



Review

Risk assets started 2026 with positive momentum and consequently January was a good month for most equity markets globally, including the UK, where the iShares UK Equity Index tracker gained a solid +3.73% for the month. Gains were made despite an increasingly volatile geopolitical backdrop with flashpoints including Venezuela, Iran, Greenland and more.

Right from the start of the month geopolitical events took centre stage for investors, as US forces captured Venezuela's President Maduro and took him to New York. Shortly thereafter, President Trump, much to the concern of his European allies, insisted the US must acquire Greenland for National Security purposes, and threatened increasing levels of tariffs on a variety of countries until such time as a deal had been reached. Furthermore, tensions between the US and Iran continued to rise following reports of mass killings of Iranian protesters by the incumbent regime, culminating in President Trump declaring that 'a massive Armada is heading to Iran' at the end of the month. These elevated geopolitical risks, alongside a materially weaker US dollar, drove significant gains for precious metals and oil prices over the month.

Whilst broad based equity market gains were perhaps surprising considering the above, investors chose to focus on generally upbeat global economic data and a robust earnings season in the US as reasons for continued optimism for the period ahead. Speculation over the likely next Federal Reserve Chair also continued to build until, right at the end of the month, President Trump confirmed his nomination as Kevin Warsh. What implications there will be for US monetary policy consequently remain to be seen although the consensus appears to regard him as relatively 'hawkish'.

Elsewhere, Japanese bond yields rose significantly over the month as a snap election was called for early February, with election pledges for more consumption tax cuts giving investors increasing cause for concern over Japan's fiscal sustainability. Meanwhile, here in the UK it was a relatively quiet month economically, although there were several welcome signs of a bounce back in activity post the high levels of uncertainty that accompanied the run up to the November 2025 budget.

Fund performance / Activity

January was a solid month for our fund from a performance perspective, as we benefited from continued improvement in relative performance of many of the more cyclical areas of the market. As such, our fund gained +3.94% (share class A GBP Net Accumulation) over the period, marginally outperforming the iShares UK Equity Index tracker gain of +3.73% but comfortably outperforming the peer group average gain of +2.68%.

There were several individual positive contributors to performance in January including Ashmore, Vesuvius, Harbour Energy, DFS Furniture, Atalaya Mining, and Johnson Matthey. There were also several individual negative contributors during the month including Dunelm, Burberry, Entain, PageGroup, SSP, and OSB Group. Index heavyweight stocks that we do not own, whose share prices performed strongly, and were significant detractors included HSBC and Glencore.

We were moderately active in the portfolio during January, adding one completely new holding, London property developer Great Portland Estates, and making one complete disposal of our holding in Telecom Plus. We added to a variety of holdings such as Rosebank Industries, Wickes, Breedon,



Gamma Communications, and SSP Group, and took profits in positions such as Zegona Communications, Kier, Atalaya Mining, and Prudential.

Market Outlook

After a stellar 2025 for major global equity markets, January has kicked off 2026 in an equally bullish fashion, notwithstanding the plethora of geopolitical tensions discussed above. Whilst we do not dismiss these issues lightly, we believe markets are right to focus on the positive aspects of the outlook for the year ahead.

Given the seemingly never-ending series of issues the global economy has faced in recent years, we still observe a high degree of caution being exhibited by consumers, companies and, in many respects, investors alike. Consumers and companies have shown a reluctance to make major investments in recent years, resulting in generally healthy balance sheets for both. Investors have shown a similar degree of caution through their reluctance to invest meaningfully in more cyclical areas of the market, most particularly avoiding companies further down the market size spectrum.

Looking forward, we see significant potential for this caution to start to dissipate, even in an environment that only becomes 'less bad'. We expect global growth to remain resilient, aided by further interest rate reductions, fiscal stimulus, a recovering global manufacturing sector, and a reduction in trade uncertainty. Such an environment should remain highly supportive of further corporate earnings progress in due course. From an investor perspective, we are seeing signs of a meaningful rotation towards more economically sensitive areas of the market, and the first signs of increased enthusiasm for mid and small sized companies for a long time. We remain optimistic that these trends will continue to develop over the months ahead.

Consequently, we look forward to the rest of 2026 with optimism, whilst cognisant that there exists the potential for short-term volatility spikes at any time. As we regularly remind readers, we consider it essential to focus on the medium-term potential of our investments and, in that regard, our enthusiasm for our current portfolio is substantial.

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