

Briefing Note: 2026, Looking backwards and forwards



DATE: January 2026

Being an investor can be emotionally challenging. Even after a run of positive years, it is entirely natural to worry that some of those gains may be given back. That said, fluctuations are a feature of a long-term investor's journey and should be expected.

As the calendar turns, it is once again the season for bold predictions and confident outlooks. Experience suggests that such forecasts are best treated lightly. Markets incorporate known information very quickly, and prices only move meaningfully when something new and unexpected arrives. The future, by definition, is unpredictable. A sensible forecast for the year ahead, in our opinion, therefore remains unchanged: markets will go up, down or sideways.

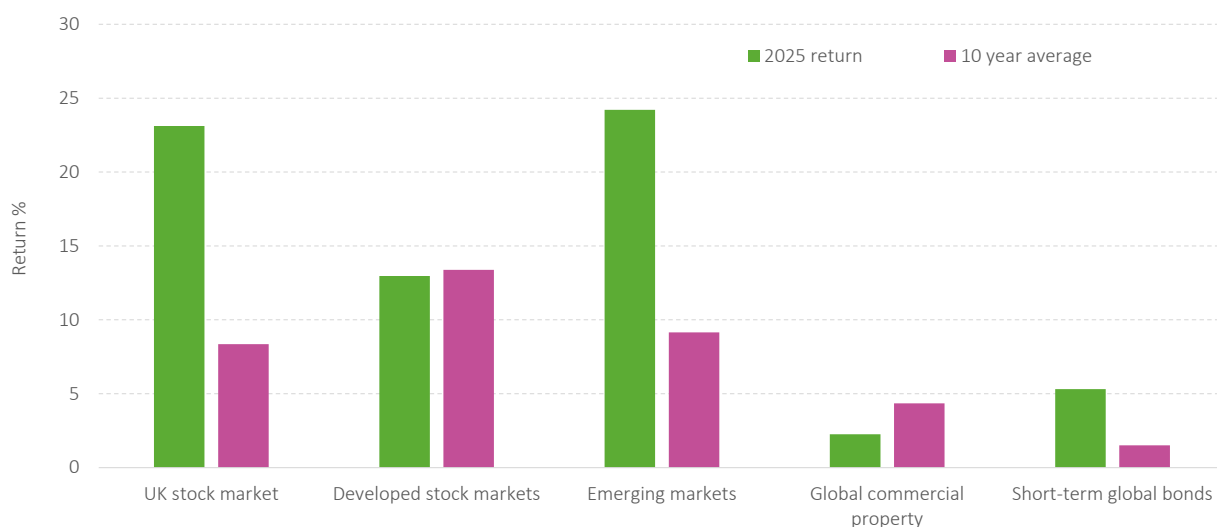
Looking backwards

The past 12 months provided another vivid reminder of how quickly assumptions can be challenged and narratives rewritten.

Politically, 2025 was a year of striking upheaval. A new US administration set about reshaping domestic policy and foreign relations with remarkable speed and ambition. Trade policy proved a powerful source of stock market volatility. Announcements of sweeping tariffs triggered sharp and sudden market reactions, only for many of those measures to be softened, delayed or diluted as practical realities intervened. Markets, as they often do, adjusted quickly to both the shock and the subsequent reassessment.

Stock markets rarely deliver returns close to their long-term averages in any single year. In 2025, returns were in line with ten-year averages in some cases, and meaningfully above and below in others.

Figure 1: 2025 market returns versus 10-year average



Source: Representative funds used. See endnote for details. In GBP terms.

Artificial intelligence dominated headlines throughout the year. Vast sums were committed to AI infrastructure, chip manufacturing and model development, fuelling talk of a new industrial revolution. Company valuations reached eye-watering levels and, for a time, optimism seemed boundless. Yet confidence, at times, proved fragile. The emergence of cheaper, more efficient AI models and underlying technology raised uncomfortable questions about competitive advantage and whether all that investment would ultimately translate into profits. This competition is a natural part of a capitalist world, and as such embedded in the risk and expected rewards of stock ownership.

Beyond markets and technology, the world remained unsettled. A fragile ceasefire in Gaza held for much of the latter part of the year, offering some respite but little in the way of lasting resolution. The war in Ukraine continued, grinding on with terrible human cost and little decisive movement.

Elsewhere, conflict intensified in parts of Africa, while tensions escalated episodically across parts of Asia. Natural disasters added further strain, with devastating earthquakes, wildfires, and extreme weather events affecting millions.

And yet, despite all this, the global economy proved more resilient than many had feared. Growth endured, employment held up better than expected, and some central banks were able to begin cautiously easing monetary policy by lowering interest rates. Markets, overall, delivered another reminder that they are forward-looking, adaptive and often more robust than the prevailing mood suggests.

For diversified investors, 2025 reinforced some long-standing lessons. Concentration in fashionable themes can magnify both gains and losses. Broad diversification across regions, sectors and styles remains one of the few defences that does not rely on foresight. High-quality, shorter-dated bonds continued to play their role as stabilisers, reminding us that their value lies not in excitement but in reliability. Long term success lies in owning a broadly diversified, and well-structured, evidenced-based investment solution.

Looking forwards

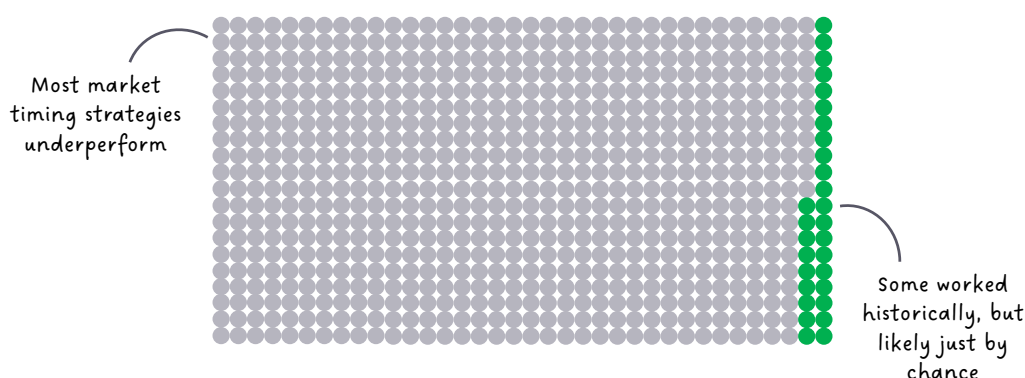
Entering 2026, uncertainty remains abundant. It always does.

Interest rates are generally lower than they were a year ago, but their future path is far from assured. Inflation has eased, but policymakers remain alert to the possibility of renewed pressures. Trade tensions, elections and geopolitical risks are ever-present. None of this is new.

What is sometimes forgotten is that today's prices already reflect today's fears, hopes and expectations. Markets do not wait for events to happen; they move in anticipation of them. What will most likely matter in the year ahead are the surprises, not the scenarios that dominate current debate.

Trying to position a portfolio for specific outcomes requires a belief that one can consistently outguess the collective wisdom of millions of other participants. The evidence suggests that very few can do this reliably, even the professionals struggle to do so, as the figure below illustrates.

Figure 3: Success of simulated market timing strategies



Data source: Another Look at Timing the Equity Premiums. Dai W, Dong A. Dimensional Fund Advisers - Research (2023). Graphic: Albion Strategic Consulting.

Acting on strong convictions about the near-term direction of markets may feel comforting, but it carries the risk of being wrong twice: once when exiting, and again when deciding when to return.

A word on the supposed AI bubble

Much has been written about whether the world is currently in an AI 'bubble'. Some argue that valuations are detached from reality and that a reckoning is inevitable. Others insist that the technology will justify current prices and more. Both views may ultimately prove right in different ways and at different times.

In one view of markets, prices always reflect all known information, and what looks like excess is simply the rational pricing of uncertain future cash flows. In another, human behaviour and sentiment periodically push prices too far in either direction. In practice, these are just models, not truths.

The uncomfortable reality is that only with hindsight will anyone know whether the world is currently living through an AI bubble. By then, it will be too late to act on that knowledge.

The enduring lesson

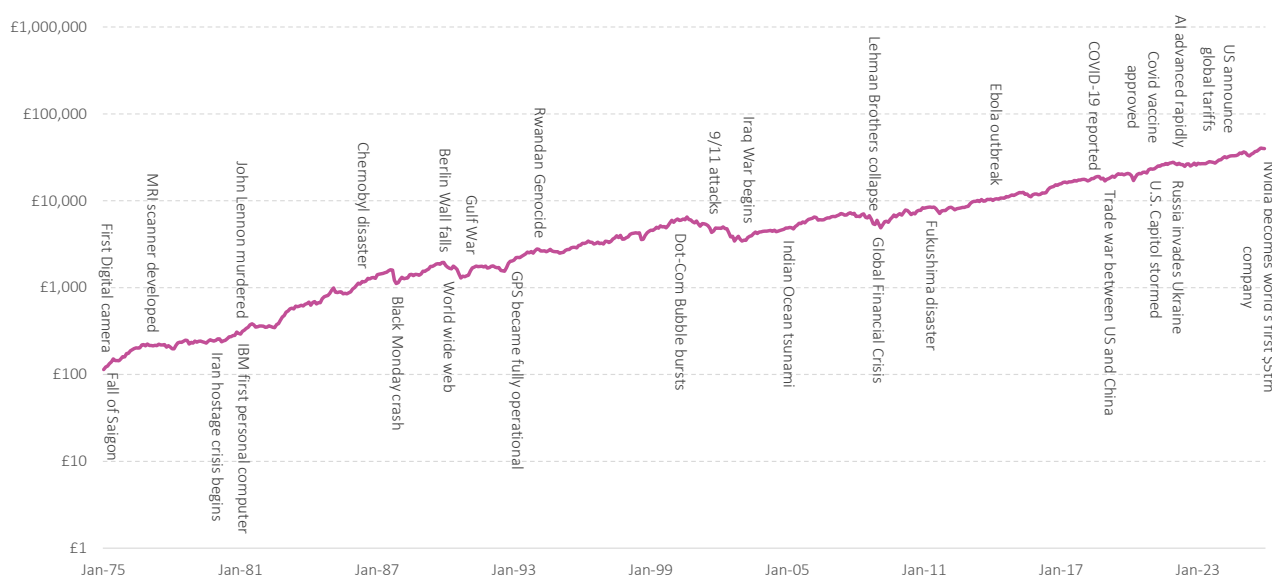
Market outcomes will be shaped by events that cannot be forecasted with confidence. Against this backdrop, the most robust response remains unchanged: maintain broad diversification, accept uncertainty as the price of long-term returns, and remain disciplined when headlines are most unsettling.

If you love everything in your portfolio, you're not diversified enough.

Dan Bortolotti speaking on The Rational Reminder Podcast, January 1, 2026

When attention is focused on tough times, it may not be a bad idea to spend time away from headlines altogether, or search for coverage from outlets focused on positive world events and human progress¹.

Figure 4: Stock markets are resilient to world events over the long term



Source: Albion Strategic Consulting. Albion World Equity Index (<https://smartersuccess.net/indices>). Jan-75 to Dec-25. Monthly returns in GBP.

Hope for the best, but prepare for the worst. We will help to ensure you are invested in, and will stick with, an appropriate solution. Stay invested, stay diversified, and continue to stay focused on long-term goals, rather than short-term noise.

When investing, your capital is at risk.

This note is intended for information purposes only and no action should be taken or refrained from being taken as a consequence without consulting a suitably qualified and regulated person. Past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance.

Endnote - representative funds used:

- UK equity market: iShares UK Equity Index (UK) D Acc
- Global developed stock markets: Fidelity Index World P Acc
- Emerging markets: Vanguard Em Mkts Stk Idx £ Acc
- Global commercial property: HSBC FTSE EPRA/NAREIT Developed ETF
- Short-term global bonds: Vanguard Glb S/T Bd Idx £ H Acc
- 60/40 portfolio: 40% Short-term global bonds, 50% Global developed stock markets, 5% Emerging markets, 5% Global commercial property. This does not constitute a recommendation – for illustrative purposes only.

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¹ For example, Good News, Inspiring, Positive Stories - Good News Network