rarely ends well. Income came back into focus as cash rates peaked, forcing investors to rethink where sustainable yield will come from next. Diversification proved essential: no single asset class carried portfolios; the best outcomes came from blending return drivers.

Thank you to CommSec for supporting this project, and to every manager who contributed. Hopefully you'll find a few heroes in this ebook worth copying in 2026. Let's dive in.

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Watch the full interview by scanning the QR code with the camera on your phone

James Marlay
Co-Founder &
Executive Director

Livewire Markets

FOREWORD

How CommSec clients are positioning for 2026

What 2025 taught investors and the four themes that will matter most in 2026

If 2025 reminded investors of anything, it's that markets still have a knack for keeping us humble. The year delivered everything from record highs in February to a sharp slide into bear-market territory by April, before staging a powerful rebound into the final quarter. It was a lesson in how quickly sentiment can swing and how rewarding it can be to hold your nerve when it does.

CommSec Market Analyst Steven Daghlian summed it up when we sat down to discuss the Outlook for 2026.

> *"Just be patient, don't get too caught up in the headlines, because it's very easy to do," he says.*

Steven Daghlian, Market Analyst
CommSec

It's advice that rarely goes out of style, but 2025 reinforced its value. Investors who stayed the course through the April sell-off were rewarded handsomely, with the ASX 200 rallying 30% from its trough to October's record highs. The S&P 500 climbed 40% over the same stretch, while the NASDAQ surged 60%.

As Steven pointed out, the year was also a timely reminder that predictions, no matter how carefully constructed, always come with margin for error.

> *"You've got to take any outlook with a gigantic grain of salt," he says.*

Volatility isn't a bug in the system, it's part of how markets function. That makes the real value of an outlook less about calling the exact number on an index and more about understanding the forces that will shape the path ahead. With that in mind, here are the four themes Steven believes deserve the closest attention as we move into 2026.

1. Interest rates and earnings expectations

After a year dominated by rate-cut debates, 2026 looks more like a test of expectations. In the US, the market is still pricing in modest cuts, but inflation remains sticky and the Fed's leadership transition in May adds uncertainty. In Australia, the tone has shifted more decisively. The Reserve Bank has pushed back against near-term cuts, and the next inflation print on 28 January looms as a key swing factor. For investors, the focus increasingly shifts from policy itself to how companies perform in a higher-for longer environment.

> ***"Valuations are already quite stretched… earnings growth is going to be critical," says Daghlian.***

Investors should expect earnings season to pack more punch than usual next year.

2. Big Tech's influence

AI remains the defining theme, but so does concentration risk. The top 10 stocks now account for around 35–40% of the S&P 500, a far higher share than a decade ago. NVIDIA alone is worth more than twice the entire Australian sharemarket. Massive capital spending commitments from companies like Microsoft, Amazon and Meta mean earnings updates will matter more than narratives. Even small disappointments could have outsized effects on index performance.

> ***"If they disappoint, it could be a rough start to the year for some of these big names," he says.***

3. Geopolitics: Tariffs, elections and central bank independence

Tariffs, trade and politics have slipped from the headlines but they haven't disappeared. The US–China truce remains fragile, and US midterm elections in November could inject bouts of volatility. These events are hard to predict and easy to overreact to. For long-term investors, the challenge is recognising noise without ignoring genuine risks.

4. Sector opportunities on the ASX

For Australian investors, markets still turn on banks and miners — together around 55% of the ASX. Resources enter 2026 with momentum: gold stocks doubled in 2025, copper hit record highs and lithium prices showed signs of recovery. Even iron ore held up better than feared. Banks face a more mixed outlook. A pause in rate cuts may support margins, but the risk of higher rates could weigh on housing and sentiment. Healthcare and tech, after underperforming in 2025, may offer selective opportunities if earnings confidence returns.

How CommSec clients are positioning for 2026

Beyond forecasts, investor behaviour offers another useful lens. CommSec data provides a snapshot of how Australians are thinking about the year ahead. Watchlists reveal where curiosity is building. DroneShield topped the list in late 2025, reflecting both its extraordinary run-up and subsequent pullback. Lithium producer Pilbara Minerals also featured heavily as prices recovered and deficit expectations resurfaced. CSL's inclusion suggests investors are watching closely for signs of a turnaround after a tough period.

Actual portfolio holdings tell a more stable story. The major banks, BHP, Woodside, Wesfarmers and Telstra remain core positions, alongside CSL. On the ETF side, Australian equity exposure via the Vanguard Australian Shares Index ETF (VAS) sits alongside global and US funds such as the iShares S&P 500 ETF (IVV) and Betashares Nasdaq 100 ETF (NDQ). Investors are actively scanning for new opportunities, but when it comes to capital, they continue to anchor portfolios around scale, liquidity and diversification.

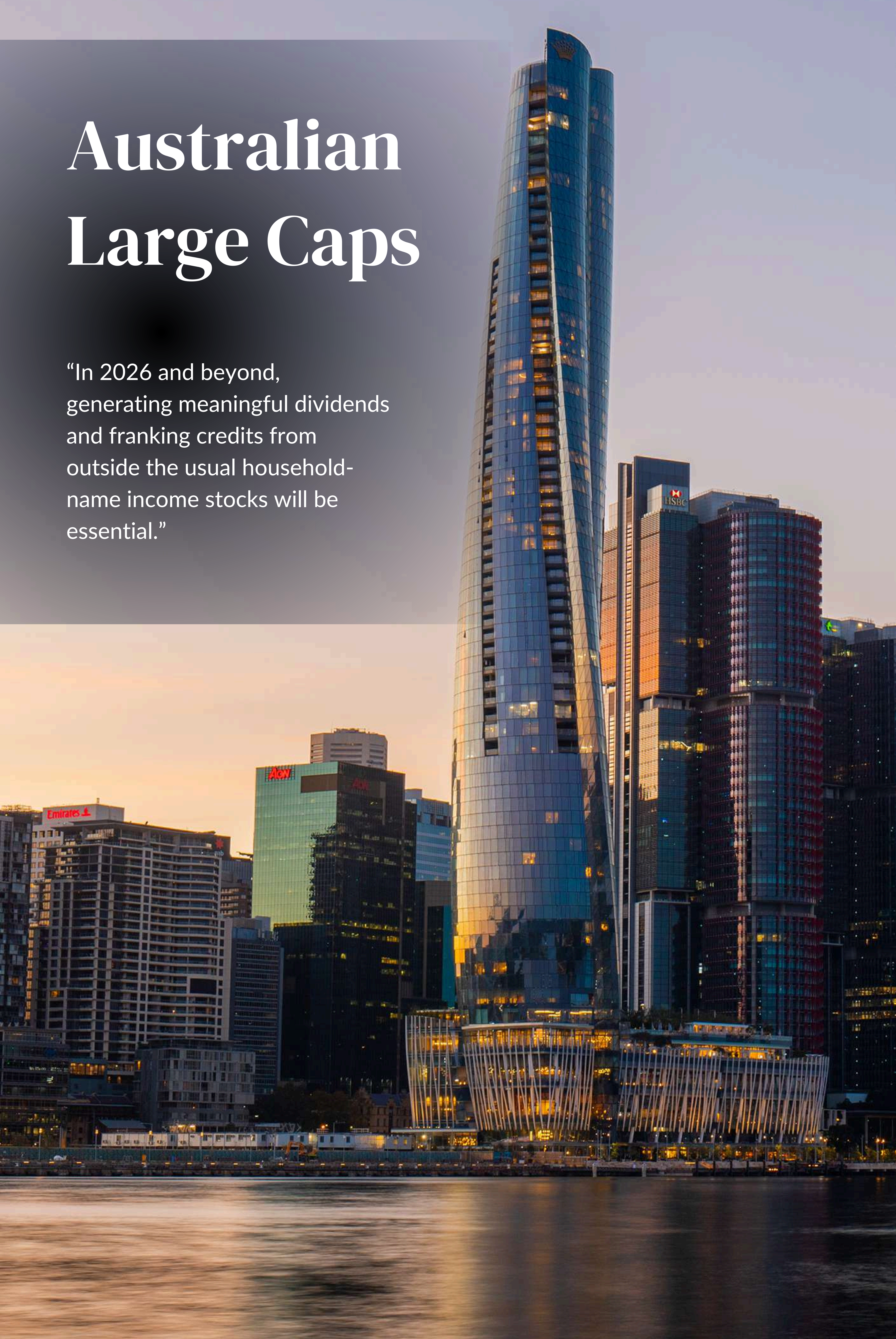
History doesn't repeat but it does rhyme

For all the noise that fills a year like 2025, Steven's reminder about long-term returns is a useful anchor. Over the past two to three decades, the S&P 500 has delivered annual gains of around 10–11%, while the ASX 200 has returned roughly 8–9%. Those numbers aren't achieved in a straight line — they're built through stretches of volatility, sentiment swings, and the occasional conviction-testing shock. But they also show why staying invested, staying patient, and focusing on the underlying forces that drive markets has paid off over time.

And that's the real message heading into 2026: understand the themes, respect the cycles, and let long-term compounding do its work.

Australian Large Caps

"In 2026 and beyond, generating meaningful dividends and franking credits from outside the usual household-name income stocks will be essential."



Dr Don Hamson
Managing Director

Plato Investment Management

What the next phase of the dividend cycle means for Australian investors

There's one thing we can say with confidence about the outlook for equity income in 2026 - that is that dividends and franking credits will remain a critical component in most Australian portfolios.

Some income investors may feel a little flat with ASX 200 dividends down 3.6% so far in 2025 compared with 2024. But with active, tax-aware management of a diversified equity portfolio, investors could still have captured a disproportionately larger share of the roughly $90 billion in dividends paid this year and the $30 billion in franking credits.

For Australian retirees and low-tax investors, franking continues to be the icing on the cake.

Dividends stabilise as 2026 approaches

Encouragingly, Plato Investment Management's proprietary dividend-cut model has strengthened in the latter part of 2025. It now indicates that the probability of dividend cuts is below average.

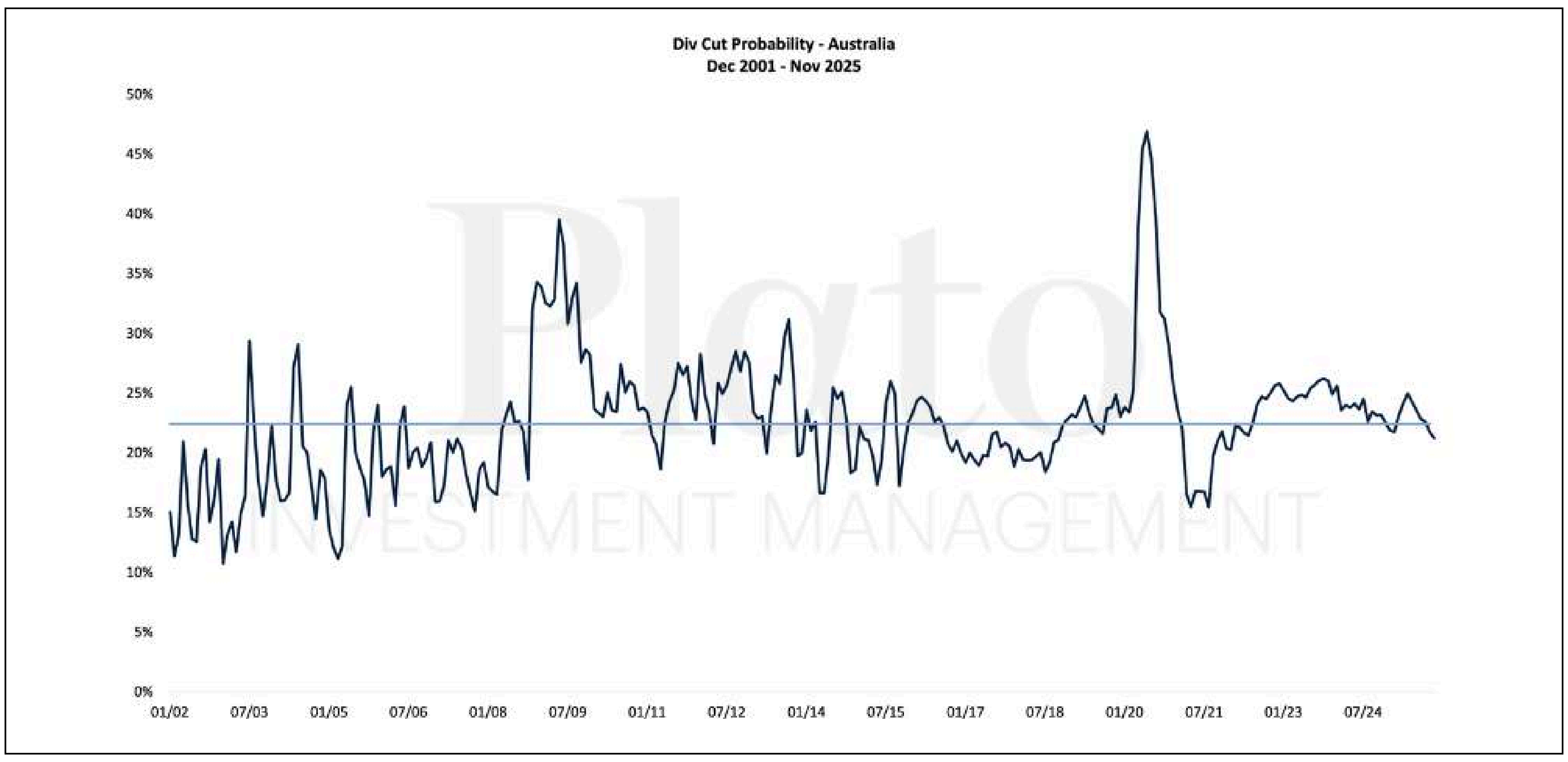


Figure 1: Dividends Plato
Source: Plato Investment Management

As a result, we expect a modest uplift in overall dividend payouts across Australian equities in 2026. At the index level, we project the ASX 200 will deliver a gross yield of around 4.4% (including franking credits).

But, as always, active management and tax-aware portfolio construction should be able to generate meaningfully higher income than the index alone.

Where to look for income in 2026

Energy is where we see the greatest risk of dividend cuts, largely driven by a weakening oil price over the past 12 months.

In contrast, industrials, including select mining services companies, offer attractive opportunities. High gold prices have supported increased investment across the sector, which should help underpin improving dividends. We also remain constructive on consumer discretionary, where spending has proven more resilient following interest-rate cuts.

When it comes to the banks, for now, ***Westpac (ASX: WBC)*** stands out as our pick of the Big Four - for both capital growth and dividends in 2026. Dividend yields across the other major banks remain healthy, with gross yields of 5.7%–5.9%, comfortably above market levels.

However, here's a left-field prediction: 2026 may be the year global banks outshine their Australian counterparts when taking dividends and capital growth into account. We advocate for a blend of Australian and Global equity income strategies in portfolios. As CBA's recent share-price wobble showed, relying heavily on the traditional big-name ASX dividend stocks (such as the big banks and Telstra) for income carries significant risk - especially when valuations become stretched.

Why some yields are a warning, not an opportunity

The biggest swing factor is a significant decline in commodity prices, which would pressure the major miners and their historically strong payouts. Geopolitical conflict will also continue to be a heightened risk factor in 2026, but trying to predict such shocks is futile. We prefer to ensure our portfolios are diversified and better protected from outsized impacts in the event of shocks.

Beware too of classic dividend traps - if a stock's historical yield looks unusually generous, it almost certainly reflects a company with impaired growth prospects.

Don't put all your yield in one basket

In equity income, diversification is the only free lunch. Investors should ensure their portfolios, or the funds they choose to invest in, are genuinely active and properly diversified. The Australian index, and many naïve index-like yield strategies, carry substantial concentration risks, particularly overweight positions in the big banks, Telstra, and potential dividend traps.

In 2026 and beyond, generating meaningful dividends and franking credits from outside the usual household-name income stocks will be essential.

Australian Small Caps

"Small company earnings growth rates are expected to be materially higher than for larger companies in FY26, continuing the trend from FY25."

Michael Steele
Co-Portfolio Manager, Small Caps

Yarra Capital Management

Small Caps surge ahead: Why 2026 could be a breakout year

At the time of writing, the ASX Small Ords has rallied +21% for CY25, far outstripping the ASX100's +8% return. This stunning performance reflects the earnings momentum of Australia's small companies cohort, which is hitting an inflection point, with earnings growth up 7% after two consecutive years of decline. This positive momentum is expected to continue through FY26, with earnings growth of 10-15% likely to be delivered.

It is noteworthy that small company earnings growth rates are expected to be materially higher than for larger companies in FY26, continuing the trend from FY25 (refer to Chart 1).

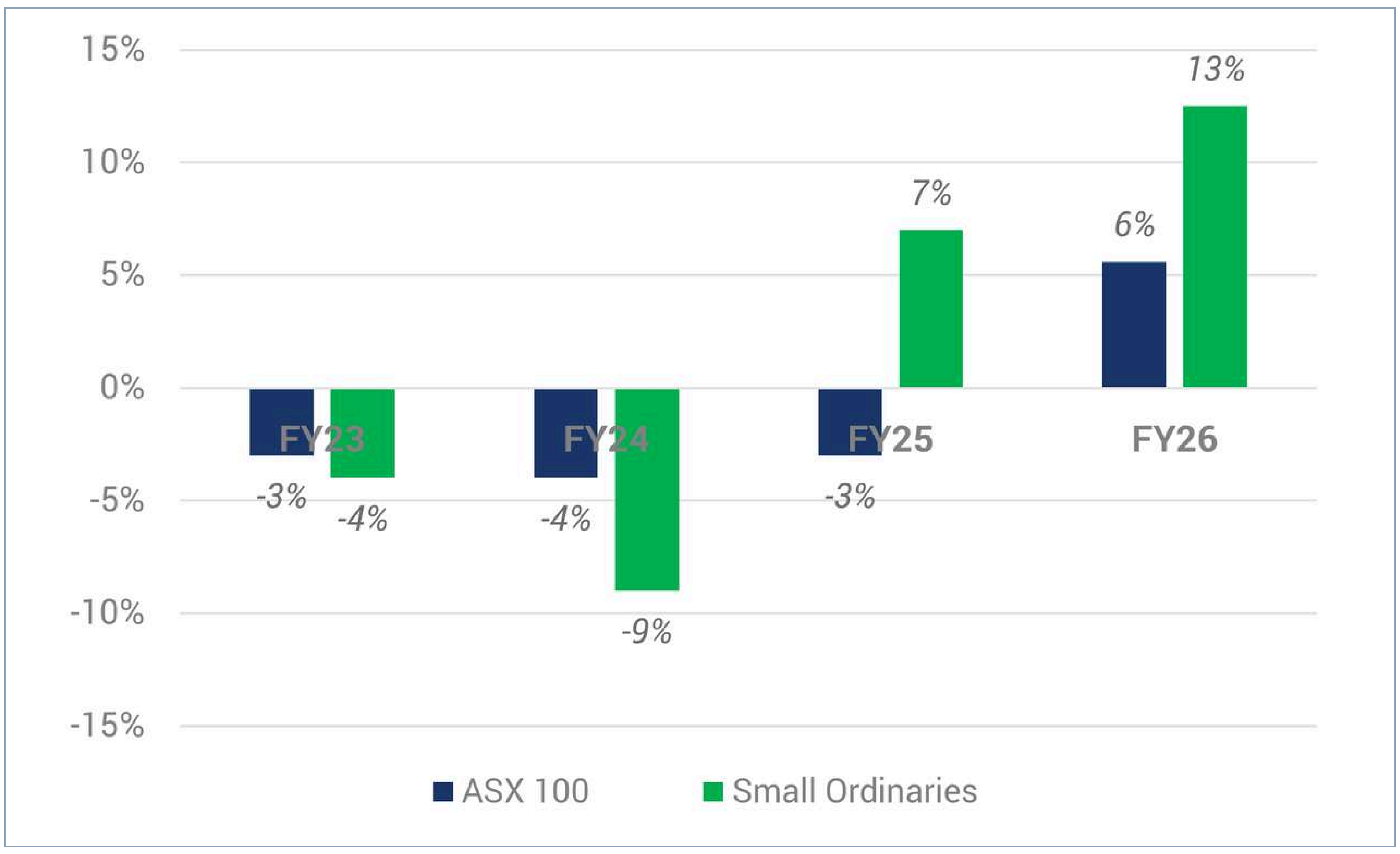


Chart 1. ASX100 vs Small Ordinaries EPS Growth
Source: Goldman Sachs and Yarra Capital Management, Dec 2025

The improving earnings growth outlook is being supported by economic growth accelerating in Australia from a cyclical low point, market share gains, margin expansion from depressed levels as cost inflation moderates, interest cost reductions and capital deployment supporting earnings growth through higher capital expenditure and M&A.

The small companies market has a large number of companies earlier in their business cycle, with greater potential to grow independent of economic cycles. The portfolio owns a large number of companies with significant market share upside in their respective markets, including on a global basis.

We expect interest rates to fall further during 2026, contrary to consensus expectations. Historically, both in Australia and globally, small companies have outperformed during periods of declining interest rates. Lower rates stimulate the more cyclical parts of the economy, which small companies are more exposed to, and with lower debt financing costs further supporting earnings growth.

In addition to the more attractive earnings growth outlook, small companies also have more attractive valuations relative to their large company peers, with small company P/E multiples trading at a material 10% discount to large companies and at a discount to historical average levels at 16x forward P/E (refer to Chart 2).

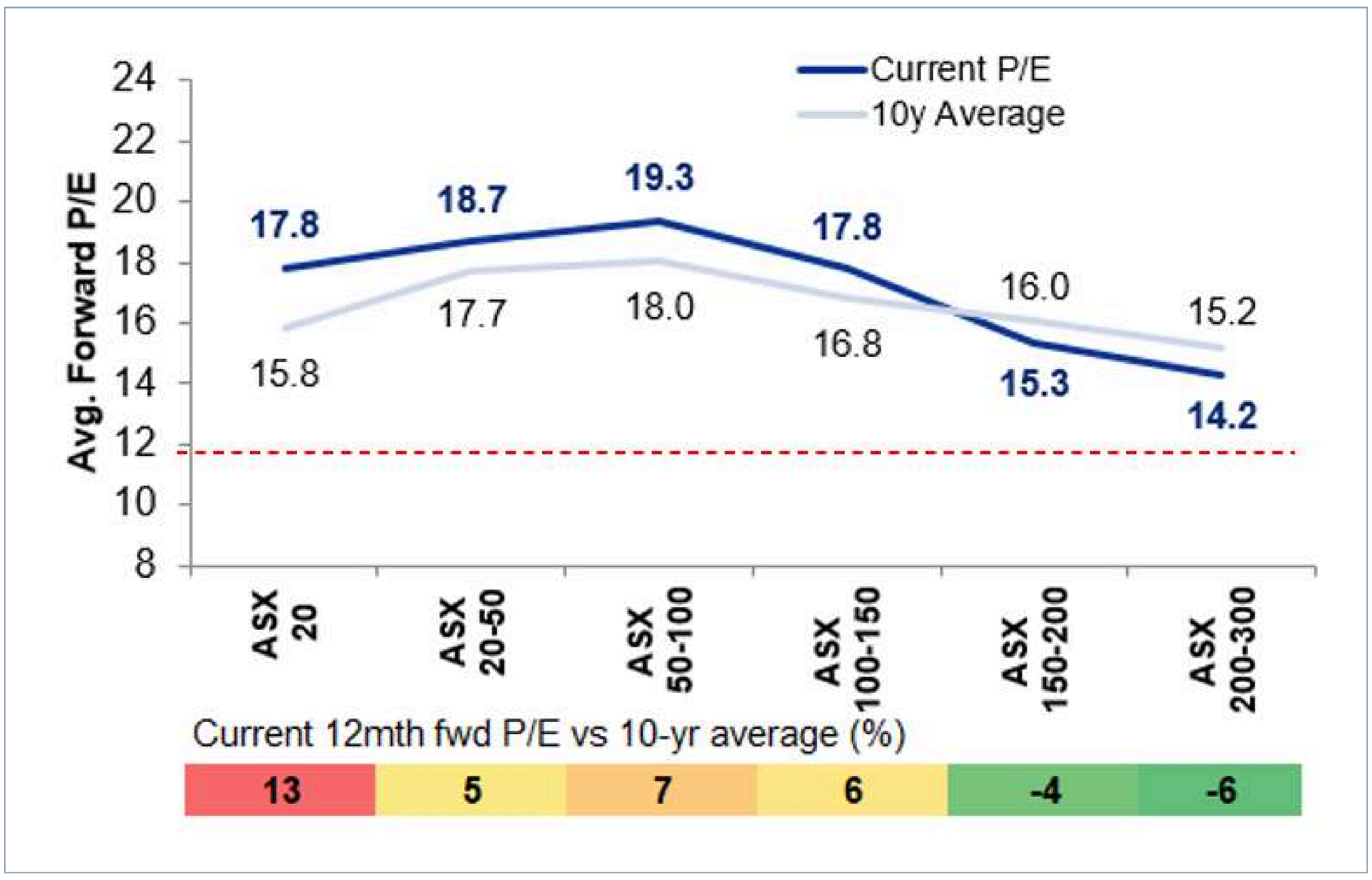


Chart 2. Valuation By Company Size – Current vs. 10-year averages
Source: Goldman Sachs, Dec 2025

The small companies market also has the advantage of being a more diverse investment universe compared to larger-cap equities, both in Australia, where the concentration of major banks stifles diversification and globally, where the technology sector dominates.

Australian cyclicals stand out as a portion of the market with many compelling investment opportunities. Domestic cyclicals benefit from a depressed starting point for earnings, offering cyclical demand upside and a greater benefit from falling interest costs. They also have materially lower earnings risk from US tariffs. In addition to cyclical upside to earnings, these companies have a market share opportunity, a stronger ability to expand margins and the ability to deploy capital to further grow earnings, supporting a strong multi-year opportunity.

Two companies with these characteristics are ***Centuria Capital (ASX: CNI)*** and ***Baby Bunting (ASX: BBN)***. CNI is benefiting from improving property sector valuations and asset class inflows, while BBN remains a category killer that is well placed for continued market share growth from its core product set and upside through further adjacencies.

The Resources sector also presents multiple opportunities in the year ahead, particularly across copper and rising exploration activity.

Our positive view of copper reflects the increasing demand for the commodity from both structural demand growth for electric vehicles, renewables, transmission and data centres, and economic activity more generally. Furthermore, the copper supply side is highly constrained, with long lead times for new mines and grades declining for existing mines. ***Capstone Copper (ASX: CSC)*** will benefit from increasing copper prices and offers additional upside from significant organic volume growth and an improving position on the cost curve.

Exploration markets are expected to recover from cyclically depressed levels with structural growth from increasing resources demand and new mines being deeper and lower grade. We expect ***Imdex (ASX: IMD)*** to benefit from market growth in addition to having a global market share opportunity via a compelling product set, including across its various technology solutions.

High-quality Infrastructure opportunities are also prevalent, with our preferred exposures ***Auckland Airport (ASX: AIA)*** and ***Chorus (ASX: CNU)***. We believe the strategic value of these assets is being undervalued, given short-term headwinds from the New Zealand economy, cyclical weakness in airline volumes and legacy copper headwinds. Taking a longer-term view, both companies have strategic assets which will benefit from an accelerating earnings growth outlook with strong balance sheets to fund growth capital expenditure or higher distributions.

An ever-present risk to avoid in the small companies market is the rise and fall of concept stocks. While the performance of these stocks can be extremely positive over short periods of time (aided by passive investing), these businesses prove to not be durable over the longer term, failing to generate sustainable free cash flow, with share prices collapsing back to reality. The rise and fall of a number of defence and pre-production commodities companies during 2025 were examples of the risks associated with concept stocks.

Investors should be excited at the potential returns from the Australian small caps in 2026. They enter the year with strong tailwinds, underpinned by accelerating earnings growth, attractive valuations, and supportive macro conditions. With expected earnings growth of 10–15%, a material valuation discount to large caps, and greater exposure to cyclical recovery and falling interest rates, the sector offers a range of compelling alpha-generation opportunities for bottom-up, active investors.

Global Equities

"With a more balanced macro backdrop, healthier geographic diversification, and an expanding set of fundamental catalysts, 2026 presents a more attractive opportunity than the narrowly led markets of recent years."

Grace Su
Managing Director, Portfolio Manager

Jean Yu
Managing Director, Portfolio Manager

ClearBridge Investments

Global equities: Global value offers a more balanced opportunity set in 2026

After navigating one of the most unusual market environments in recent memory, we enter 2026 with a more balanced and ultimately more investable global equity backdrop. The resilience of 2025 – despite a turbulent first quarter – is unusual and underscores the importance of building a differentiated, high-conviction portfolio, maintaining valuation discipline, and reacting opportunistically during large swings in market sentiment.

2025: A broadening, but volatile, rally

The year began under a cloud of uncertainty, with markets unsettled by proposed U.S. tariff policies and fears of renewed trade friction. However, sentiment improved as tariff implementation was delayed, trade agreements materialised, and U.S.–China tensions eased, alleviating fears of severe supply-chain disruption.

U.S. equities rebounded strongly from initial shocks, driven by solid earnings, a Fed rate cut, and surging AI-related capital spending, accounting for nearly 50% of U.S. GDP growth. Emerging markets delivered notable strength, with China, Mexico and Brazil leading gains on the back of a weaker U.S. dollar and accelerating AI infrastructure investment across Asia. Developed markets joined the rally: Japan benefited from reflation and policy clarity, while Europe saw confidence rise amid large infrastructure and defence commitments.

These gains were largely multiple-driven, underscoring how short-term sentiment can dramatically swing markets. This reinforces the core principle of our strategy: maintaining a long-term, high-conviction approach and valuation discipline, rather than chasing transient factor trends. In a year where everything seemed to work, this discipline mattered more than ever.

2026: A more balanced backdrop

We enter 2026 with a more stable macro environment than this time last year. Inflation has moderated globally, giving central banks room to ease, while fiscal programs—from U.S. industrial and infrastructure spending to expanded European budgets and targeted Chinese stimulus—continue to support activity. With the effective U.S. tariff rate already having peaked, companies that absorbed tariff-related cost pressures in 2025 should lap those headwinds, creating modest tailwinds for growth.

Several themes are likely to shape markets in 2026:

Monetary easing should broaden growth. Lower rates should support a recovery in manufacturing and small-business activity, while also benefiting rate-sensitive sectors such as housing, utilities, and infrastructure. Europe and Japan remain well-positioned given ongoing pro-growth policies.

Leadership expands beyond mega-cap AI. While AI remains foundational, power, logistics and efficiency improvements are becoming equally important investment themes. Companies that enable the next phase of the AI cycle—rather than those solely capturing its front-end demand—are increasingly well-positioned.

Emerging markets retain meaningful value. Although outside our benchmark, EM remains one of the more attractively valued areas globally, trading at roughly a 40% discount to the

U.S. Disinflation offers monetary flexibility; countries like Brazil and Mexico are on firmer fiscal footing, and easing dollar liquidity should support flows, creating more fertile ground for potential alpha generation.

The U.K. looks increasingly compelling. Attractive valuations, improving inflation dynamics, and falling Gilt yields have created a supportive backdrop—particularly for its concentration of service-oriented industries that should benefit from AI and are spared from tariff headwinds and the threat of excess Chinese export capacity.

M&A could provide an additional tailwind. Deregulation, strategic repositioning, and the prospect of lower interest rates may support a global uptick in M&A. Companies will likely act more decisively in an environment with reduced policy uncertainty.

Identifying the next wave of improvers

The ClearBridge Global Value Improvers Strategy focuses on identifying and investing in undervalued companies in which operational, financial, or sustainability-related improvements are not yet fully recognised by the market. These improvers often exhibit durable margin expansion, strengthening governance or accelerating cash-flow generation—characteristics that can drive sustained value creation and persist through macro noise.

Energy transition and efficiency remain high-conviction themes
Rising electricity demand from AI, electrification and infrastructure investment favours companies involved in grid modernisation, storage and efficiency solutions. A more constructive outlook toward renewables is also improving the opportunity set.

A compelling example of this is the new portfolio addition, Brookfield Renewable Partners (NYSE: BEPC), the renewable energy arm of Brookfield Asset Management, which benefits from its parent's scale, development expertise, and funding. AI-driven data-centre growth is supporting stronger recontracting dynamics and longer-term visibility. Additionally, its stake in Westinghouse provides exposure to the global nuclear buildout, offering further potential upside.

Positioning for a broader market regime

With a more balanced macro backdrop, healthier geographic diversification, and an expanding set of fundamental catalysts, 2026 presents a more attractive opportunity than the narrowly led markets of recent years. The companies best positioned from here are those driving meaningful internal financial, operational and sustainability-related improvements that can support long-duration value creation.

Risks such as a softer U.S. labour market, uneven AI returns, or renewed fiscal concerns remain part of the backdrop but highlight the necessity for geographic diversification and disciplined bottom-up analysis—key components of our portfolio construction processes.

Fixed Income

"With one of the most attractive set-ups for fixed income in years, 2026 offers a rare opportunity to rethink allocations and embrace the strategic role bonds can play."

Adam Bowe
Head of Australia Portfolio Management

PIMCO

Bonds are back and 2026 could be one of the best set-ups in years

Fixed Income: 2025 Review and 2026 Outlook

Summary of asset class performance in CY25

The Reserve Bank of Australia (RBA) cut rates three times this year, reflecting the need for continued policy support for the Australian economy. While recent inflation prints were slightly firmer than expected, it's too early to conclude that the easing cycle is over. However, an extended pause is expected until sufficient additional data becomes available. Growth remains subdued as the economy transitions from public-led to private-led expansion, a shift that typically generates fewer jobs. Some labour market softness has persisted, reinforcing the need for policy support.

Against this backdrop, bonds are not just relevant again; they're compelling, and well-positioned to play a stronger role in portfolio construction. For many Australian investors, fixed income has long been viewed as a defensive allocation, useful primarily in times of crisis. But today, bonds offer more than just downside protection. Elevated starting yields combined with falling policy rates have driven attractive income and capital gains. Over the 12 months to the end of October, bonds have returned an impressive 6.47%, as measured by the Bloomberg AusBond Composite 0+ Yr Index.

What to expect in 2026

Looking ahead to 2026, the conditions that favoured bonds in 2025 are likely to persist. In Australia, growth is expected to remain subdued, and unemployment may edge higher as the private sector struggles to fully offset the retreat in public spending. While additional rate cuts from the RBA are possible, they are unlikely before the second half of the year. Even if the RBA were to make a small upward adjustment to fine-tune policy – an outcome currently contemplated by markets – this would have little impact on 10-year yield levels. Ultimately, as inflation settles within the target band, the cash rate will need to return to neutral, which we estimate at around 3.0%.

Globally, inflation has moved closer to the upper end of central banks' target ranges, prompting rate cuts across many economies. However, policy rates in many developed markets remain above neutral, and further easing is expected from major central banks, including the Federal Reserve and the Bank of England.

For investors, this environment reinforces the strategic importance of fixed income. Low cash rates relative to elevated bond yields will make traditional savings vehicles less attractive, a development that carries significant implications for savers reliant on consistent income streams. Bonds, by contrast, offer a way to lock in higher yields today and benefit from capital appreciation when rates decline further. With inflation expectations anchored and correlations between bonds and equities low, fixed income should continue to provide diversification benefits.

In short, 2026 could be one of the most favourable periods for bonds in more than a decade, offering investors income, diversification and the potential for capital appreciation.

What looks good? (Where is the value?)

Several factors make the current opportunity set in fixed income compelling:

- **High starting yields:** Starting yields are one of the strongest predictors of future bond returns. Today, yields remain elevated across many parts of the global bond market, providing a solid foundation for returns over the next three to five years. This is especially true for core strategies that combine high-quality government and corporate bonds with active management.

- **Steep yield curves:** The combination of lower short-term rates and higher long-term yields has created steep curves globally. This creates the potential for capital gains through roll-down strategies, where bonds appreciate as they move closer to maturity. The five- to seven-year segment of the curve stands out for its balance between yield and duration risk.

- **Australian duration:** Australia's relatively low government debt and stronger fiscal position compared to many peers, coupled with sustained global demand for Australian dollar-denominated bonds and elevated yields, make local duration exposure particularly appealing.

- **Global diversification**: The global bond market—worth nearly US$150 trillion—offers a vast array of options, from developed-market government bonds to emerging-market debt and securitised assets.

What to avoid? (Risks)

Fixed income offers a wealth of opportunities today, but Australian investors must remain vigilant regarding potential risks, particularly where valuations are stretched and risk premiums are low in a world of heightened uncertainty and volatility.

While the material rise in yields since the pandemic has made core bond valuations appear attractive relative to historical levels, this is not true of all asset classes as we head into 2026. Rich equity valuations, as evident in high CAPE (cyclically adjusted price-to-earnings) ratios, and tight corporate credit spreads relative to history, are key risks for next year. While it is difficult to predict exactly when these rich valuations will correct, long-term investors should recognise that such conditions are typically associated with weaker long-term returns.

Another area of concern is liquidity. The growth of private markets and the trend toward reducing perceived portfolio volatility by holding assets that are marked to market less frequently have led to signs that investors are no longer being adequately compensated for illiquidity. In fact, in some sectors, it is questionable whether a liquidity risk premium exists at all. Sacrificing too much liquidity, or sacrificing it too cheaply, represents a key portfolio risk for investors in 2026.

Example of best-in-class opportunities

Duration and yield curve
Global yield curves remain steep, creating opportunities to position portfolios for attractive income and diversification. Increased volatility and divergent central bank paths are providing investors with the opportunity to actively adjust bond exposures across countries and regions as they become more or less attractive over time. We currently favour the 5- to 10-year segment of the yield curve in markets such as Australia and the U.K., where valuations are compelling.

Japan also stands out after decades of low interest rates and low volatility, offering global bond investors attractive opportunities. Five years ago, 30-year government bonds in Japan yielded roughly 300 bps less than 30-year government bonds in China; today they yield around 100 bps more. In Australian dollar-hedged terms[1], 30-year Japanese government bonds currently offer yields of approximately 6.6%, which looks particularly appealing compared to shorter maturities on the Japanese curve.

Credit
Investors do not need to compromise on credit quality or liquidity to achieve strong returns. We prefer high-quality spread sectors over generic corporate credit, where valuations remain tight. Key opportunities include:

- **U.S. agency mortgages:** resilient, highly liquid and backed by government-sponsored entities like Fannie Mae or Freddie Mac.
- **AA rated Australian state government bonds:** 10-year bond spreads ranging 55-95 bps over Commonwealth bonds and yields well above 5%.
- **AAA rated RMBS and structured products:** Australia's public securitisation market is now the second-largest globally outside the U.S. in terms of primary issuance, with spreads of 80-120 bps over cash and floating-rate structures that self-liquidate within 1–3 years.

Currencies
We expect continued divergence in economic trajectories, central bank policies, and trade flows, increasing currency volatility. This environment creates opportunities for active managers to add value through dynamic currency positioning, rather than relying on passive exposure.

Bottom Line

The message for investors is clear: prepare portfolios for a world of greater dispersion, high volatility and persistent uncertainty. Bonds are no longer just the ballast in a portfolio—they're a source of income, potential capital appreciation, and diversification. With one of the most attractive set-ups for fixed income in years, 2026 offers a rare opportunity to rethink allocations and embrace the strategic role bonds can play. And with the growth in exchange-listed active bond ETFs, the asset class has never been more accessible to individual investors.

[1] *This is calculated using 3-month FX forwards to hedge JPY into AUD.*

Real Assets

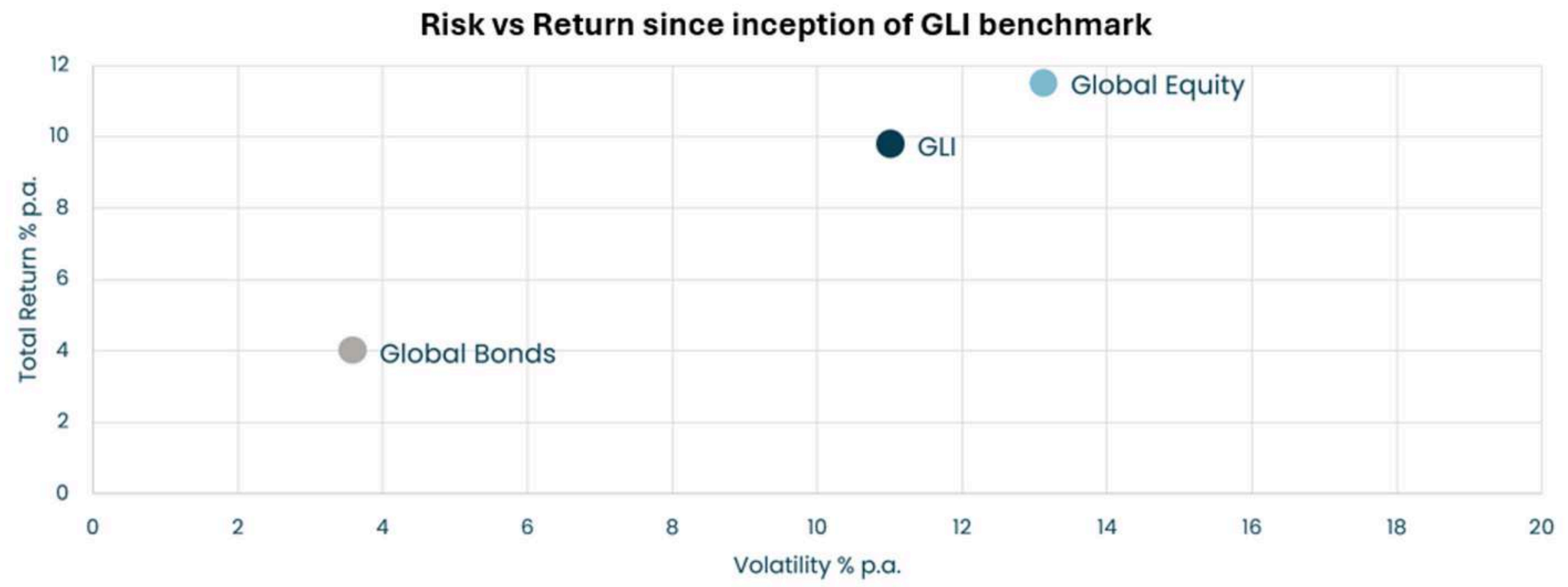
"Earnings growth across infrastructure is accelerating. The outlook for growth is stronger than ever, driven by multi-year investment cycles and a capex supercycle that is only just beginning."

Andrew Parsons
Chief Investment Officer

Resolution Capital

Global listed infrastructure: The quiet achiever

Global listed infrastructure (GLI) combines defensive cash-flow characteristics with upside from economic and structural growth, making it an attractive asset class and compelling diversifier in portfolios. Listed infrastructure generates predictable contract- or regulation-backed cash flows that support durable dividend yields and provide inflation protection. The listed format also provides investors with liquidity and easier reweighting than unlisted infrastructure, while still delivering exposure to long-life real assets that provide critical services and to secular themes such as the energy transition and digitalisation.



Source: Resolution Capital, Bloomberg. Indices total return and volatility measured from 31 December 2009 to 30 November 2025, with indices represented below: GLI: FTSE Developed Core 50/50 Infrastructure Index Net (Net local), Global Equity: MSCI World Index (Net local), Global Bonds: Bloomberg Global Aggregate Index (Net local)

Overview of 2025 performance

The FTSE Developed Core 50/50 Infrastructure index delivered 17.7% returns[1] through to the end of November CY25, just 50bps below global equities (MSCI World) but with significantly lower volatility. Illustrated in the chart above, GLI has delivered attractive long-term risk-adjusted returns and, consistent with its long-term downside capture of 61%, has demonstrated meaningful protection this year[2].

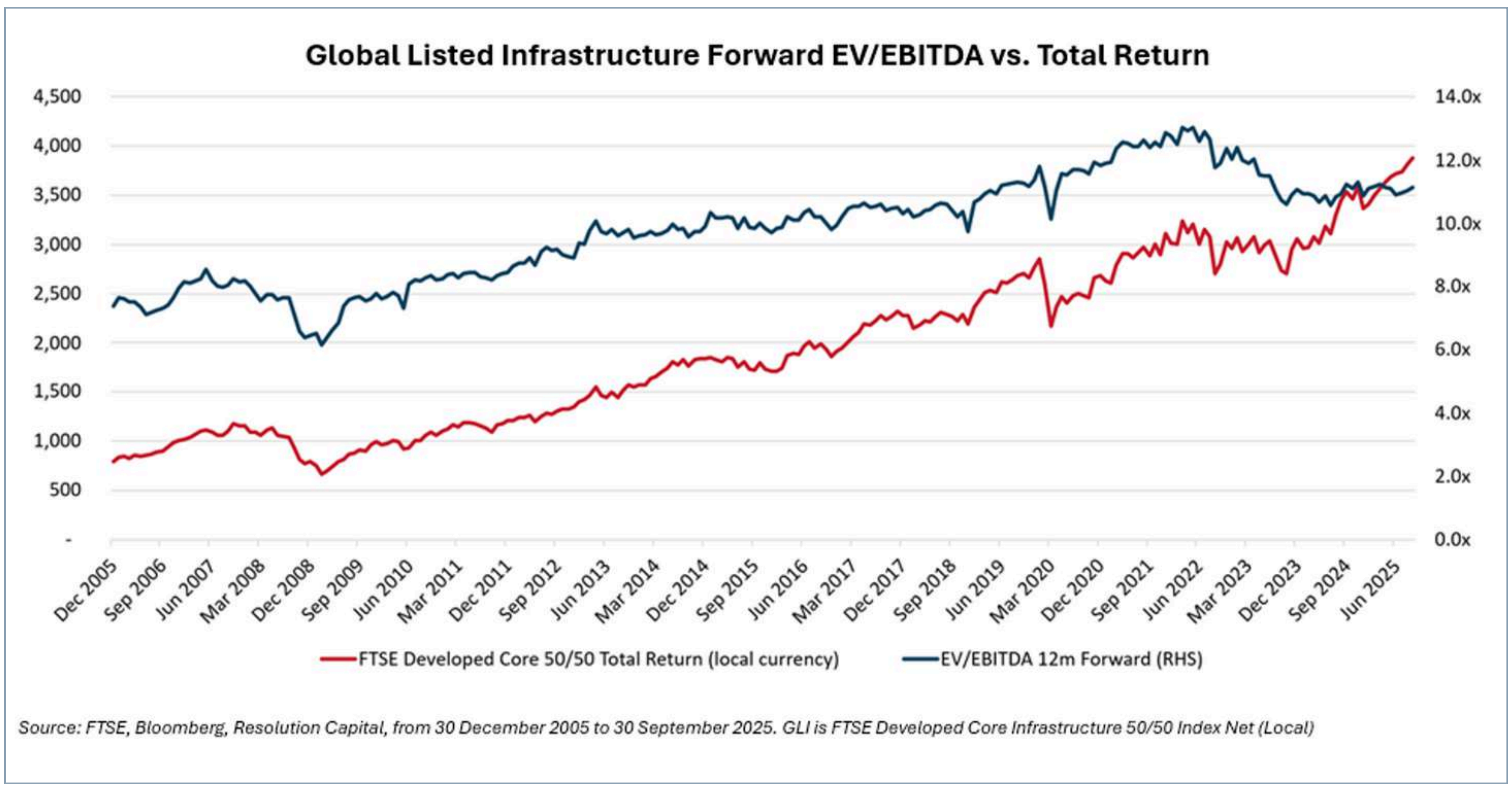
What 2026 holds for Global Listed Infrastructure

The infrastructure investment landscape is being reshaped by mega-forces that are accelerating, not slowing down. AI-driven electricity demand continues to surge as data centres proliferate, while the broader energy transition requires massive grid upgrades to handle renewable generation. We're seeing U.S. utilities investing heavily in grid resilience to manage both increased demand and the complexities of integrating cleaner energy sources.

Beyond electricity networks, transportation infrastructure continues to grow with toll roads benefiting from congestion, and U.S. railroads could see meaningful consolidation in 2026, potentially unlocking latent value in the sector.

Despite an accelerating growth outlook, we believe valuations for quality listed infrastructure assets have not priced this in, as the chart below demonstrates. As economic uncertainty persists, infrastructure's defensive characteristics look increasingly attractive.

[1] *Total returns in local currency terms*
[2] *FTSE Developed Core 50/50 Infrastructure upside/downside capture relative to MSCI World over 10-year rolling period*



Where we're finding the opportunity

Regulated utilities stand out as our highest conviction area right now. The growth trajectory for these businesses is accelerating in ways we have not witnessed before, driven by the sheer scale of investment needed (the capex super cycle) to upgrade network assets. What makes this sector particularly compelling is the positive regulatory reset happening across multiple jurisdictions. Regulators recognise that unprecedented capital deployment is required, and they're adjusting allowed returns upward to incentivise that investment.

The investment needs are both urgent and diverse. Electricity demand growth is the strongest it has been in decades, driven by high-quality hyperscalers signing long-term contracts for data centre capacity, alongside reindustrialisation from near-shoring trends.

In addition, water networks also require significant investment after decades of underinvestment, with ageing infrastructure demanding modernisation. Similarly, gas distribution pipelines across multiple markets need upgrading to meet legislated enhanced safety standards. These aren't discretionary projects – they're mandated investments with regulatory support and clear pathways to cost recovery.

What to avoid

The biggest risk facing utilities is affordability. We're particularly concerned about markets without a growing customer base to spread the costs of increased infrastructure investment. When you're asking existing customers to shoulder the expense of grid upgrades, regulators face tough choices between allowing necessary investment and keeping bills manageable.

Execution risk is the other major concern. The scale of capital investment programmes across infrastructure is enormous, and budget overruns and project delays happen. We're focused on management teams with strong track records and assets where regulatory structures provide reasonable protection for shareholders.

This is where active management adds value: due diligence and ongoing engagement with stakeholders allow us to distinguish between utilities operating in supportive regulatory environments with growing customer bases and those facing structural headwinds, ultimately avoiding the pitfalls whilst capturing the opportunities.

Our best-in-class idea: LSE: SSE

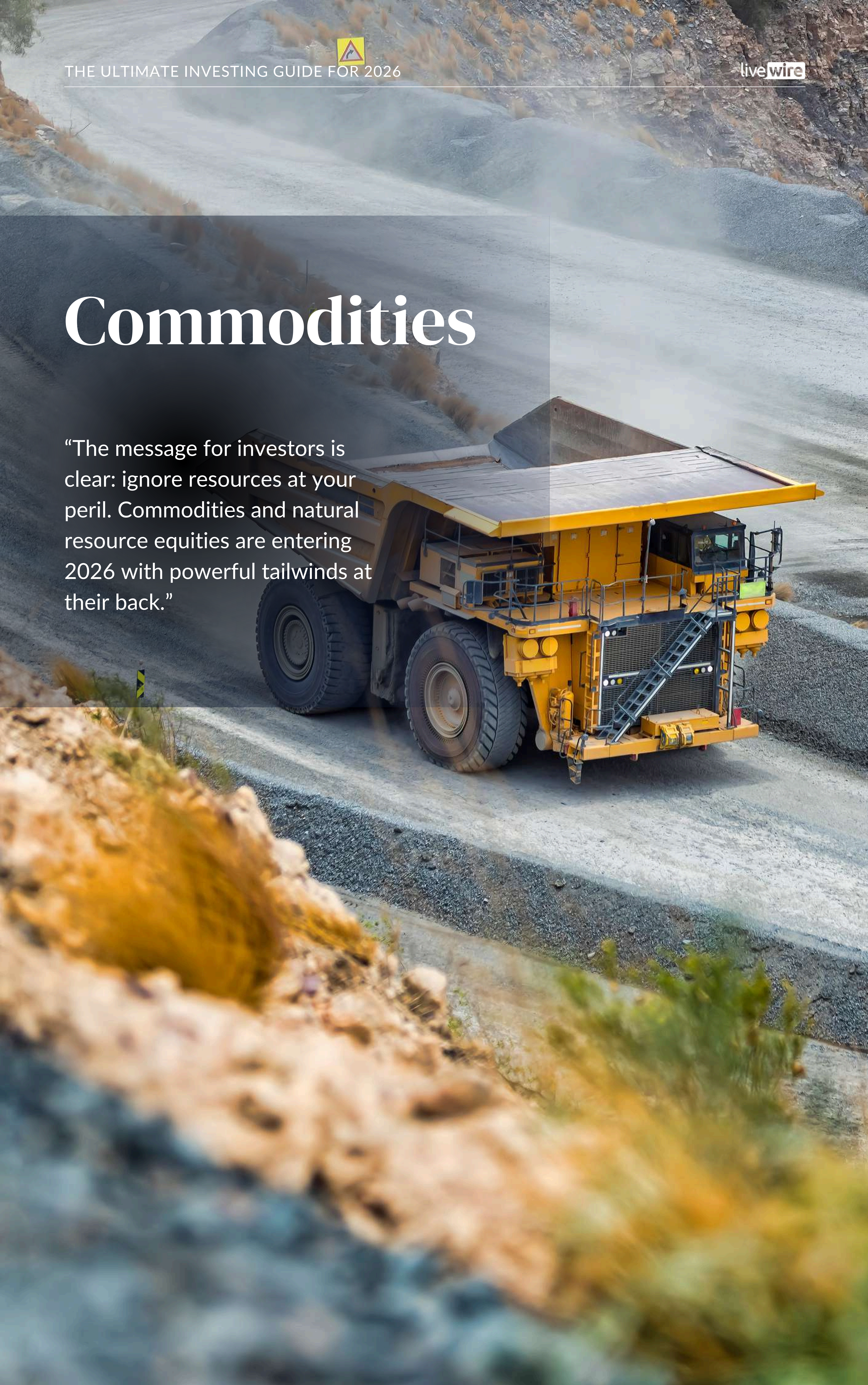
SSE represents the highest quality infrastructure opportunity we see today. The Scottish-based utility owns irreplaceable electricity network assets across the UK, alongside a portfolio of long-term contracted renewable energy projects. These are resilient cash flows with embedded inflation linkage.

What makes SSE particularly compelling is the growth profile. The company's regulated assets are growing at 25% annually through 2030, driven primarily by transmission investment. The UK needs these network upgrades to achieve its clean energy goals, and the government has made grid investment a priority. The UK understands the need to incentivise this capital deployment and has adjusted allowed returns upwards. This creates a tailwind for earnings that compounds with the volume growth from increased investment.

The renewables business adds another dimension, growing at 12% annually with high-quality projects and significant optionality for future development. SSE recently raised equity to strengthen its balance sheet, positioning the company to execute its ambitious growth plans with confidence. At 11.7x March 2027 earnings for high-quality assets delivering high-single-digit earnings growth, the valuation appears attractive.

The opportunity ahead

Earnings growth across infrastructure is accelerating. The outlook for growth in this asset class is stronger than ever, driven by multi-year investment cycles and a capex supercycle that is only just beginning. Yet infrastructure maintains its defensive characteristics – stable cash flows from essential assets, inflation protection, and proven downside resilience.
This defensive growth profile is rare. Infrastructure offers real growth potential alongside diversification benefits, making it ideal for compounding real returns over time while generating income. As we look toward 2026, the combination of improving fundamentals, supportive policy frameworks, and reasonable valuations creates a compelling case for infrastructure exposure.



Commodities

"The message for investors is clear: ignore resources at your peril. Commodities and natural resource equities are entering 2026 with powerful tailwinds at their back."

Daniel Sullivan
Head of Global Natural Resources

Janus Henderson Investors

Ignore resources at your peril: commodities are re-emerging as a growth asset

The commodities sector staged a remarkable comeback in 2025. Structural shifts – from geopolitics and supply chain realignment to the accelerating energy transition – have put resource equities back in the spotlight. Investors are rediscovering these assets as valuations remain compelling and fundamentals strengthen.

2025 in review: Commodities stage a comeback

Natural resources delivered robust gains in 2025, with the sector's benchmark index up about +15% for the year.1 This broad performance, however, masked striking divergences across sub-sectors.

- Industrial metals and mining stocks were the standout, surging ~+40% on tightening supply and booming demand for critical minerals.
- Energy equities also advanced (+14%) amid stable oil prices and strong gas demand.
- In contrast, agricultural commodities were the laggard (-7%), reflecting oversupply in key crops and weaker pricing dynamics.

Within mining equities, precious metals stole the show: gold and silver were up +127% in 2025, Uranium stocks weren't far behind, climbing +63% on nuclear energy's revival, while copper miners rose +55%, reflecting copper's critical role in electrification and infrastructure. The clear lesson from 2025 is that hard assets – from industrial metals to precious metals – are reclaiming their strategic importance in a world reshaping its energy systems and supply chains.

What to expect in 2026

Looking ahead, 2026 is poised to extend the momentum seen in commodities. Three key drivers underpin this optimistic outlook:

- **Persistent safe-haven appeal:** In an environment of currency volatility and geopolitical tensions, hard assets – especially gold and silver – will continue to attract safe-haven investment. Investors seeking stability are likely to maintain high allocations to precious metals in 2026, supporting commodity prices even if growth moderates.
- **Energy transition meets the AI boom:** The push for decarbonisation and electrification ensures robust demand for metals like copper, nickel, and lithium well into 2026 and beyond. At the same time, the build-out of AI infrastructure and data centres is metal-intensive, requiring vast amounts of copper and rare-earth elements for power and cooling systems. These dual trends create a powerful, sustained demand profile for commodities critical to new energy and tech.
- **Reindustrialisation of the West:** Geopolitical realignments are forcing the U.S., Canada, Australia and others to reduce dependence on China for critical minerals. In response, governments are streamlining permits, funding new mining projects, and incentivising domestic supply chains. This structural shift is not a short-term cycle - it's a decade-long transformation.

What looks good: Where are the opportunities?

With these tailwinds at our backs, the most compelling opportunities lie in mining companies with strong management and clear growth projects.

In particular, firms that combine operational excellence with exposure to the critical minerals essential for the energy transition and defence technologies are poised to outperform. Many resource companies remain undervalued relative to their growth potential, so investors have a chance to buy quality assets at attractive prices.

Several names that stand out:

- ***Develop Global (ASX: DVP)***: Base metals producer; positioned to benefit from strong demand and new projects.
- ***PMET Resources (TSX-V: PMET)***: Lithium exploration leader with a world-class Canadian deposit for EV batteries.
- ***Foran Mining (TSX: FOM)***: Copper developer offering growth exposure vital for electrification and infrastructure.

What to avoid?

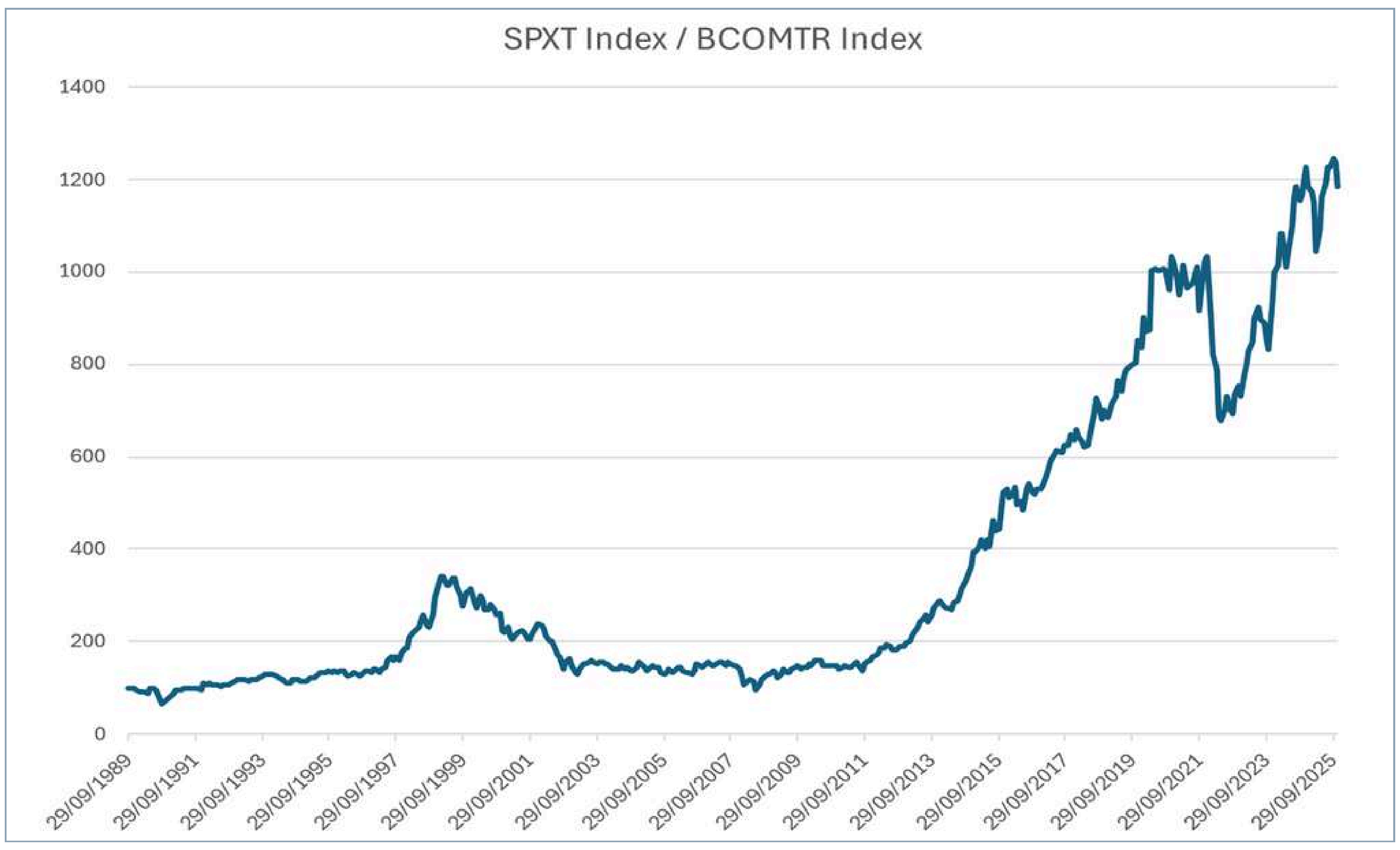
While the outlook for commodities is positive and the sector offers attractive upside, investors should remain selective. Not all players will benefit equally, and there are pitfalls to avoid:

- **Overly defensive plays:** Companies that prioritise dividends and having limited growth projects may underperform in a market driven by expansion and innovation.
- **Large energy consumers:** Energy-intensive operations (such as smelters and refiners) face margin pressures from rising energy costs and carbon compliance requirements. These businesses are vulnerable as higher operating costs could impact profits.

In short, avoid companies without a growth story or those structurally on the wrong side of decarbonisation trends. It's a year to be picky and focus on high-quality names with clear tailwinds.

Why now? The case for commodities in 2026

Despite their strategic importance, resource stocks remain undervalued relative to the broad global equities. In August 2025, the S&P 500 to Commodity Index ratio hit a record high, signalling extreme divergence between equities and commodities. This disconnect presents what I believe to be a rare opportunity for investors seeking both value and growth.



S&P 500 to Commodity Index, Sep 1989 to Sep 2025

We have observed many commodities double or triple over time, and this upside could persist. It is not unreasonable to envision commodity prices rising another 100–200% over the coming years, even if broad equity indices were to pull back by 25–35% from today's levels. With quality low-cost producers and high-grade projects in hand, many mining companies look attractive on a forward-looking basis.

In our view, this is not just a short-lived cycle but the beginning of a multi-year boom underpinned by structural forces. As Western economies prioritise national security and supply chain resilience, unprecedented capital is flowing into new mines and energy projects to secure reliable supply. The last time valuations were this attractive was during the early 2000s commodities supercycle, which delivered outsized returns for patient investors. Minerals are critical for the global economy, and fundamentally irreplaceable, so the race is on to secure reliable supply.

The message for investors is clear: ignore resources at your peril. Commodities and natural resource equities are entering 2026 with powerful tailwinds at their back. This asset class, long treated as an afterthought, is pivoting from defensive to growth. With the world's economies undergoing profound transformation, commodities have re-emerged as essential building blocks of the future. Looking ahead to 2026, the takeaway is to stay informed, stay selective, and be ready to seize the opportunities in this resurgent sector. The commodities comeback appears to be just getting started.

Alternatives

"In an environment where manager selection matters more than ever, we believe that identifying specialists with deep sector expertise and experience managing capital, should separate the winners from losers. "

Tony Davidow
Senior Alternatives Investment Strategist

Franklin Templeton

Where value is emerging and fading across alternatives in 2026

Summary of asset class performance in CY25

Private equity secondaries surged to approximately $200 billion in transaction volume, with GP-led deals now representing 45% of the market - up from just 18% a decade ago[1]. Exits picked up, and valuations declined from their 2021 peaks, creating compelling opportunities.

However, there have been growing concerns about private credit and rising defaults. While direct lending dominated flows in 2024 at nearly 60%, deal flow decelerated sharply to just 38% of capital raised in 2025, with spreads compressing significantly[2]. Consequently, we see more attractive opportunities in asset-based finance (ABF) and commercial real estate debt (CRE debt).

Real estate valuations dropped substantially from 2021 highs, with many properties now trading below replacement costs. The office sector continued to face headwinds, though select sectors, such as multifamily and industrial, look attractive.

What to expect in 2026 from the asset class?

We see three macro themes shaping 2026: **broadening, steepening, and weakening.**

Broadening reflects our conviction that investment opportunities are expanding across regions and asset classes. **Steepening** refers to yield curves: as the U.S. Federal Reserve continues to cut short-term rates, we expect investors to rotate out of cash into risk assets, including private equity, credit, and longer-duration fixed income. **Weakening** of the U.S. dollar, which we believe will benefit emerging market debt and equity.

Against a backdrop of elevated geopolitical risks, ongoing trade tariff uncertainty, and persistent inflation, we anticipate this will be a year where manager selection becomes absolutely critical. We expect a larger dispersion of returns between winners and losers.

What looks good? (where is the value/opportunity)

Private equity secondaries top our list. With institutions and family offices needing liquidity, secondaries offer built-in structural advantages - shortening the J-curve, returning capital faster, and providing diversification across vintage, geography, and strategy. GP-led continuation vehicles, particularly single-asset structures, have emerged as attractive exit alternatives given IPO market weakness.

Commercial real estate debt represents an attractive value. There's a $2.6 trillion "wall of debt" requiring refinancing between 2026-2029[3]. Regional banks have retreated post-Silicon Valley Bank collapse, creating a significant void. More realistic valuations are generating attractive risk-adjusted returns for lenders.

Real estate equity - specifically multi-family, industrial warehouse, senior housing, and necessity retail. These sectors benefit from powerful demographic tailwinds: Millennials and Gen-Z housing needs, baby boomer downsizing, historically low housing affordability, e-commerce growth, and reshoring trends.

[1] *Source: Mizuho Greenhill. As of June 30, 2025, representing estimates for full year of 2025. The secondary transaction volume for the year 2025 is projected to reach US$200 billion, comprising US$105 billion recorded in the first half of the year and an estimated US$95 billion for the second half according to Mizuho Greenhill. There is no assurance that estimates materialize as predicted. GP-led transactions are those initiated by the general partner (GP) of a fund. A GP is an individual or entity responsible for managing a private equity fund. LP-led transactions are those initiated by the limited partners (LPs) themselves. An LP is an investor who provides capital to a private equity or venture capital fund. LPs are not involved in the day-to-day management of the fund.*

[2] *Source: PitchBook. As of June 30, 2025.*

[3] *Source: Trepp. As of third quarter 2024. Notes: "Other" category is primarily comprised of multi-family lending by Fannie Mae and Freddie Mac. This could also include finance companies (private debt funds, real estate investment trusts, CLOs, etc.), pension funds, government or other sources.*

Infrastructure, particularly digital infrastructure like data centres driven by AI demand, deglobalisation with impacts supply chains, decarbonisation to adjust to climate change, and demographics reflecting changing usage patterns. According to Pitchbook, infrastructure AUM is projected to reach $2.4 trillion by 2029[4].

What to avoid? (risks)

Direct lending appears late-cycle. Spreads have compressed, deal flow has slowed dramatically, and there are growing concerns about increasing defaults. We prefer asset-based finance and commercial real estate debt, which offer more attractive risk-return profiles.

Office sector real estate equity continues to face structural challenges with ongoing valuation pressure and significant debt maturities. While this creates opportunities for debt investors, we remain cautious on equity exposure.

Broader risks include elevated geopolitical tensions, uncertain trade policy implications, and persistent inflation despite rate cuts. We also believe that there will be a significant difference in deploying capital today, with favourable valuations, versus 2020-2023 vintages with peak valuations and covenant-lite terms.

Example(s) of best in asset class opportunities

GP-led single-asset continuation vehicles in private equity secondaries exemplify our thesis. With traditional exit routes subdued, these vehicles provide liquidity to existing investors while maintaining exposure to high-conviction assets.

Commercial real estate targeting the multi-family refinancing needs represents compelling risk-adjusted returns in an undersupplied lending market.

Industrial warehouses benefit from the convergence of e-commerce acceleration, younger cohort consumption patterns, and manufacturing reshoring - a triple tailwind.

Data centres represent infrastructure at its most dynamic, with AI breakthroughs driving exponential data storage and processing demand.

Senior housing facilities - both independent and assisted living - address the inevitable aging of baby boomers, offering demographic-driven cash flow stability.

These opportunities benefit from strong fundamentals and structural factors. In an environment where manager selection matters more than ever, we believe that identifying specialists with deep sector expertise and experience managing capital, should separate the winners from losers.

[4] *Source: PitchBook. Notes: "Region" is global. PitchBook's forecasts as provided in "2029 Private Market Horizons" report. Historical data does not include evergreen structures. Forecasts as of April 14, 2025. There is no assurance that any estimate, forecast or projection will be realized.*

Emerging Markets

"We remain selective and valuation-aware, focusing on high-quality businesses with durable competitive advantages rather than chasing momentum."

Gary Monaghan
Investment Specialist,
Asian Equities

Fidelity International

Where we see opportunity across Asia heading into 2026

Asia is a broad and diverse investment universe, and there are a number of investment opportunities as we look ahead to 2026.

In China, consumer-related stocks look interesting. For much of the past few years, weak demand, a troubled property sector, and deflationary fears have pushed down sentiment. Yet, with fresh fiscal and monetary policy support, there could be a meaningful reset for domestic demand, particularly in consumer goods and discretionary services. Valuations today reflect caution, meaning that selective Chinese consumer names may offer an attractive opportunity for investors willing to look past near-term macro headwinds. Artificial intelligence (AI) adoption in China is another area we are paying attention to. With the rise of DeepSeek, a Chinese AI model now widely accessible to firms, many companies in China are gaining easier access to advanced AI tools that rival leading Western offerings, often at a fraction of the deployment cost. As AI becomes embedded, firms that adopt early stand to benefit from improved efficiency and lower operating costs. Companies with significant tech know-how and the ability to implement AI into their business model, such as Tencent, can cement their position as market leaders.

Precious metals, particularly gold, remain of interest despite reaching all-time highs. Gold may reclaim its traditional role as a store of value amid broader volatility in global markets and currency pressures. Buying by Central Banks, particularly in emerging markets, suggests ongoing demand. Stocks like Zijin Gold International (HKSE: 2259) are ways we have been looking to get gold exposure.

Meanwhile, in India, the dust from recent equity-market froth seems to have settled. After a period of lofty valuations and stretched expectations, the market now appears more grounded. Corporate earnings have undergone a reality check, and valuations, especially in large caps, seem more reasonable than a few quarters ago. Coupled with resilient domestic demand, structural reforms, tax cuts and a youthful demographic, India's equity market offers a structural opportunity with relatively more compelling valuations versus last year, and we have been incremental buyers.

We see AI adoption as an opportunity, but remain more wary of AI enablers. Asia's AI-linked semiconductor stocks have been among the strongest performers in recent years, driven by enthusiasm for artificial intelligence, high-performance computing, and rapid data centre expansion. But despite the strong long-term potential of the industry, we are approaching it with a degree of caution after the strong tech rally.

A key concern is that the huge wave of AI-related capital expenditure by global technology companies has not yet translated into equally strong, broad-based revenue growth across the semiconductor supply chain. While some leading-edge chipmakers are seeing robust demand, many other segments face the risk of over-ordering and inventory build-ups if expectations prove too optimistic. That could lead to periods of volatility as the market adjusts to more realistic growth rates.

Semiconductors also remain a highly cyclical industry, historically prone to sharp swings in demand once supply catches up. Add to this the external pressures of policy uncertainty, export restrictions and geopolitical tensions, and it becomes clear that valuations for some AI-themed stocks may be pricing in a very smooth path, which might not be so smooth.

However, caution should not be confused with pessimism. The semiconductor industry is structurally critical to global technology progress. AI, cloud computing, electric vehicles and automation all depend heavily on Asian chipmakers, who play essential roles in advanced manufacturing, memory, design, and testing. Over the long term, these companies are well-positioned to benefit from sustained digital transformation.

We remain selective and valuation-aware, focusing on high-quality businesses with durable competitive advantages rather than chasing momentum.

Fuyao Glass (HKSE: 3606) is one of the world's largest manufacturers of automotive glass, supplying major global carmakers such as Toyota, GM, Ford, Tesla, and Volkswagen. Founded in China in 1987, the company has grown into a global powerhouse with production facilities across Asia, the US, and Europe. As cars have become more advanced, the glass they use has also become more sophisticated, creating a strong long-term growth opportunity for Fuyao.

Traditionally, auto glass was a relatively simple, low-margin component. Today, it is increasingly a technology-rich product, incorporating sensors, antennas, heads-up displays, heating elements, and even acoustic-reducing layers. This transformation results in higher selling prices and improved margins. Fuyao has invested heavily in R&D and automation to capitalise on this shift, thereby helping it maintain strong market share and pricing power.

The company also benefits from the global recovery in car production, especially as electric vehicles (EVs) gain traction. EVs typically require larger and more complex glass surfaces, including panoramic windshields and roofs, which further expand Fuyao's addressable market. Its deep relationships with top global OEMs position it well as EV penetration increases worldwide.

Fuyao's financial profile is solid: it has a healthy balance sheet, consistent cash flow generation, and a track record of stable dividend payments. Its overseas factories support global diversification and reduce reliance on domestic demand. It has also created a manufacturing footprint in the U.S., which means it is able to mitigate potential tariff-related issues between the U.S. and China.

However, we remain mindful of risks such as fluctuations in global auto production, ongoing competition and rising raw material costs. Still, Fuyao's scale, technological expertise, and strong customer relationships give it a durable competitive edge.
For long-term investors, we think Fuyao Glass offers a compelling way to participate in the modernisation of the global auto industry.

All information is current as at 8 December 2025 unless otherwise stated.

Digital Assets

"In 2025, the price paused, but the foundations strengthened. Looking ahead to 2026, Bitcoin and digital assets sit at the intersection of monetary policy, regulation, and adoption."

Stuart Eliot
Head of Portfolio Design and Management

Jonas Benner
Quantitative Researcher

AMP

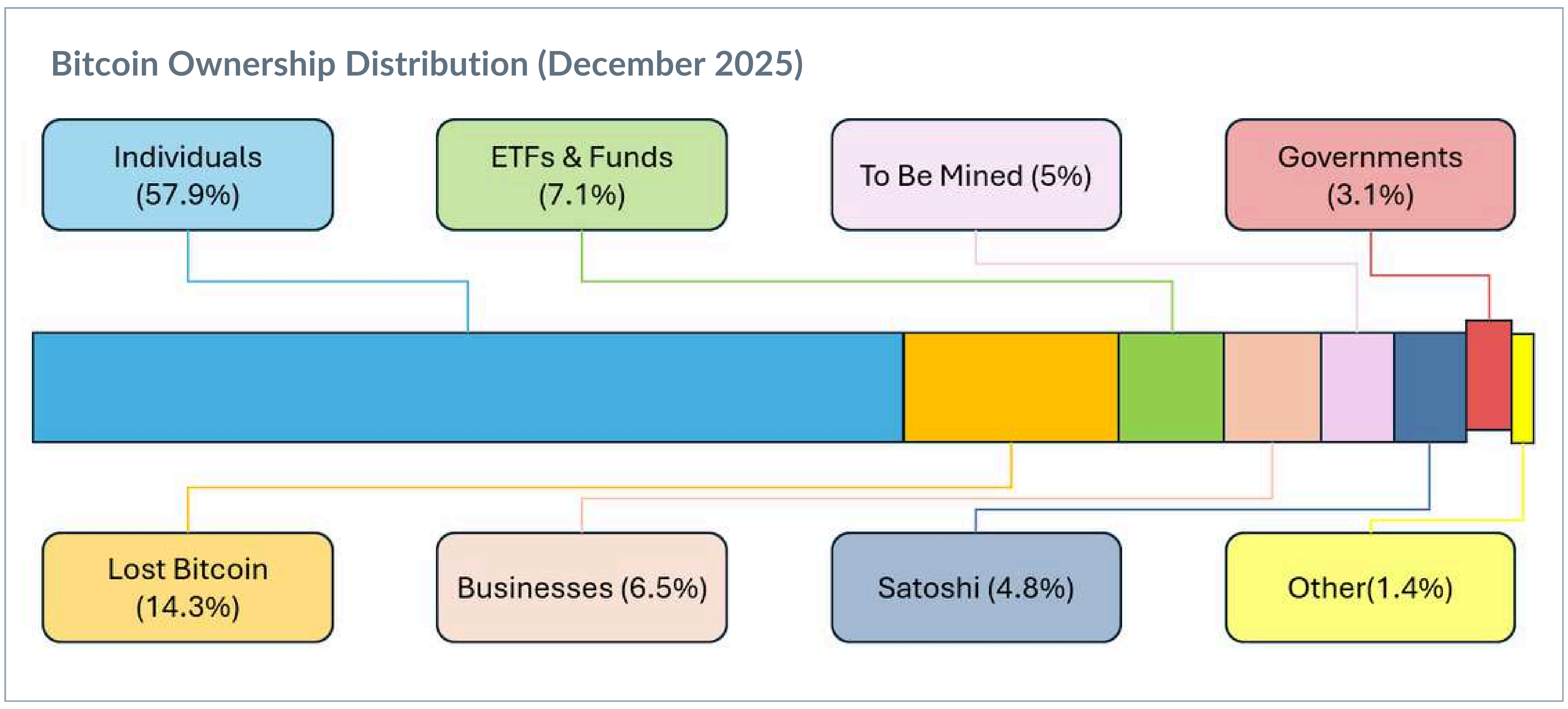
Bitcoin and digital assets in 2026: From speculation to strategic allocation

2025: Sideways prices, quietly historic developments

After an extraordinary run in 2023 and 2024, Bitcoin spent 2025 consolidating near the top of its range. It set a new all-time high of approximately US$126,000 before finishing the year near its starting point in the US$90,000s. For an asset with Bitcoin's history, a "quiet" year near record highs is less a sign of exhaustion than of maturation.

Source: Bloomberg

What makes 2025 stand out is not the price action but the structural shift in who owns Bitcoin and how it is used. On the public-sector side, the U.S. created a Strategic Bitcoin Reserve; Luxembourg's sovereign wealth fund announced a one per cent allocation; the Czech National Bank piloted a small Bitcoin position alongside a regulated dollar stablecoin and a tokenised bank deposit. Several smaller sovereigns also expanded or formalised their positions. Together, sovereign and quasi-sovereign entities now own a visible slice of the eventual twenty-one-million-coin supply.



Source: Bitcointreasuries.net, River, Bitbo.io, Blockchain.com

Institutional adoption moved in parallel. JPMorgan's decision to accept Bitcoin and Ethereum as collateral for selected institutional loans signalled that major banks increasingly treat leading digital assets as financeable collateral rather than purely speculative instruments. Vanguard enabled trading of spot Bitcoin ETFs on its US brokerage platform, lowering the friction of access for millions of long-term investors, while Harvard's endowment built a meaningful ETF position. Around these moves, a broad range of family offices, pension funds, and multi-asset managers have initiated or expanded strategic Bitcoin allocations, typically at low single-digit weights.

At the same time, dollar stablecoins and tokenised U.S. Treasuries grew under clearer U.S. and European rulebooks, laying the groundwork for the broader digital-asset ecosystem. In 2025, the price paused, but the foundations strengthened.

What to watch in 2026

Looking ahead to 2026, Bitcoin and digital assets sit at the intersection of monetary policy, regulation, and adoption. The Federal Reserve has shifted from aggressive tightening to a measured cutting cycle, against a backdrop of positive real yields and structurally high US fiscal deficits. In that environment, scarce assets that are independent of any single government, such as Bitcoin, should remain a natural hedge, even if price movements are volatile.

Regulation is moving from blanket hostility to structured engagement. In the U.S., new federal legislation for payment stablecoins is pulling the largest issuers into a bank-like regulatory perimeter. In Europe, MiCA is moving from consultation paper to lived reality, with harmonised rules for both stablecoins and crypto-asset service providers. Clear, enforceable rulebooks are a precondition for sustained institutional participation, and they are now arriving in the two largest developed markets.

For Bitcoin specifically, two themes will be important in 2026: continued institutionalisation of its ownership base and integration into traditional market infrastructure. Spot ETFs in the U.S., Europe and parts of Asia are now liquid and broadly distributed; bank financing desks are beginning to accept Bitcoin as collateral; and derivatives and lending markets are deepening around these regulated access points. In the broader digital asset space, 2026 looks set to be a year in which tokenised cash and securities scale. Equity and fund tokenisation are at an earlier stage, but live pilots from exchanges and asset managers suggest that the direction of travel is clear: more assets are moving onto programmable, interoperable ledgers.

Where the value and opportunity look strongest

Against this backdrop, the clearest opportunity still lies in Bitcoin itself, understood not as a short-term trade but as a small, deliberate strategic allocation. Over a full cycle, Bitcoin has already demonstrated its ability to alter the return profile of a diversified portfolio, with backward-looking studies showing that allocations in the low single digits would have improved risk-adjusted returns. With liquid spot ETFs, regulated custodians and standardised reporting now available, the operational hurdle to implementing such an allocation is far lower than it once was. What appears attractive in 2026 is less any particular price target, but the combination of shrinking free float, improving market plumbing and institutional normalisation, set against ongoing monetary and fiscal uncertainty.

Alongside Bitcoin, two other layers of the digital-asset stack are increasingly relevant. The first is regulated dollar stablecoins. Under the new U.S. and European regimes, leading issuers are being pushed toward conservative, fully reserved structures. These instruments are becoming the internet's native cash layer and the standard settlement asset for on-chain activity, including tokenised securities and cross-border payments. The second is tokenised short-duration fixed income, particularly tokenised U.S. Treasuries and money-market style products. Here, investors can earn a market yield while benefiting from the programmability and round-the-clock settlement features of public blockchains. Both segments complement, rather than compete with, the core Bitcoin thesis.

What to avoid and best-in-class opportunities

A more mature digital-asset ecosystem also makes it clearer what to avoid. Much of the long tail of illiquid tokens remains unattractive for most investors, behaving like early-stage venture capital without audited financials or clear legal claims. Excessive leverage and opaque yield products warrant ongoing caution, as do large exposures to lightly regulated offshore exchanges.

Set against that backdrop, the most robust case remains for Bitcoin as a potential reserve-style asset within diversified portfolios, implemented through regulated wrappers and sized with its volatility in mind. For investors, the question is not whether they should pay attention, but how they want to participate.

Asset Allocation Outlook

Watch the full interview by scanning the QR code with the camera on your phone

James Marlay
Co-Founder &
Executive Director

Livewire Markets

How to invest $1 million in 2026

Two leading wealth managers share their expertise to help you get your portfolio set for 2025 and beyond.

The strong returns investors have enjoyed from equity markets extended into 2025, albeit at a more moderate pace than the bumper years of 2023 and 2024. If you'd simply held an S&P 500 index ETF for the last 3 years, you'd be looking at annual returns of around 22.8%. For Australian investors, the ASX 200 delivered closer to 9.7% excluding dividends over the same period.

That S&P 500 result is roughly double the average annual return for the past century. It's been an exceptional period for equities - one that risks either lulling investors into complacency or creating a sense of FOMO if portfolios haven't kept pace.
Falling interest rates, surging US tech earnings and rising valuations have provided the ideal backdrop for this run. Looking ahead to 2026, it makes sense to assess the outlook, but perhaps more importantly for investors to focus on their own return requirements rather than anchoring expectations to recent market performance.
So, what are your investment objectives?

It's a simple question that sits at the heart of professional financial advice, yet one many investors don't spend enough time considering.

If your long-term goal is to generate 6–8% per annum, do you need to be chasing eye-catching returns that come with higher volatility and the risk of meaningful drawdowns? Against this backdrop, I spoke with Ben Clark from TMS Private Wealth and Charlie Viola from Viola Private Wealth to discuss setting realistic return expectations. This isn't about hunting ten-baggers - it's about taking a smoother, more sustainable path to long-term wealth creation.

My two guests also share the big factors shaping their asset allocation decisions for the year ahead and where they are allocating new funds on behalf of their clients.

The big picture for 2026

Before discussing how Clark and Viola are allocating capital for the year ahead, it's important to understand the factors shaping their thinking.

As with last year, valuations sit high on the list. After several strong years for equities, both advisers are more conscious of where markets may be pricing in optimism. For Viola, this reinforces the importance of trimming oversized positions and being selective with new equity allocations.

Clark shares that caution domestically, noting that elevated starting valuations have been a headwind for Australian equities relative to global markets.

> *"The Australian market got very expensive. A lot of stocks we'd held for years were trading on multiples I'd never seen before. Valuations still aren't cheap, but they've moved closer to long-term averages — and that's one reason Australia has underperformed the US." - Ben Clark, TMS Private Wealth*

Inflation and interest rates remain the other key variables. While the direction of travel is expected to be lower over time, both advisers stress the importance of building portfolios that are resilient to delays or surprises. Rather than positioning for a single outcome, they prefer to spread risk across assets that can perform in different environments.

Finally, both point to the growing opportunity set in private markets. While public market valuations have adjusted quickly, private assets have lagged, creating opportunities to redeploy capital harvested elsewhere while improving diversification.

4 tips on setting return expectations

Viola and Clark shared the following principles to help investors set realistic return expectations - particularly after a strong run for markets.

1. **Start with outcomes, not benchmarks:** Both advisers emphasise that return targets should be driven by what you're trying to achieve. Income needs, time horizon and capital preservation matter far more than beating an index in any given year.

2. **Think in risk-adjusted terms:** A high return is meaningless without context. Clark encourages investors to consider how much risk is being taken to generate returns, and whether that level of risk is sustainable through a full market cycle.

3. **Be honest about drawdowns:** Chasing higher returns increases the likelihood of larger drawdowns. Viola stresses the importance of constructing portfolios that investors can stick with during periods of volatility, rather than optimising for the best-case scenario.

4. **Aim for consistency over time:** Both agree that delivering high-single-digit to low-double-digit returns consistently, with a balance between income and growth, is a strong long-term outcome - even if it doesn't make headlines.

> *"Returns only matter if you can stick with the portfolio through the cycle. The best strategy is the one you can actually live with when markets turn."*
> *- Charlie Viola, Viola Private Wealth*

How Ben and Charlie are investing $1 million for 2026

The tables below show how Clark and Viola are positioning portfolios heading into 2026. While these allocations are not tailored to individual circumstances, they provide a clear insight into how two experienced advisers are thinking about risk, return and diversification in the current environment.

Charlie Viola's Asset Allocation for 2025

Asset Class	Target	Jan 2025	Jan 2026
Australian Equities	26	21	21
Global Equities	26	30	30
Fixed Income	15	6	5
Growth Alternatives	8	13	17
Defensive Alternatives	15	20	20
Cash	10	10	7
	100	100	100

Viola's allocation is designed for investors with a more defensive orientation, particularly those focused on income generation and capital preservation.

Key points:

- Lower relative exposure to Australian equities
- Preference for global equities over domestic
- Limited exposure to duration in traditional fixed income
- Meaningful allocations to defensive and growth alternatives
- Low cash holding, preferring to use liquidity in the portfolio if opportunities arise

Ben Clark's Asset Allocation for 2025

Asset Class	Target	Jan 2025	Jan 2026
Australian Equities	51	40	35
Global Equities	20	23	26
Fixed Income	15	15	15
Growth Alternatives	0	10	13
Defensive Alternatives	8	5	6
Cash	6	7	5
	100	100	100

Clark's allocation reflects a slightly higher growth bias, while still acknowledging the importance of diversification and risk control.

- Reduced exposure to Australian equities relative to history
- Comfortable letting global equities run
- Gradual reintroduction of duration via high-quality bonds
- Increased allocation to growth alternatives
- Selective use of defensive alternatives

You don't need $1 million to get started

The principles of investing are remarkably consistent. Whether you're at the beginning of your journey or managing a substantial portfolio, building around clear objectives is a foundational step.

Ben and Charlie typically work with high-net-worth clients, which often means broader access to asset classes such as alternatives. But ongoing innovation from product issuers is steadily levelling the playing field. For many investors, the real missing link isn't access - it's clarity. Being clear on what you're trying to achieve matters just as much as obsessing over the mechanics of how to get there.

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