



PACIFIC MULTI-ASSET SOLUTIONS

MONTHLY INVESTMENT COMMENTARY

JANUARY 2026

MARKET OVERVIEW

The themes that dominated markets last year have carried into the new year, dispelling any expectation that 2026 would be 'quieter', highlighted by the US's audacious extradition of Nicolás Maduro from Venezuela and President Trump's announcement that he intends to pursue the acquisition of Greenland.

Once again, we see a clear divergence between the prevailing narrative - 'the noise' - and what is happening in financial markets. Despite these headline-grabbing risks, which ultimately proved to be temporary flashpoints, global equity markets were buoyed by stronger growth expectations and a macroeconomic backdrop that remains broadly supportive.

Value once again outperformed as investors took a more discerning view of valuations and sought opportunities away from richly valued, growth-oriented AI-related names. We benefited from this rotation through our allocation to the iShares EDGE MSCI World Value ETF, which returned 4.7%. While headline US equities were down in sterling terms last month, we saw positive returns from the iShares EDGE MSCI USA Value ETF, which rose 5.2%.

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We also saw strong returns from the iShares Clean Energy ETF which was up 9% last month. The fund provides exposure to beneficiaries of AI, but at more attractive valuations, as investors increasingly focus on the significant energy required to power the expansion of data centres.

Government bonds came under pressure as stronger-than-expected growth and elevated public spending pushed yields higher. US Treasuries fell, especially at the front end, as robust data delayed anticipated Fed rate cuts and inflation expectations rose over the month. We continue to be selective in our fixed income allocation, favouring US Treasury inflation-linked bonds, which delivered positive returns and helps mitigate the effects of unexpected inflation.

Within our alternatives allocation, our position in gold performed well amid heightened geopolitical risks, rising 13.5%. This was achieved despite an aggressive sell-off toward the end of the month. We continue to manage our positioning proactively, given the elevated levels of sentiment surrounding the asset.

Finally, our diversifying assets - which aim to deliver returns uncorrelated with equities and bonds - also contributed positively. The AQR Managed Futures fund, which invests across equities, fixed income, commodities, and currencies, generated positive performance and rose 4.8%.

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