

# SARASIN MULTI ASSET - STRATEGIC

## MONTHLY COMMENTARY JANUARY 2026

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### ECONOMIC REVIEW

The main driver of stock market sentiment in January was increased geopolitical tensions. The key issues were the US operation to remove the Venezuelan president, Nicolás Maduro, and President Trump threatening to impose tariffs on several European countries that opposed his plans to take over Greenland – though he later climbed down on this threat. Investor appetite for riskier investments remained strong and global equity markets rose.

Economic data also proved supportive, with better-than-expected activity levels and moderate inflation figures pointing to stronger growth. The Japanese stock market recorded gains, while emerging markets outperformed their developed market counterparts.

Commodities continued to perform well, with gold rising sharply. Meanwhile, both oil and gas prices increased amid colder weather.

### FUND REVIEW

The key contributor to the fund's performance was ASML, a leader in the semiconductor industry. The strong performance was driven by record-breaking orders announced in the company's fourth-quarter results, together with growing investor confidence in the sustainability of demand for artificial intelligence (AI) which is positive for ASML's products.

Gold had a positive impact on performance. The metal benefited from the sharp rise in geopolitical risks which prompted some investors to prefer safe haven assets.

Shares in Colgate-Palmolive, the consumer hygiene product company, rallied after the firm reported fourth-quarter results that exceeded expectations, and especially strong organic sales growth.

Microsoft detracted from returns as its shares sold off sharply following the release of the latest quarterly results. The main areas of concern were higher levels of spending by the company on AI, weaker-than-expected levels of penetration in the Copilot chat app and disclosures showing Microsoft's high reliance on OpenAI. We remain convinced that Microsoft will be a long-term AI winner.

ServiceNow, an American software company which supplies a platform for creating and managing automated business workflows, also detracted from performance. The firm's shares weakened after its fourth-quarter results announcement, despite the company beating expectations and offering a strong outlook for 2026. Software companies are suffering from AI-related concerns among investors.

### FUND TRANSACTIONS

We started a position in Hoya, a supplier of innovative high-tech optical and medical products. Hoya has attractive business development prospects. We expect to see growth in the addressable market for its products as relevant technology develops.

We also took a holding in the Industrial Metals Exchange Traded Fund. We think that industrial metals will be a beneficiary of a multi-year physical investment boom led by the demand for AI, electrification, reshoring of domestic supply chains and defence spending. This requires more infrastructure. This basket of industrial metals provides access to that demand.

We sold the position in Zoetis, a provider of animal health products. This followed disappointing performance from Librela, its dog injection. In addition, increased competition reduced our confidence in the company's ability to deliver sustained above-market growth.

### OUTLOOK

Geopolitical shocks mainly emanating directly or indirectly from the White House are not significantly disrupting markets, although President Trump's clash with Europe over Greenland looks to be more deep-seated. On trade tariffs, Trump's bark currently appears to be worse than his bite. China's exports are holding up despite US tariffs as it focuses elsewhere, particularly Europe. Optimism about the global economy supports the view that a recession in 2026 will most likely be avoided.

Equity valuations remain elevated, with AI-related companies contributing to market returns, and opportunities widening across sectors and regions. We are overweight equities compared with our benchmark, as corporate earnings appear to be recovering.

Our underweight position in both corporate and government bonds reflects our view that fixed income assets do not currently offer strong returns or adequate diversification compared to their history. Our above-benchmark gold position provides some protection against market volatility and the erosion in value of fiat currencies (government-issued money with value based on trust, not backed by a physical commodity) as a result of inflation.

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## KEY RISKS

It is important that investors are aware of the various risks prior to making an investment decision. The primary risks of the fund have been outlined below:

**Bond risk:** In stressed conditions bonds may become harder to sell in a timely manner, resulting in unpredictable changes in the value of your holdings.

**Emerging markets risk:** Emerging markets may face more political, economic or structural challenges than developed markets. Shares may also be less liquid, meaning investments may not be sold quickly enough to prevent or minimize a loss. As a result, investing in emerging markets may involve a higher risk than investing in developed markets.

**Alternatives risk:** The fund may invest in alternative assets that are difficult to sell quickly, challenging to value, and subject to higher fees. These assets may also contribute to greater price volatility compared to traditional assets such as equities, fixed income and cash. Such conditions could lead to unpredictable changes in the value of your holdings.

**Derivatives risk:** Derivatives are financial instruments whose value is linked to the expected future price movements of an underlying asset. Derivatives such as futures, forward contracts, options, and swaps may be used to seek to manage risk within the fund, reduce investment costs and generate additional income. However, these strategies may not be successful and could lead to losses greater than the cost of the derivative.

**Exchange Traded Funds (ETFs) risk:** ETFs are subject to market fluctuations and the risks of their underlying investments. They are also subject to management fees and other expenses.

**Operational risk:** Operational risks arising from failures or delays in processes and systems, or the failure of a third-party provider may affect the value of your investments. If compensation is required to due failures, payments may be delayed.

**Counterparty and settlement risk:** The fund could lose money if a counterparty with which it transacts with becomes unwilling or unable to repay money owed to the fund.

**Charges deducted from capital:** The fund has charges deducted from capital, which may reduce the potential for growth.

**More than 35% of scheme property in securities issued by governments and public bodies:** The fund may invest more than 35% in government or public securities issued by any single issuer listed in the Prospectus. Such exposure will be in line with the investment policy of the fund and in pursuit of the fund's objective. It is currently envisaged that the fund's exposure to such securities may be to those issued by the UK government, although this may vary and include securities issued by other governments and public issuers listed in the Prospectus.

Further details of the risks that apply to the fund can be found in the fund's Prospectus.

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## IMPORTANT INFORMATION

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The fund is managed by Sarasin Investment Funds Limited (the "Authorised Corporate Director/ACD"), which is authorised and regulated by the Financial Conduct Authority (FRN: 122244). The ACD has delegated its administration and registrar functions to Northern Trust Global Services SE, UK Branch. The ACD has appointed Sarasin & Partners LLP as the Investment Manager of the fund.

The fund may not be appropriate for investors who plan to withdraw their money within five years. Prospective investors should review the Prospectus carefully, including the section on 'Risk Factors', prior to making any final investment decisions. The Prospectus, the Key Investor Information Document for the relevant class, as well as the annual and half-yearly reports, are available in English free of charge via the relevant product pages on our website or upon request.

The fund may not be distributed to investors in jurisdictions where such distribution would be unlawful. The ACD reserves the right to reject any applications from investors outside of the jurisdictions where the fund is registered for sale. US Persons are not permitted to subscribe for shares in the fund.

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