

Navigating 2026: Signals That Matter for Investors

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Agenda

- **Assess key macro drivers and risks for 2026**
- **Identify emerging opportunities across asset classes**
- **Develop actionable portfolio positioning strategies**

Have you made any significant change to your SAA for 2026?

Increased equities vs bonds

Increased bonds vs equities

No significant change

Government spending is not stopping

They will have to run economies hot to inflate the debt away



Tackle inequality / cost of living



Improve security / defence



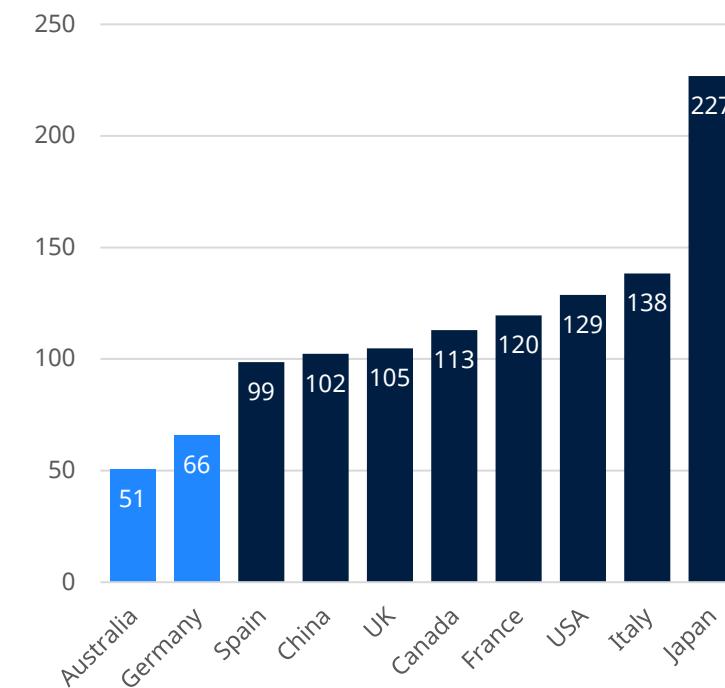
Fund energy transition



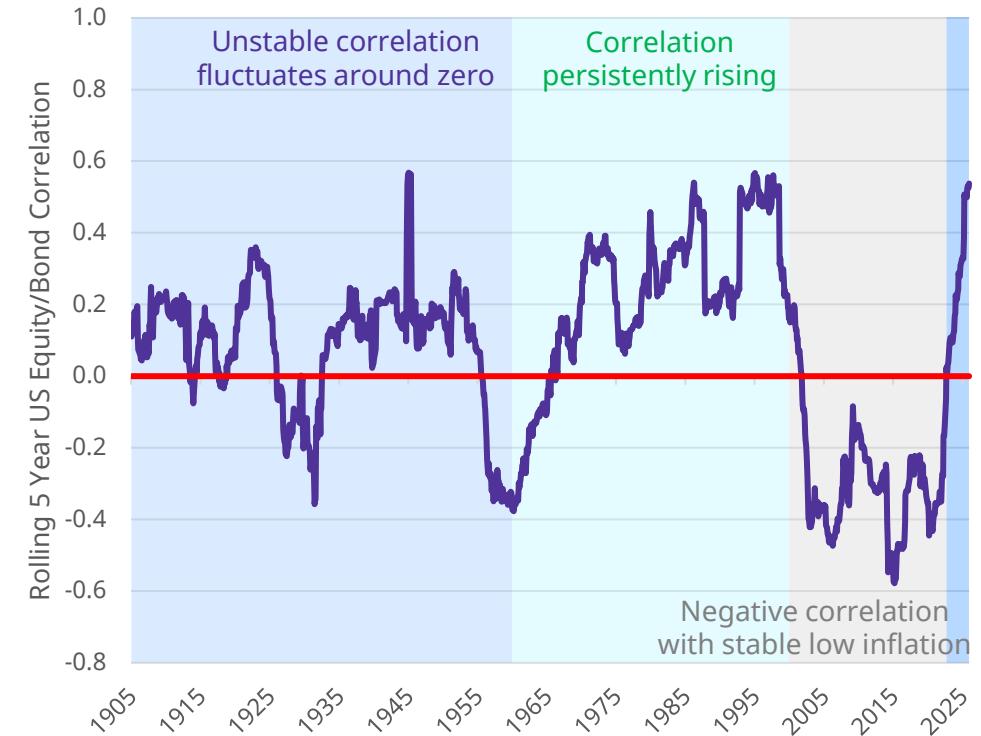
Demographics / aged care

Higher Government Debt Levels

Gross govt debt to GDP (%)



US Equity / Bond Correlation



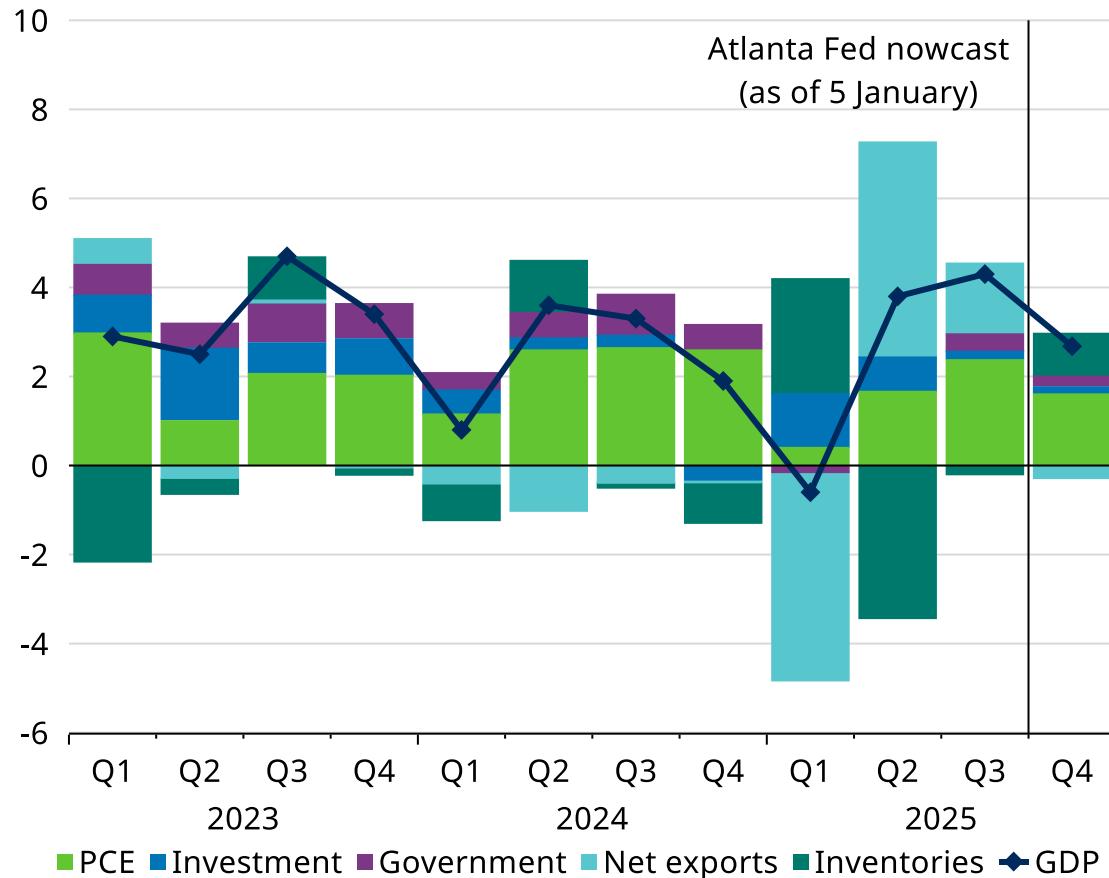
Requires more diversification and breadth, more dynamic asset allocation

Source: Schroders, LSEG, Morningstar. IMF forecast for 2026 debt to GDP from their World Economic Outlook in October 2025. Correlations as of 31 December 2025

US Growth

Solid household spending continues to underpin US growth

Contribution to GDP growth (% saar)



% y/y

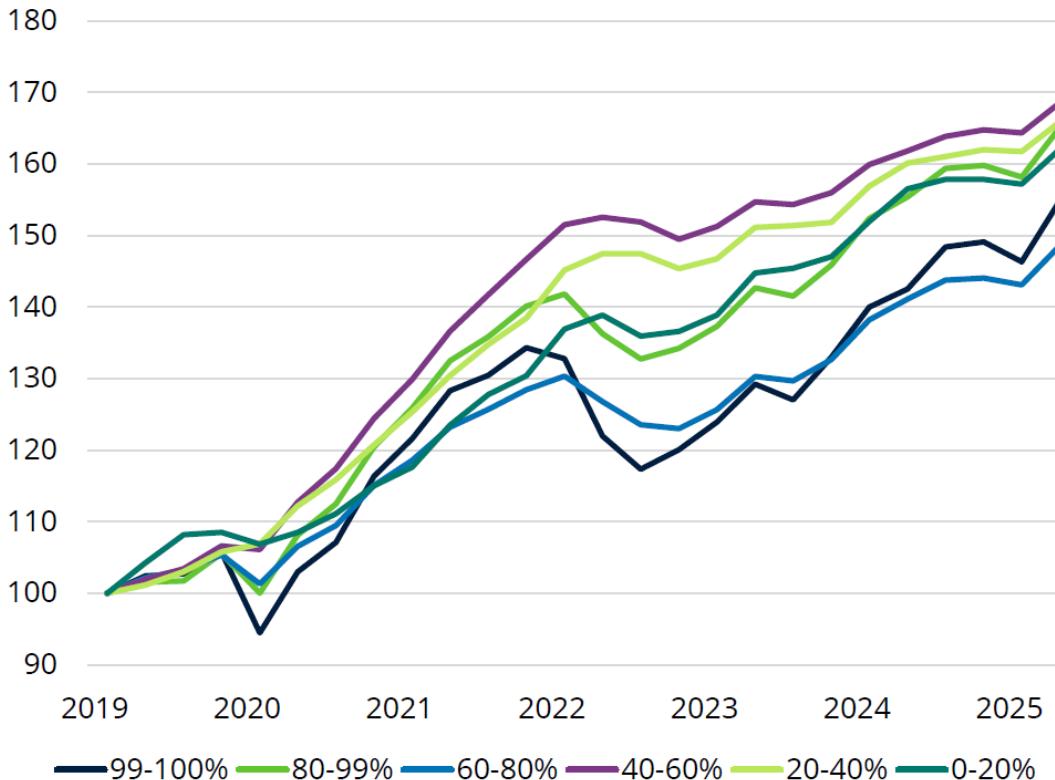


Source: Macrobond, Schroders Economics Group. 9 January 2026

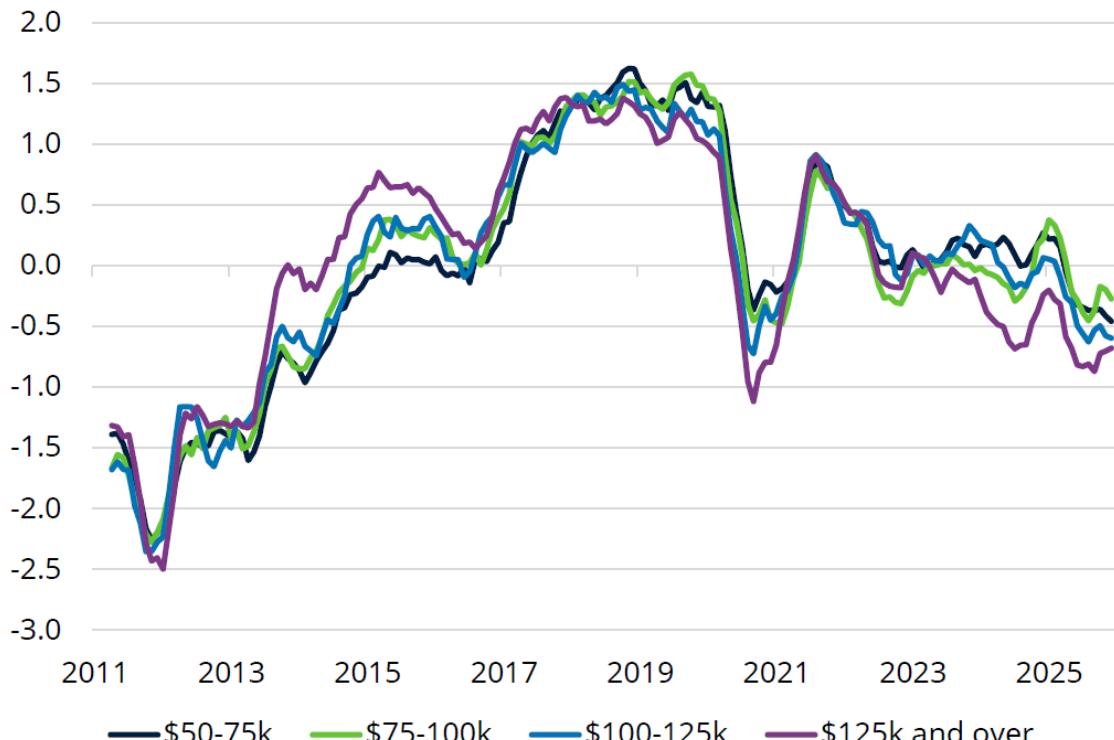
Is there really a K-shaped economy?

Lower-income balance sheets and confidence have not lagged behind

Household Wealth by Income Level, Q1 2019 = 100



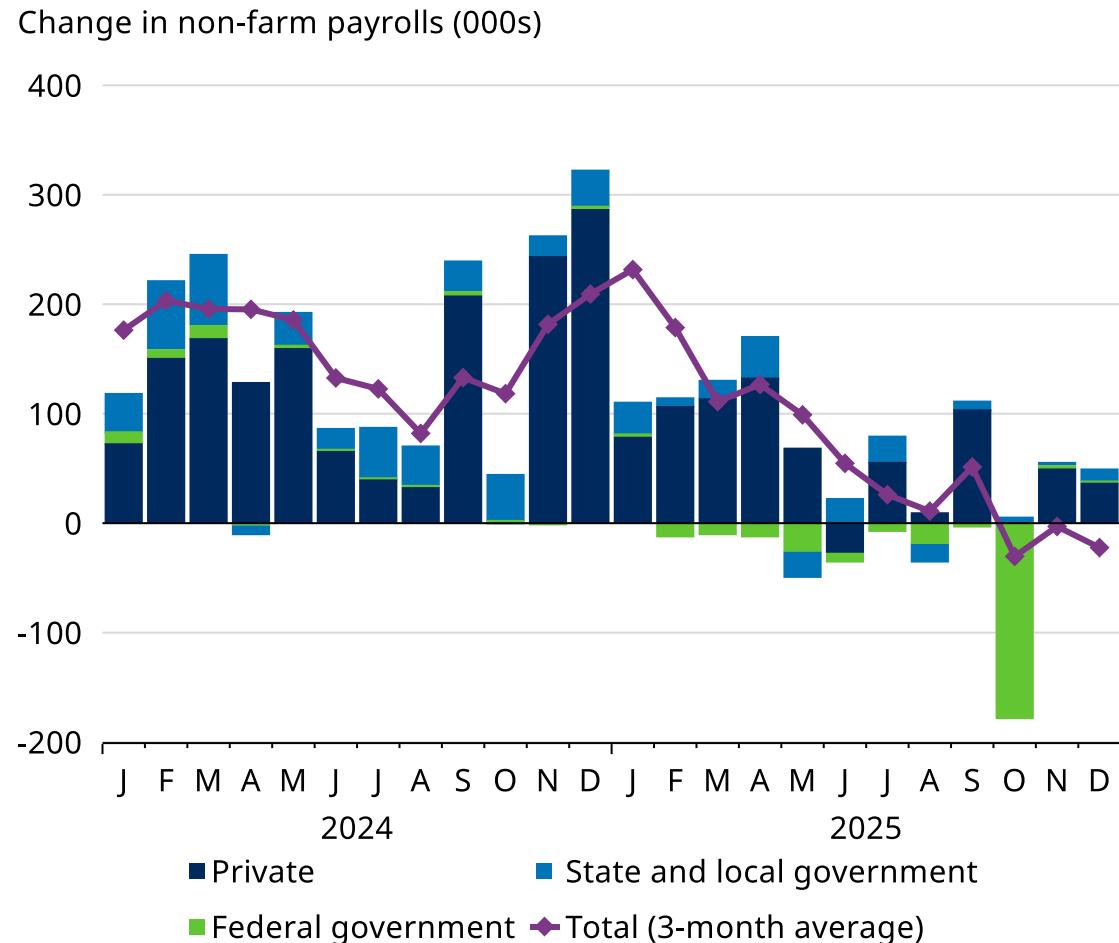
Conference Board Consumer Confidence by Income Level
(z-score, 6m Avg.)



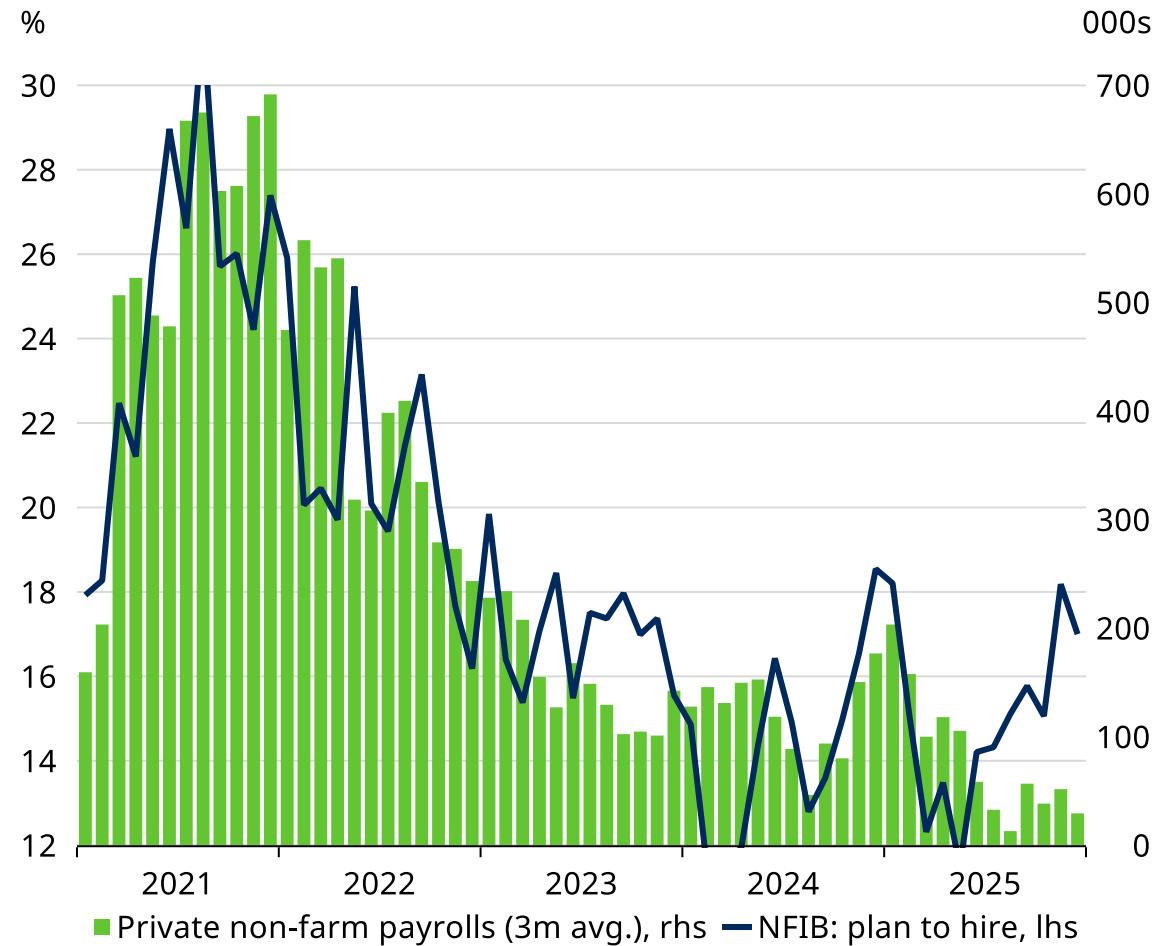
Source: Federal Reserve, LSEG Datastream, Schroders Economics Group. 5 January 2026.

Payrolls have slowed, but could be poised for a pick-up

NFIB survey has been pointing to a rebound



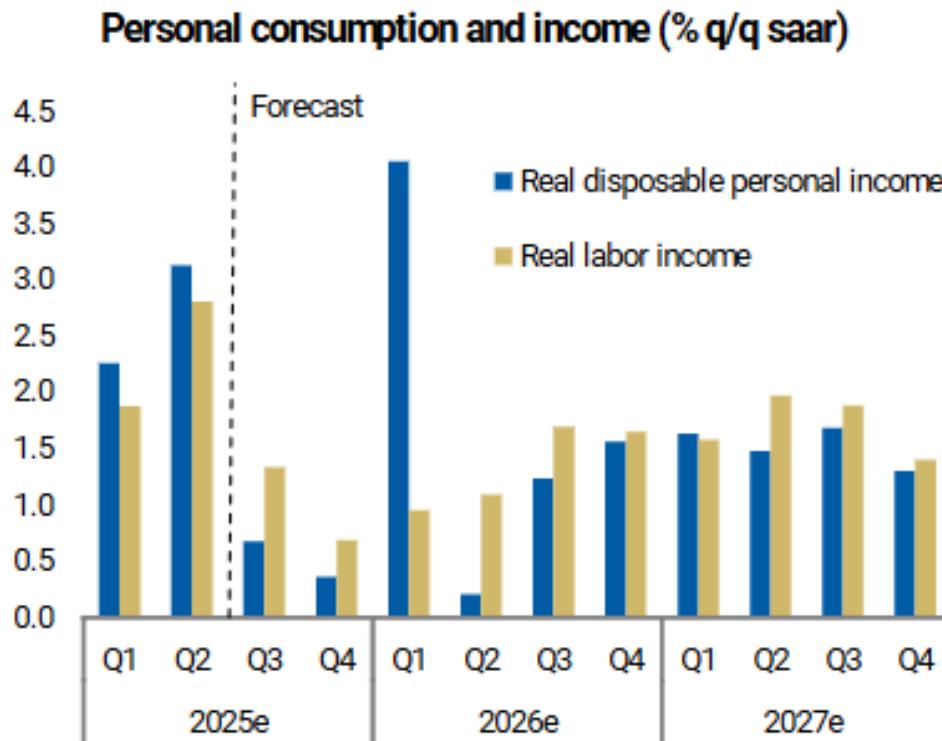
Source: Macrobond, Schroders Economics Group. 9 January 2026



US Fiscal Outlook

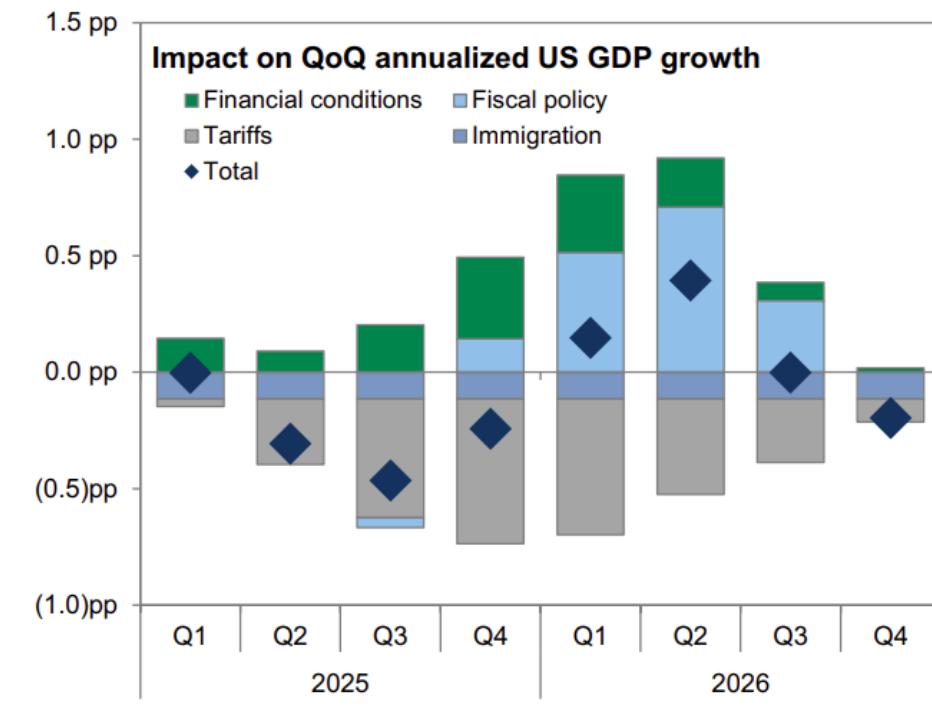
Positive impulse in first half of the year driven by OBBB

Disposable incomes to jump in Q1 driven by tax refunds



Fiscal policy to offset drag from tariffs

Exhibit 28: Goldman Sachs economists forecast positive impulses to 2026 GDP growth



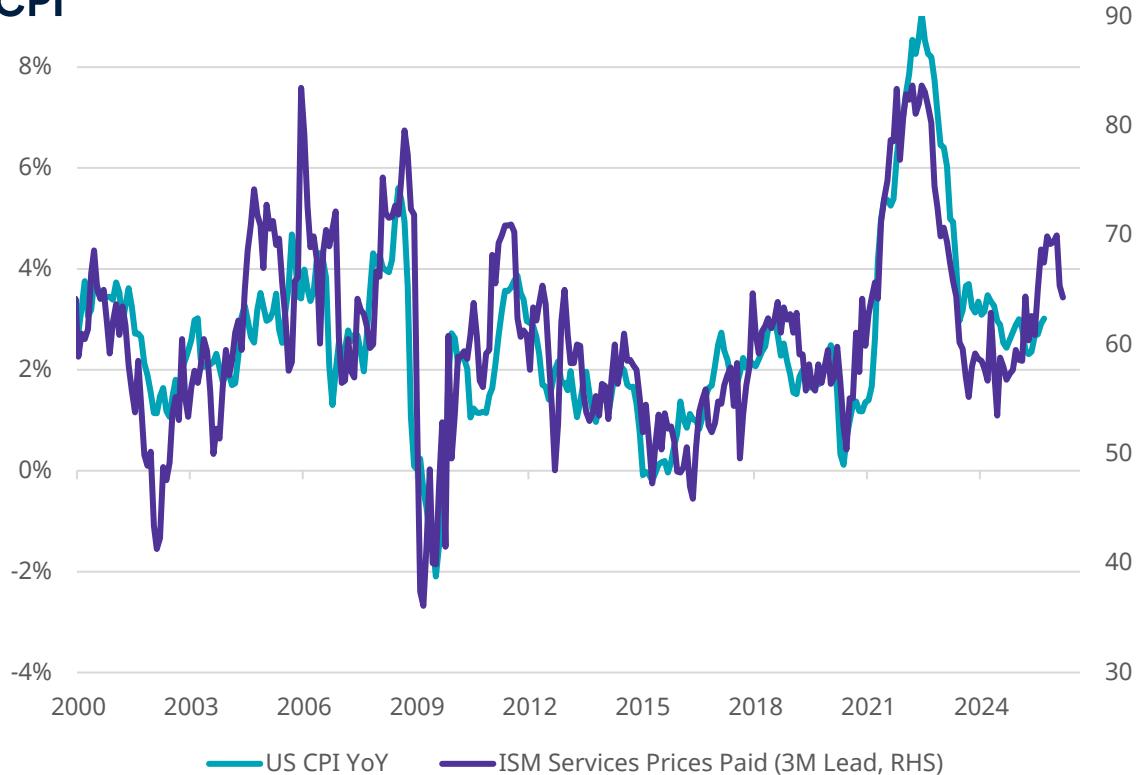
Source: Goldman Sachs Global Investment Research

Source: Morgan Stanley, Goldman Sachs

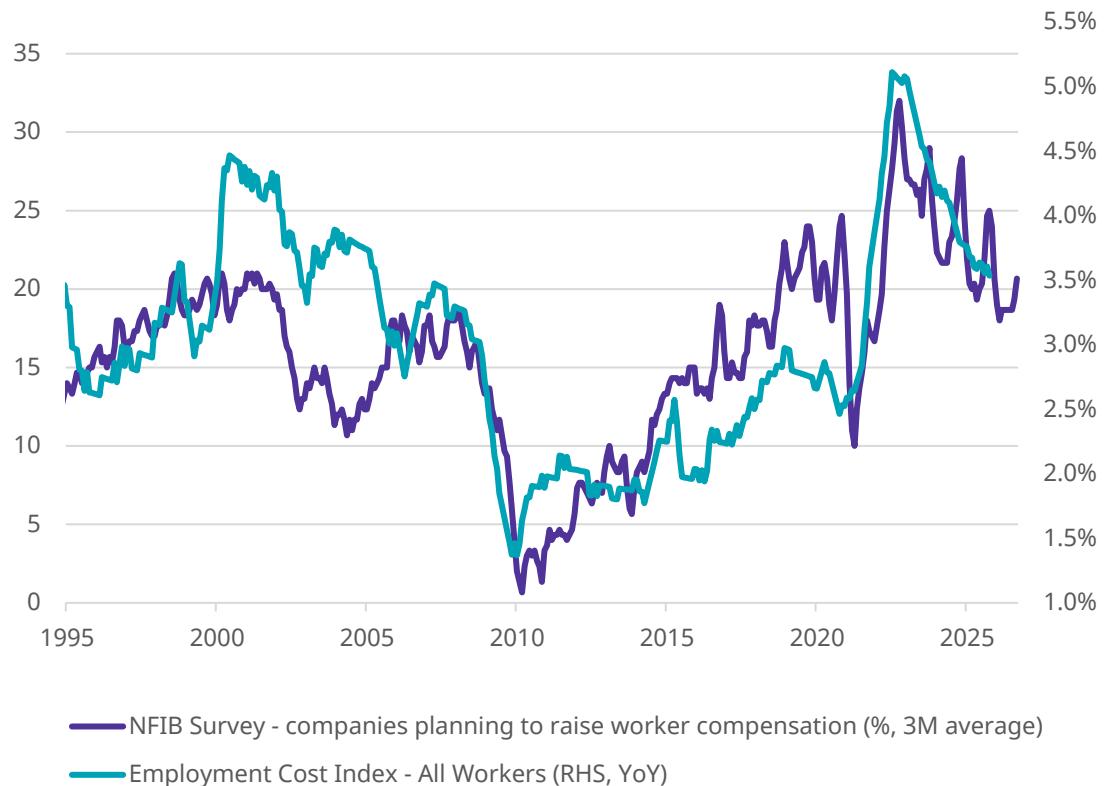
Inflation

Upside risks remain, wages to stabilise

Survey data moderating but still suggests upside risks to CPI



Wages growth to stabilise



Source: Schroders, LSEG

US recession risk is low

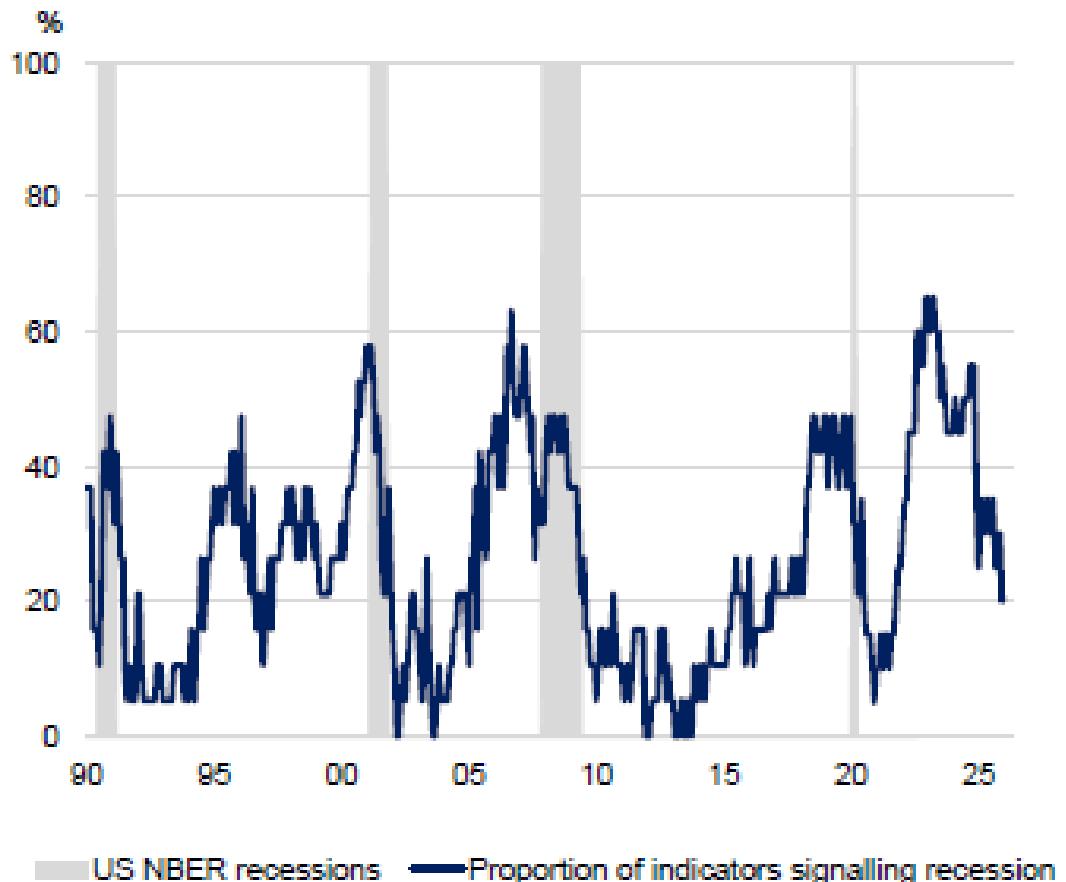
Only 20% of indicators have triggered

US Recession Dashboard

Indicator	Latest value	Sign	Critical threshold	Signalling recession yes (Y) or no (N)	Typical lead time in signalling recession (months)
Inflationary	Truck sales	0.3	>	0.4	N
	Output gap	1.4	>	1.0	Y
	Initial jobless claims	199.0	<	321.0	Y
	Capacity utilisation	76.0	>	81.4	N
	Unemployment gap	0.3	<	-0.4	N
	Commodity prices, y/y%	1.7	>	11.1	N
Monetary	Yield curve (10 year minus three-month Treasury bill)	0.6	<	0.4	N
	Fed funds rate, change over the last two years	-1.7	>	1.6	N
	Fed fund rate relative to cycle low	3.6	>	3.6	N
	Real money base, y/y%	-8.3	<	-0.7	Y
	Real narrow money supply, y/y%	1.6	<	-2.0	N
	Real broad money supply, y/y%	1.9	<	1.9	N
Near-term macro and financial markets	ISM new orders, six-month change, %	-0.4	<	-5.7	N
	Private house permits, y/y%	-12.0	<	-19.5	N
	S&P 500, six-month return, %	10.3	<	-6.0	N
	ISM new orders	47.4	<	48.8	Y
	VIX index	15.3	>	23.4	N
	Average weekly hours (manufacturing sector), y/y%	1.2	<	-1.0	N
Chicago Fed activity index		-0.2	<	-0.4	N
Consumer good orders, y/y%		-0.1	<	-3.3	N
Proportion of indicators signalling recession		20%			

Source: Schroders, 31 December 2025.

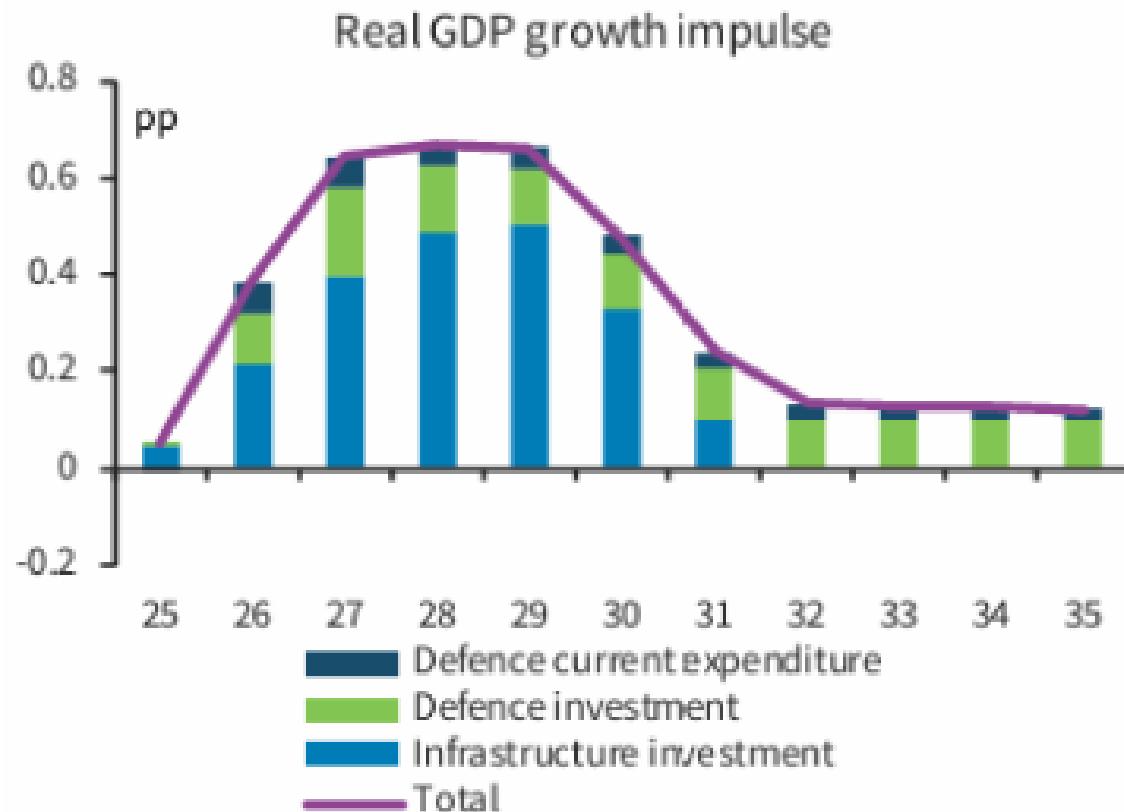
Proportion of indicators signalling recession



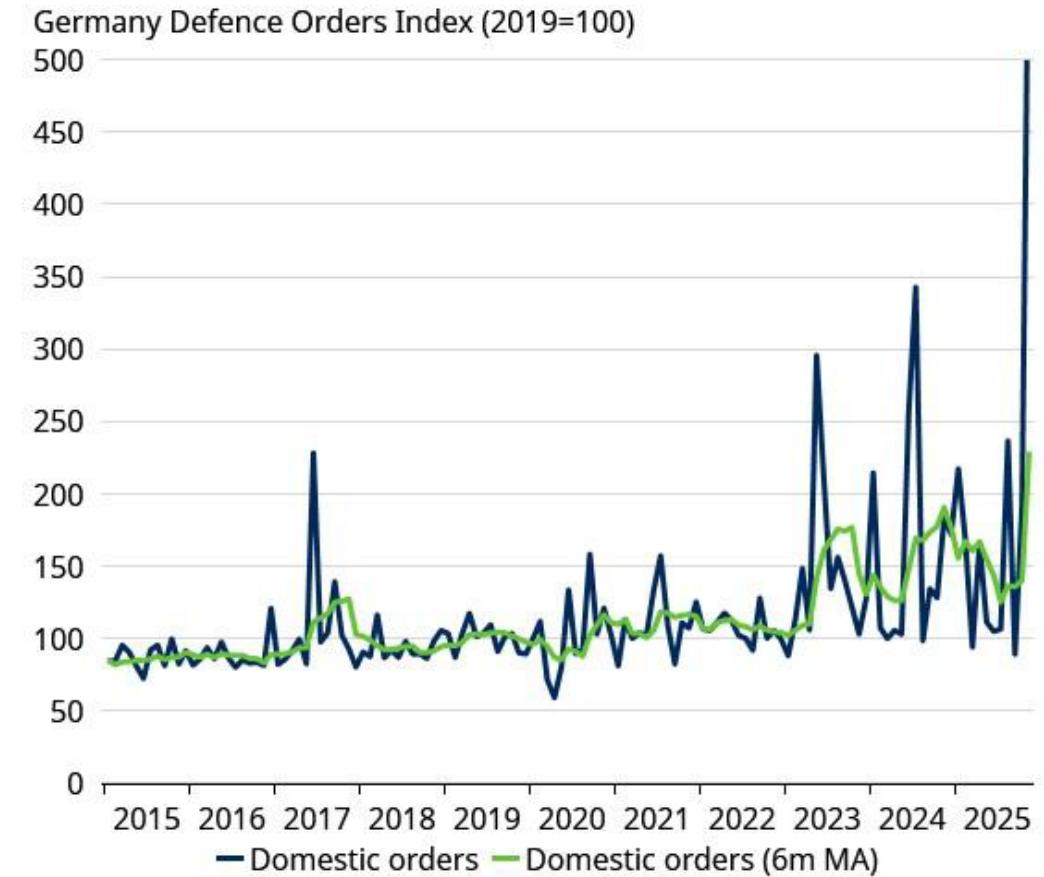
Structural shift in European fiscal policy?

German defense orders surge

Fiscal impulse improving from 2026 onwards



Eurozone – debt to GDP lower, while savings higher

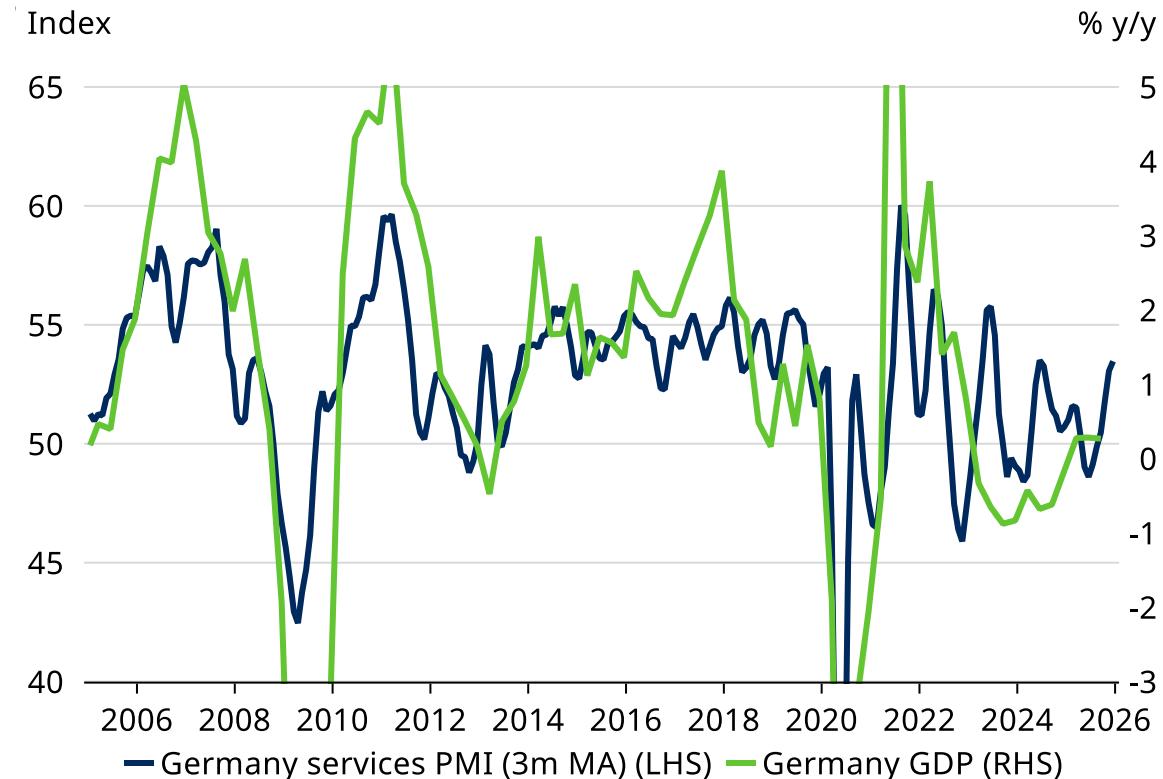


Source: LHS LSEG Datastream, Federal Ministry of Finance, Schroders Economics Group, 26 September 2025. RHS Macrobond, Schroders Economics Group, 15 January 2026.

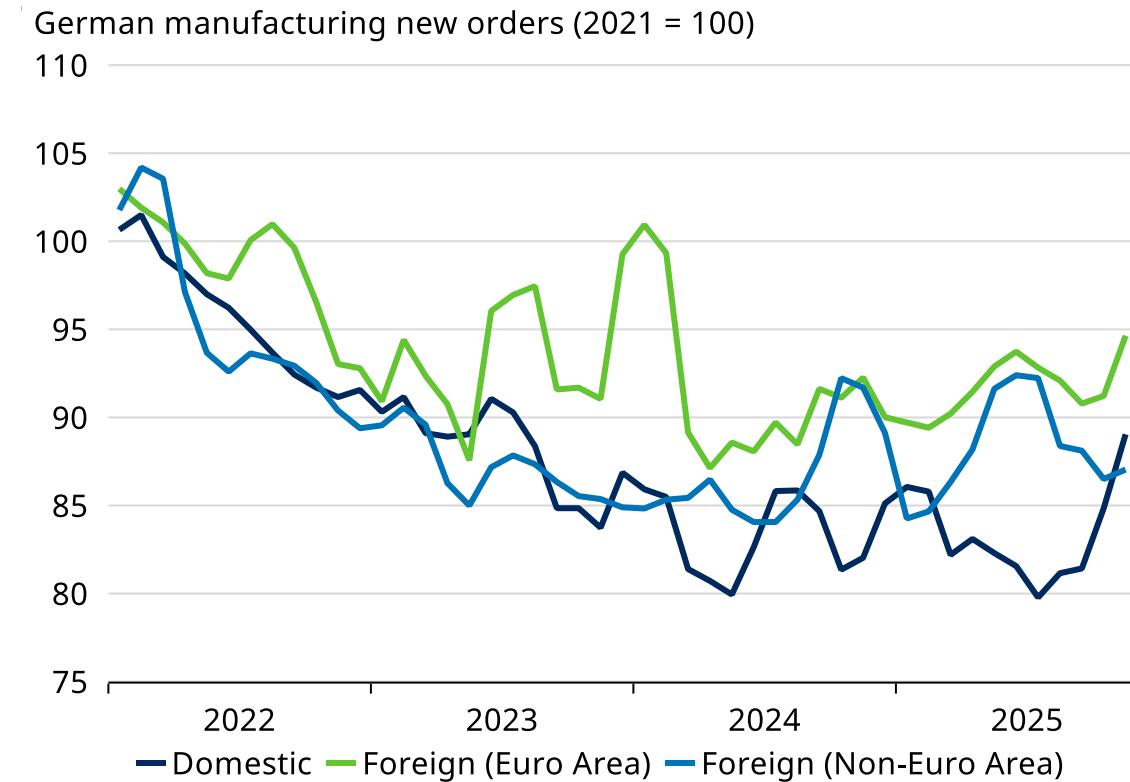
Germany: early signs of stabilisation

Is fiscal stimulus starting to show results?

Strong momentum in services to lead Germany's



Manufacturing recovery driven by improving domestic

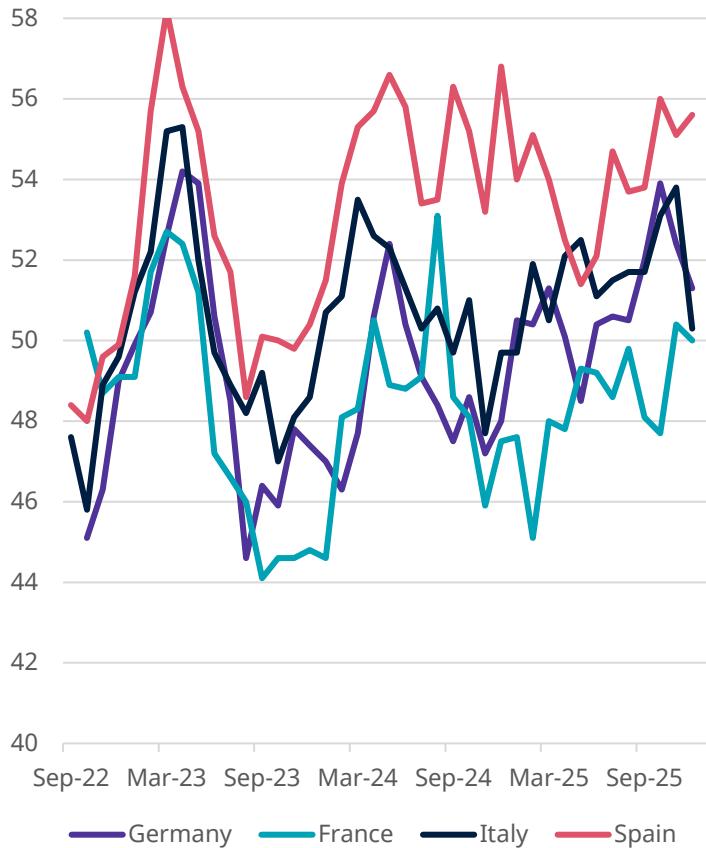


Source: Macrobond, Schroders Economics Group, 12 January 2026. For illustrative purposes only.

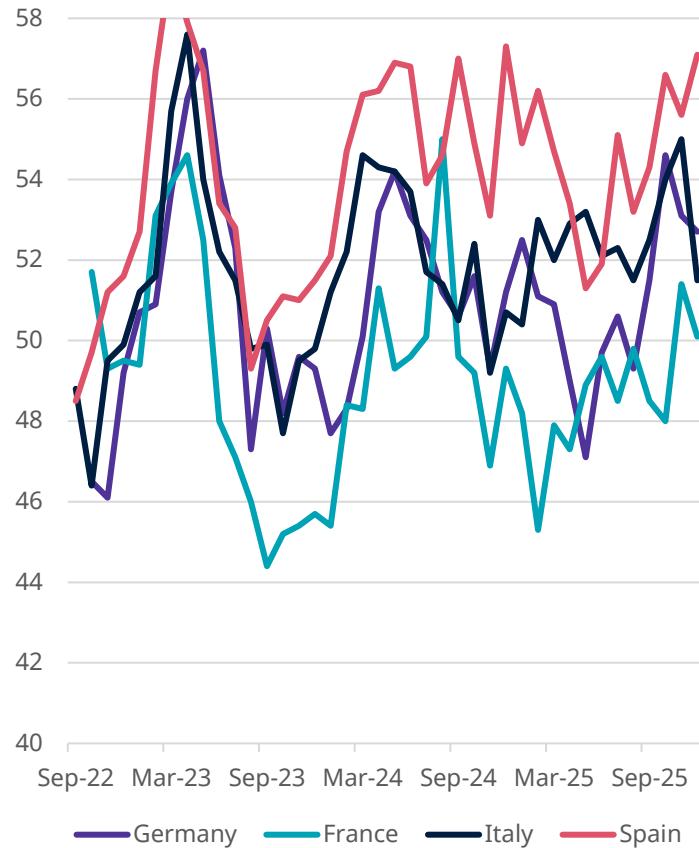
Eurozone

PMI breakdown – Spain the standout, Italy pulling back

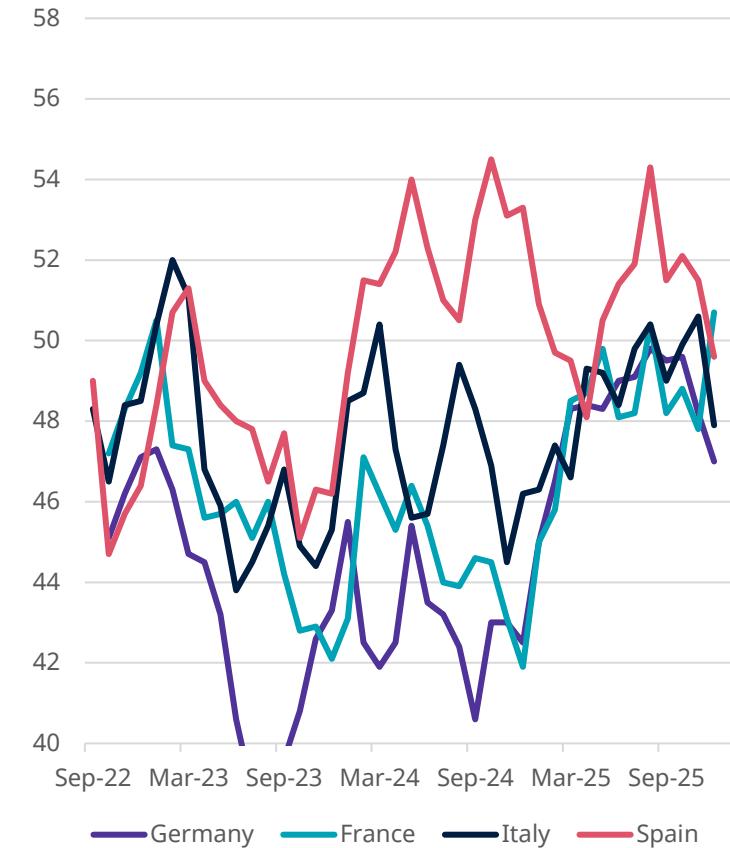
Composite



Services



Manufacturing

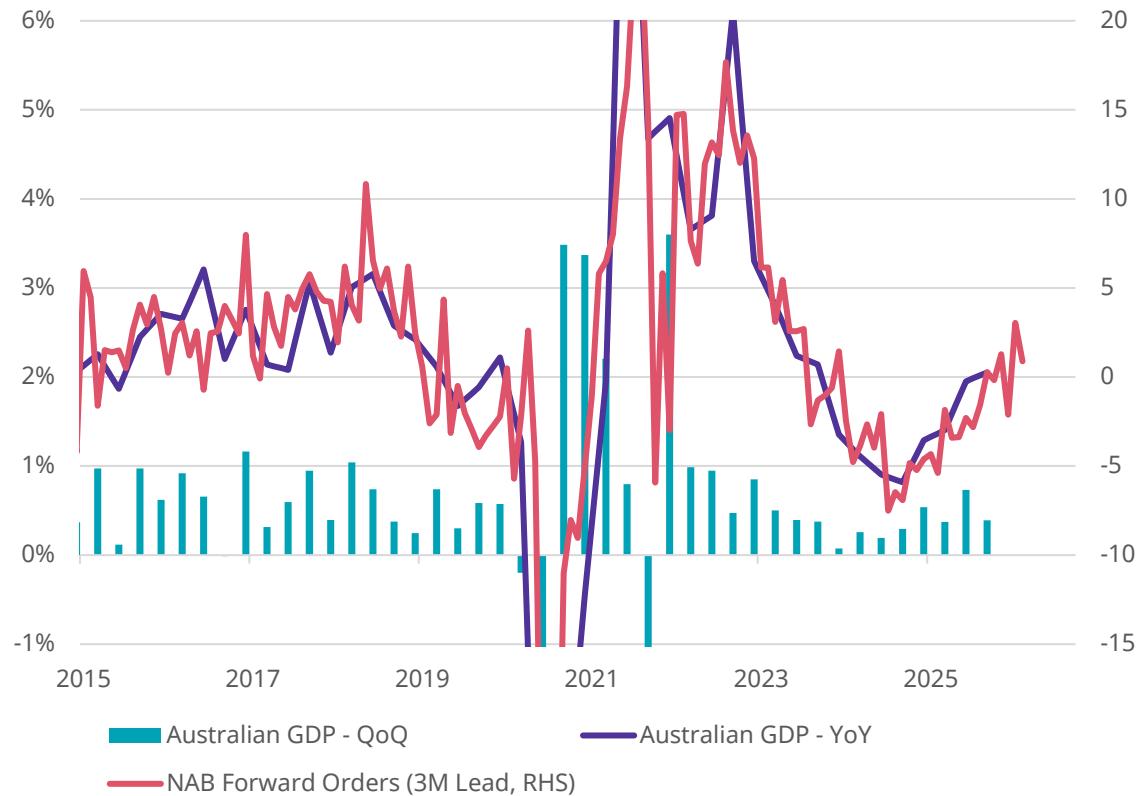


Source: Schroders, LSEG

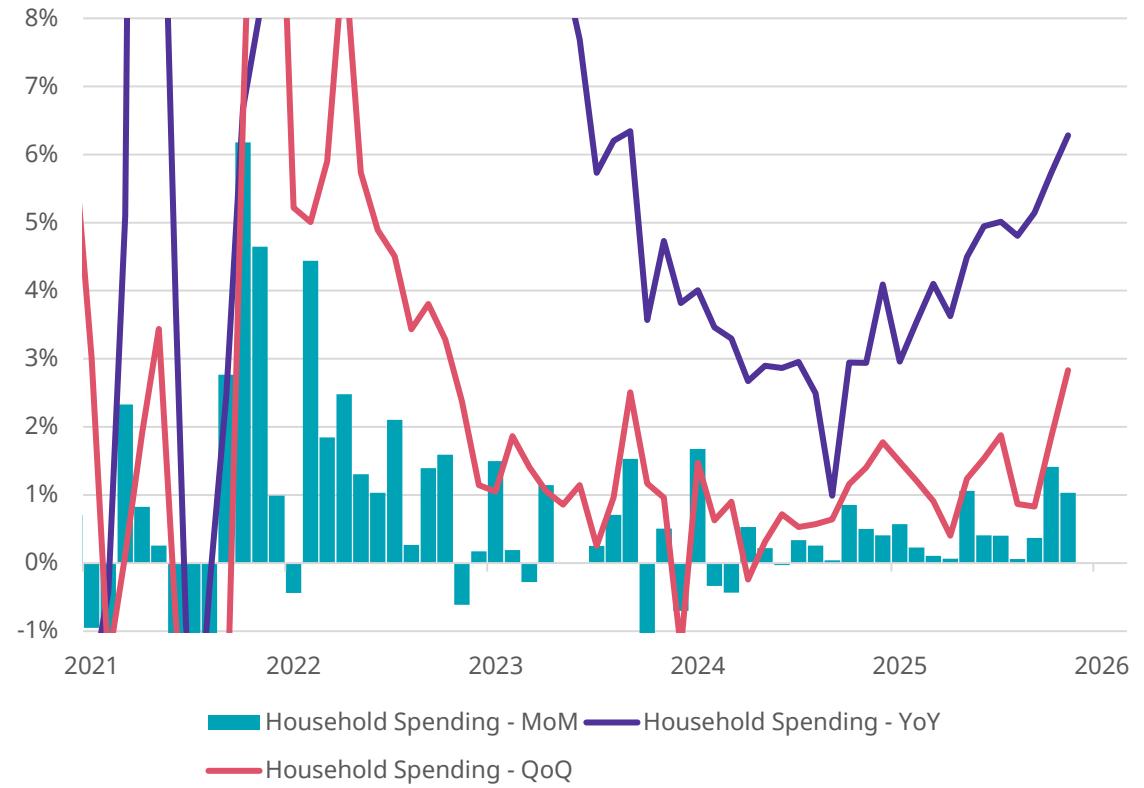
Australia

Growth is trending higher, consumer spending remains firm

Growth – picking up, with scope for further improvement



Household spending is re-accelerating

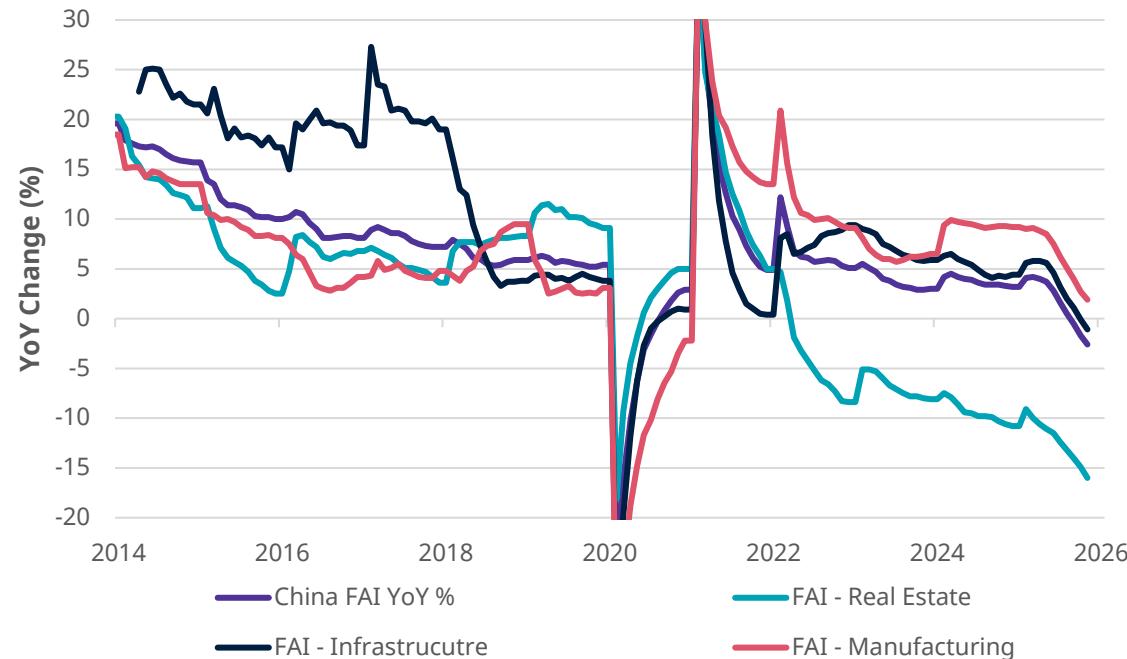


Source: Schroders, LSEG

China

FAI continues to weaken

Fixed Asset Investment - YoY weak

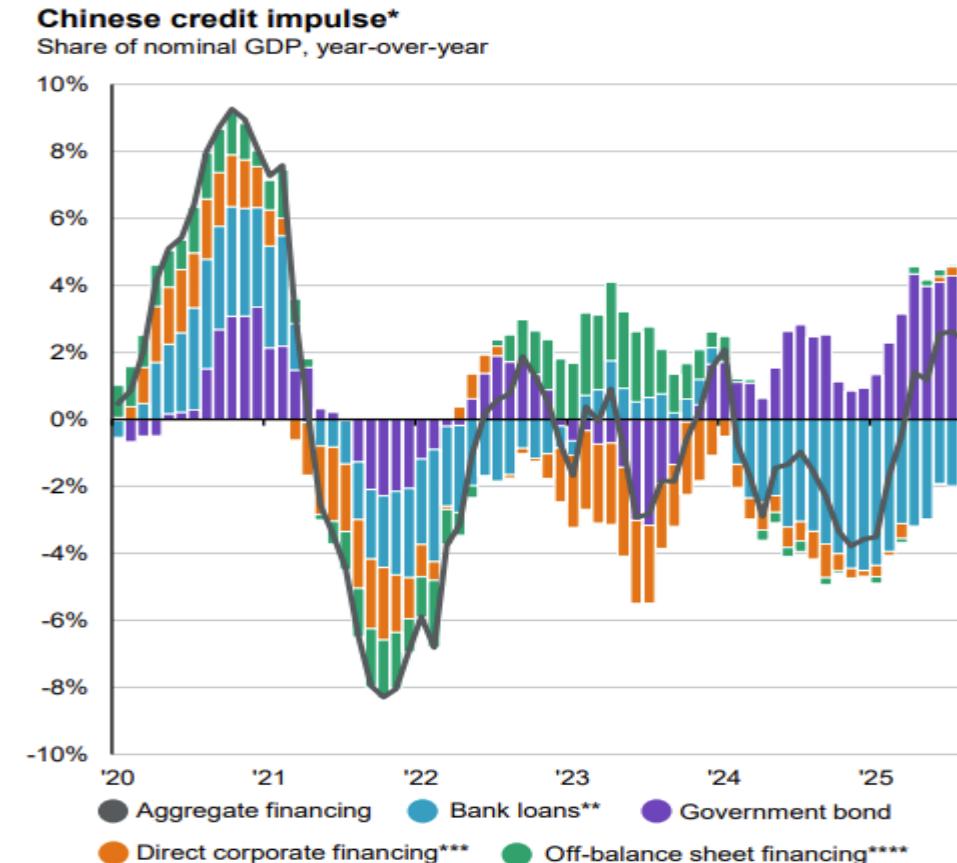


DBS Q4 GDP Nowcast: 4.5% (vs 4.5% last month)

DBS GDP Nowcast for China incorporates industrial production, loans, exports, fixed asset investment, non-oil imports, retail sales etc

Source: DBS, Morgan Stanley, JPMorgan, LSEG, Schroders

Credit Impulse still driven by government bond issuance



How have you adjusted your equity allocation for 2026?

Reduced US exposure and diversified internationally

Increased US exposure

Maintained current allocation

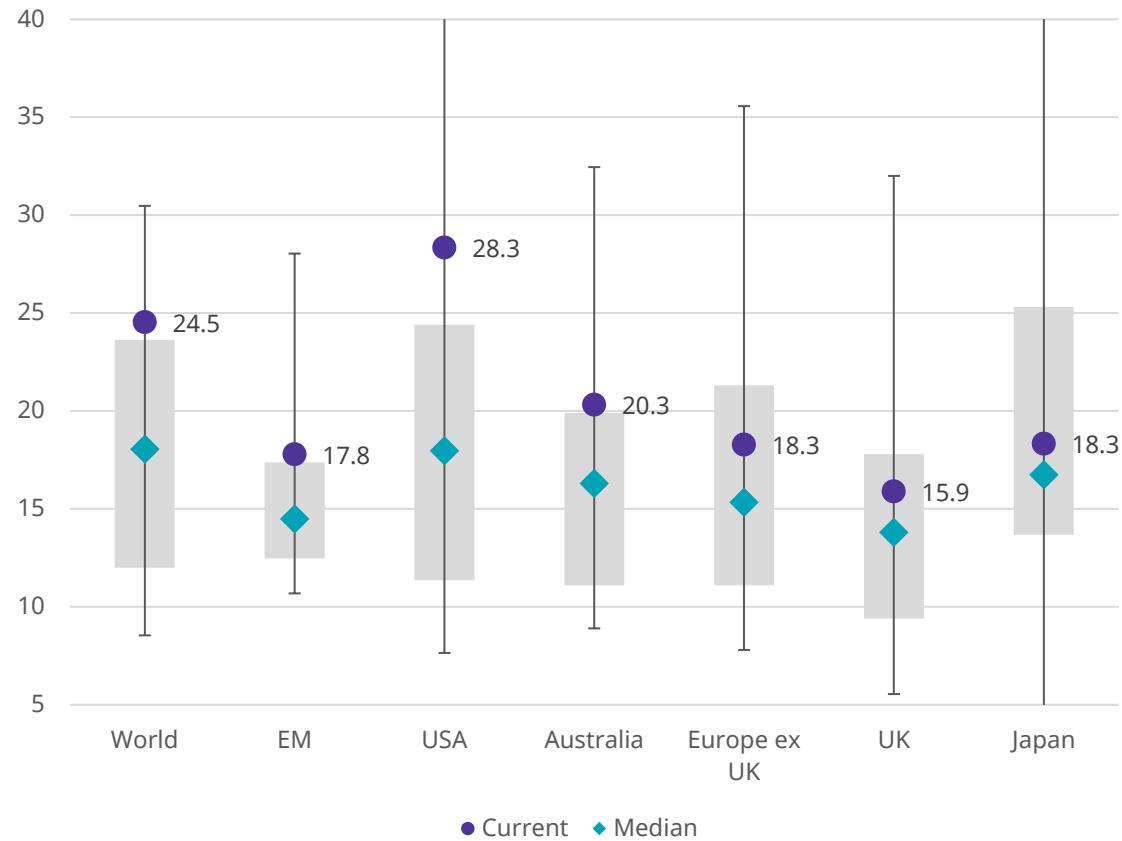
Remain positive on equities



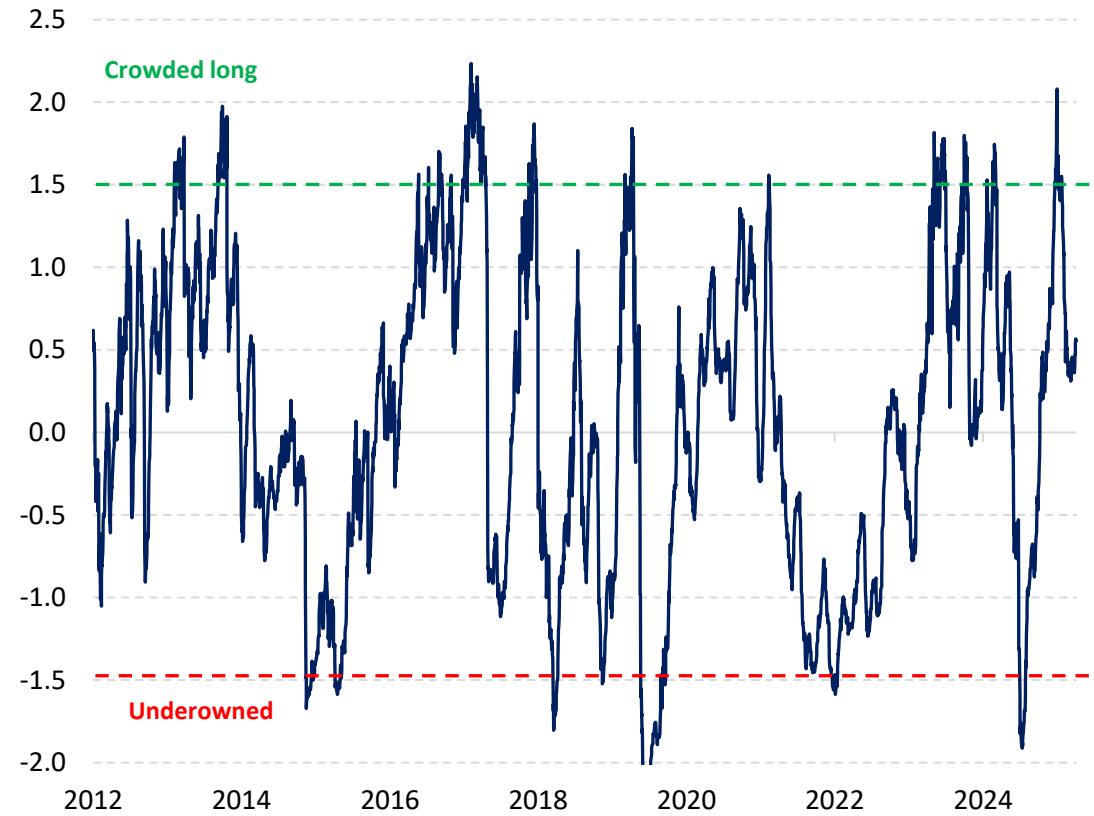
Equities

US equities remain expensive, but positioning has returned to more normal levels

P/E Ratio vs historical range



US Equity position (z-score)



Source: Schroders, MSCI, LSEG, VandaxAsset. P/E ratio is estimated as at 12 January 2026. RHS is to 12 January 2026.

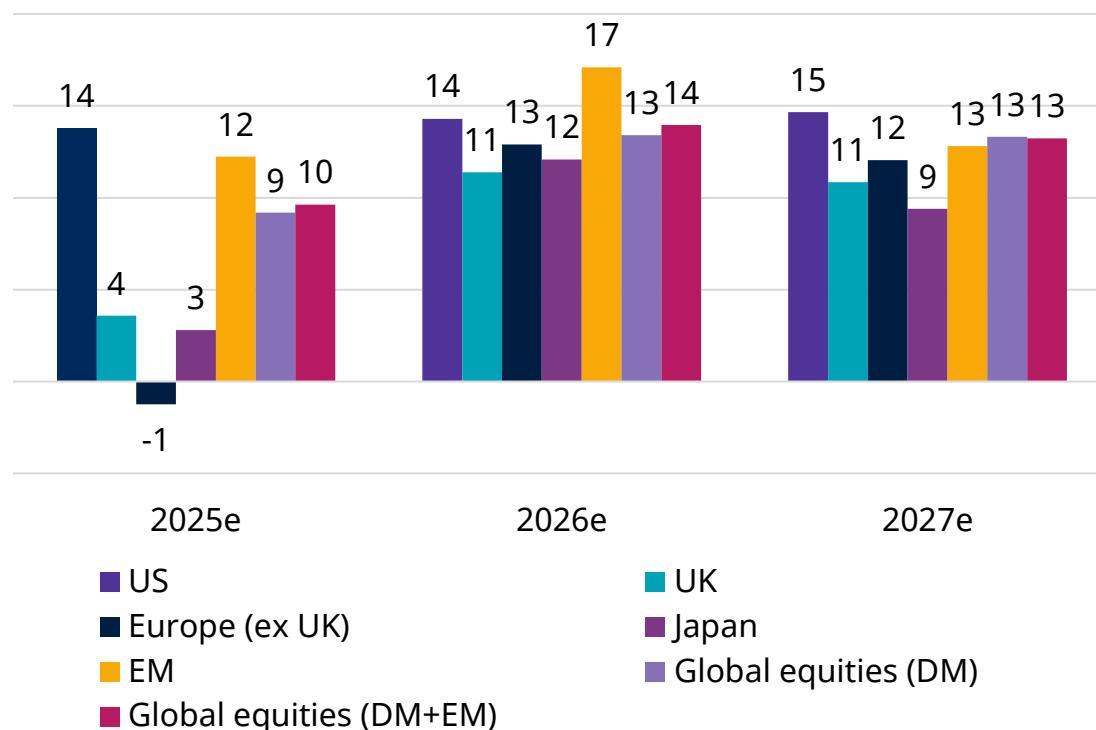
Earnings momentum remains a tailwind for Equities

Constructive earnings expectations paint a supportive backdrop

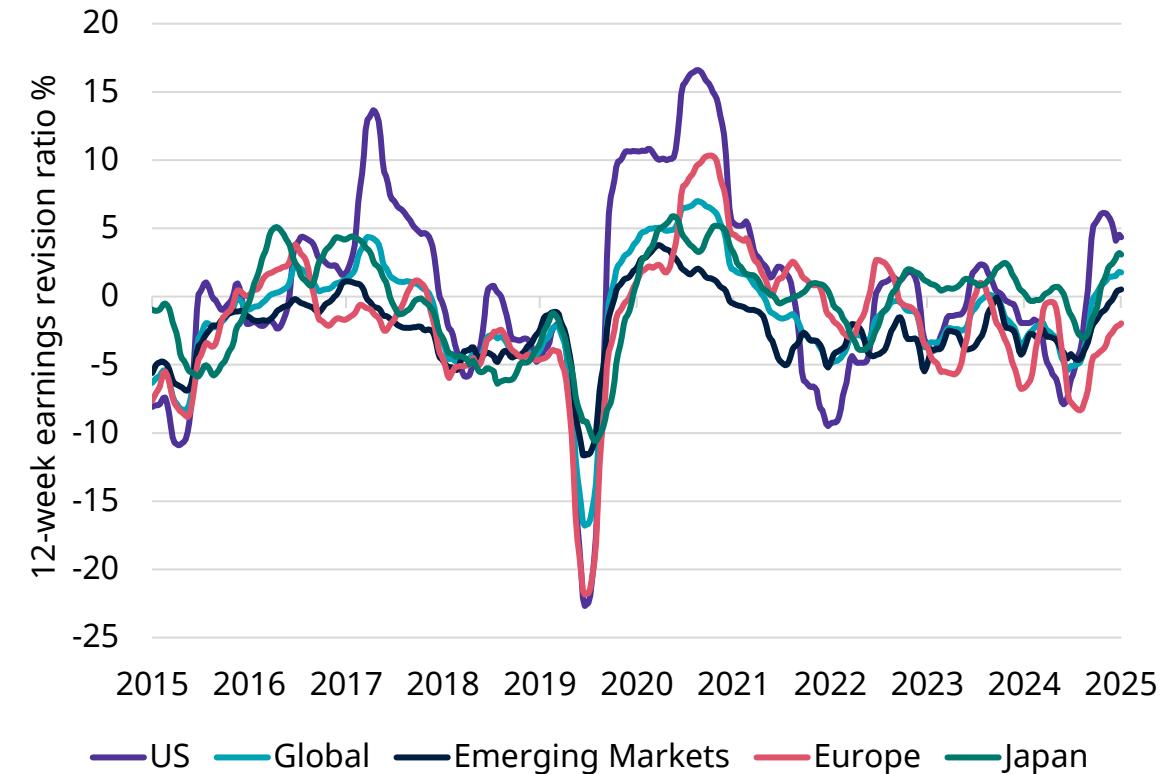


Earnings growth outlook strengthens in the coming years

Corporate earnings: consensus YoY EPS growth forecasts, %



Accelerating earnings revisions outside of the US



Source: Schroders, Macrobond, Refinitiv Datastream, IBES, Bloomberg, 11 November 2025. (LHS) Lookback periods starting from: US (1993), Europe (1999), UK (1993), Japan (1994), China (2005).

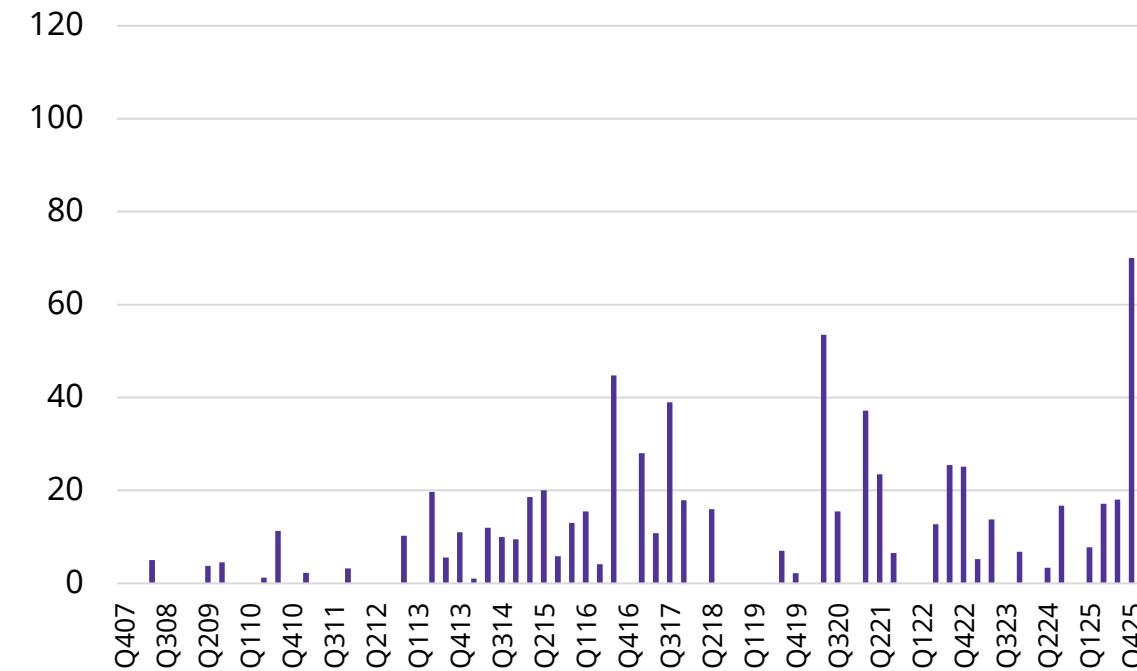
Big Tech's debt surge – Are we in an AI bubble?

Systemic stress yet to appear



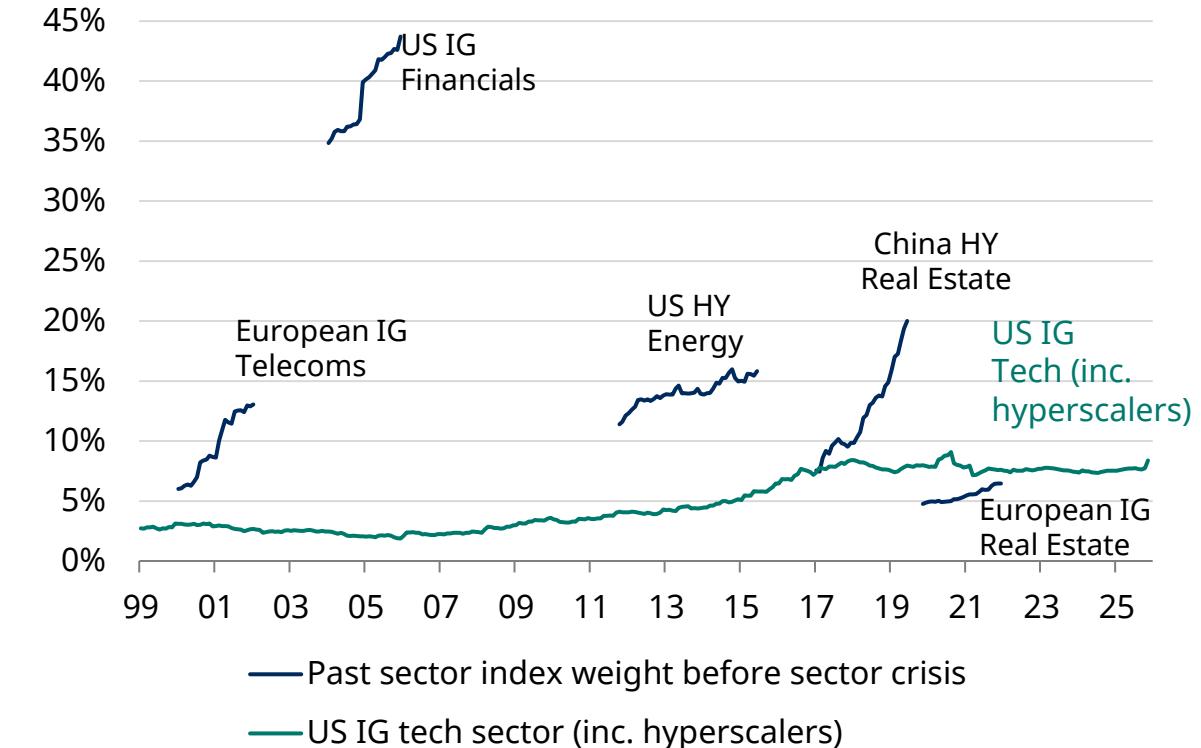
Big tech firms are loading up on debt

Big Tech quarterly issuance volumes, \$bn



But building of fundamental fragility will take some time

% of respective index



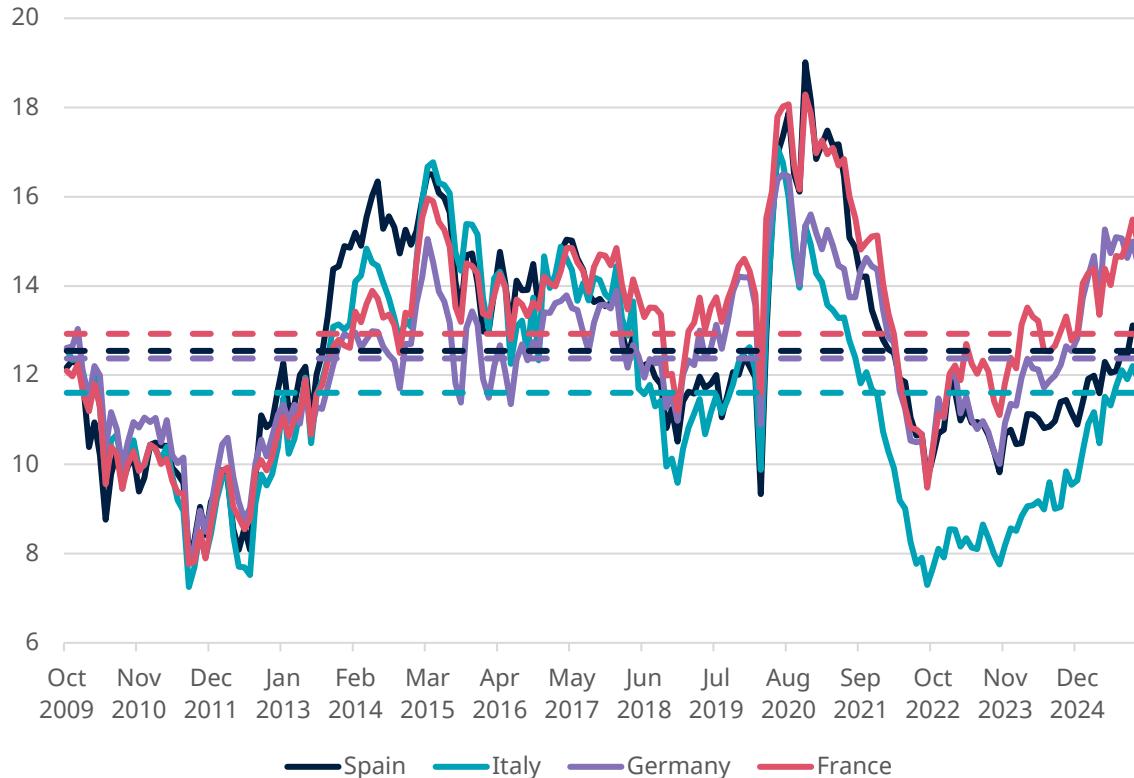
Source: Schroders, Refinitiv Datastream, ICE Data Indices. (LHS) Totals include USD and non-USD corporate bonds, as well as floating rate securities. As at 10 December 2025. (RHS) As at 30 November 2025. Includes Amazon, Alphabet and Meta, which are not in the technology sector. Past performance is not a guide to future performance and may not be repeated. For illustrative purposes only and should not be viewed as recommendation to buy or sell.

EU Equities- The 'PIIGS' are flying!

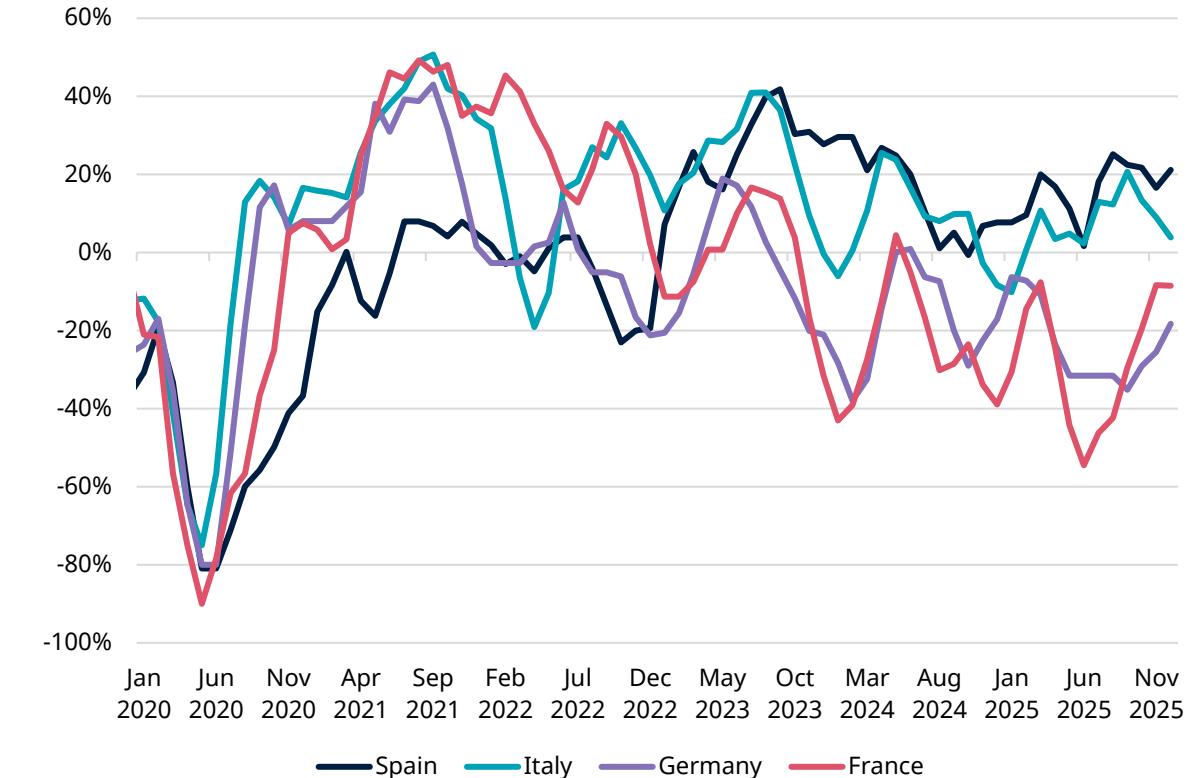
Neutral on EU more broadly, but long Spain and Italy



Forward P/E Ratio



Earnings Revisions Ratio (3-month average)



ECB has cut rates significantly, plus fiscal policy will support the Eurozone

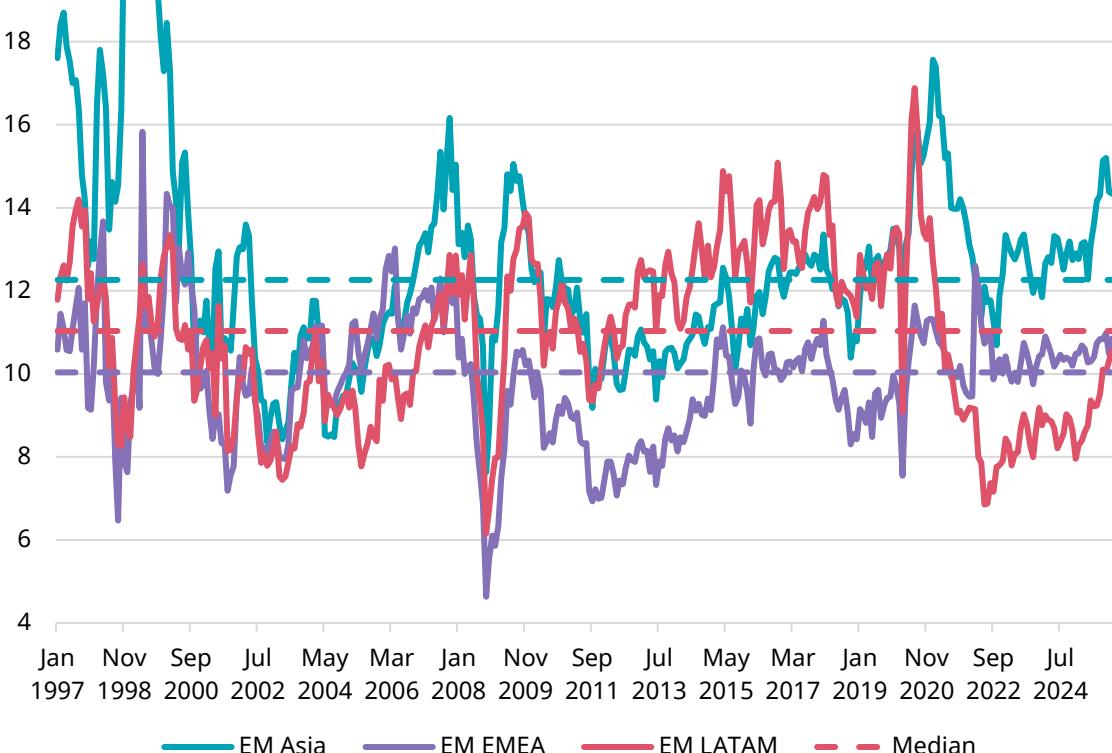
Source: Schroders, Refinitiv, December 31st 2025. PIIGS stands for Portugal, Italy, Ireland, Greece and Spain, a famous acronym from the Euro Crisis in 2013.

Like EM Equities, in particularly LATAM

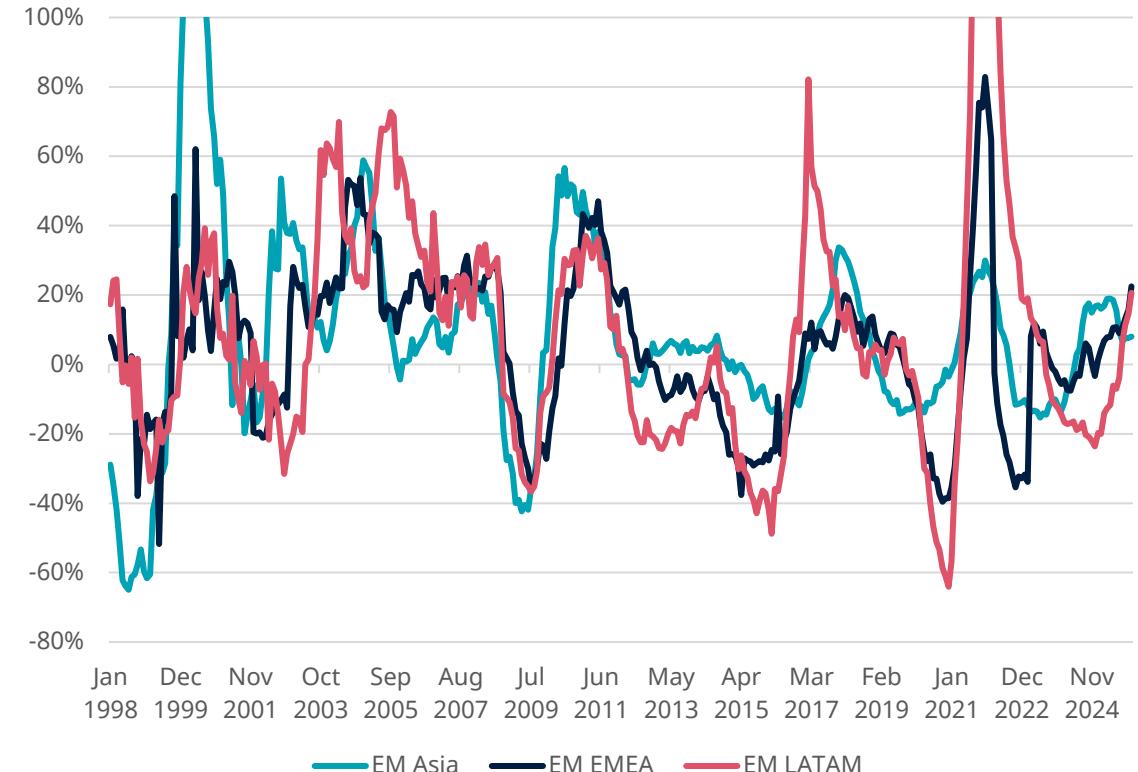
Cheaper valuations and improving earnings



Forward P/E Ratio



12-Month Trailing EPS Growth

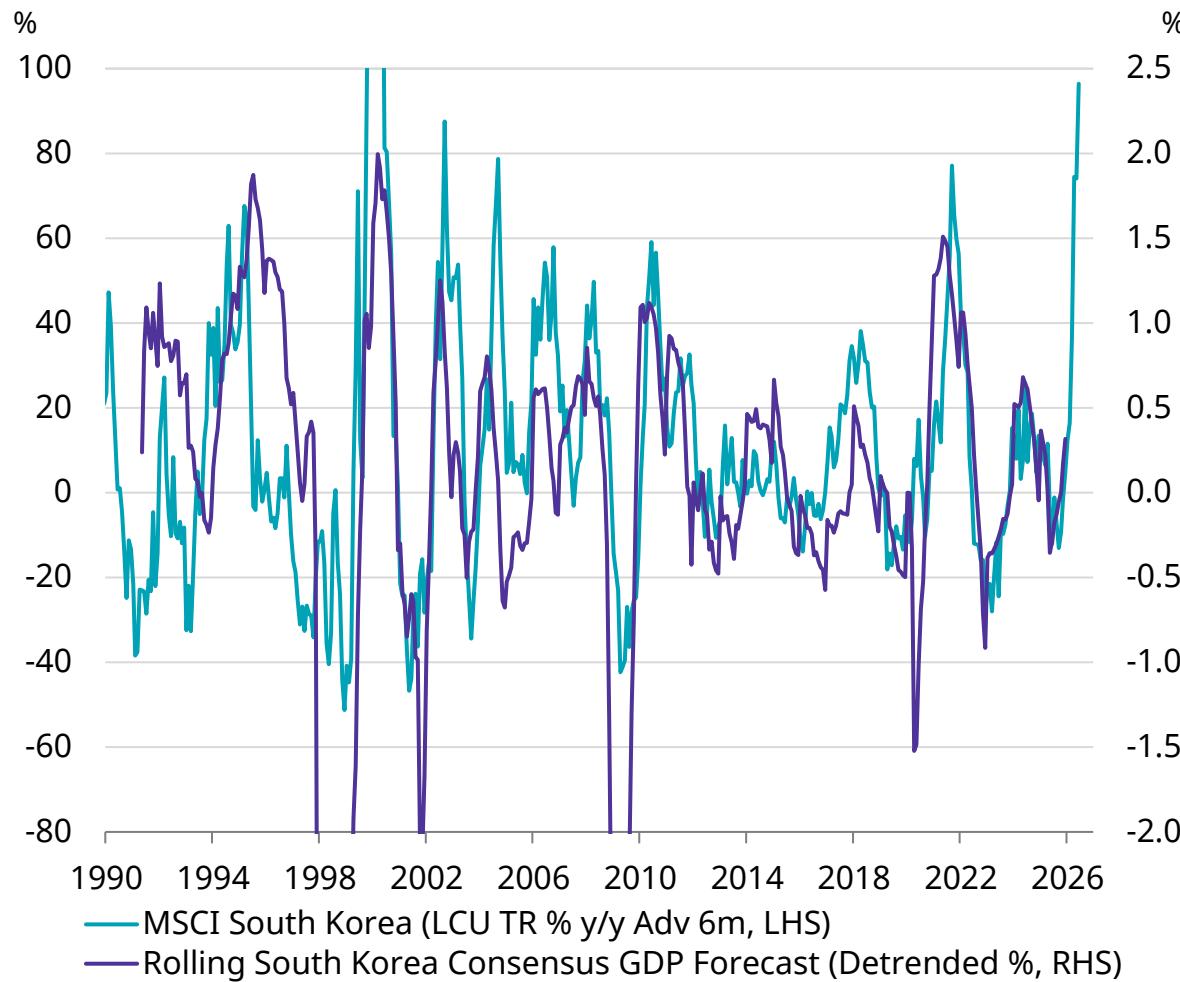


Weaker USD and further Fed rate cuts support EM more broadly

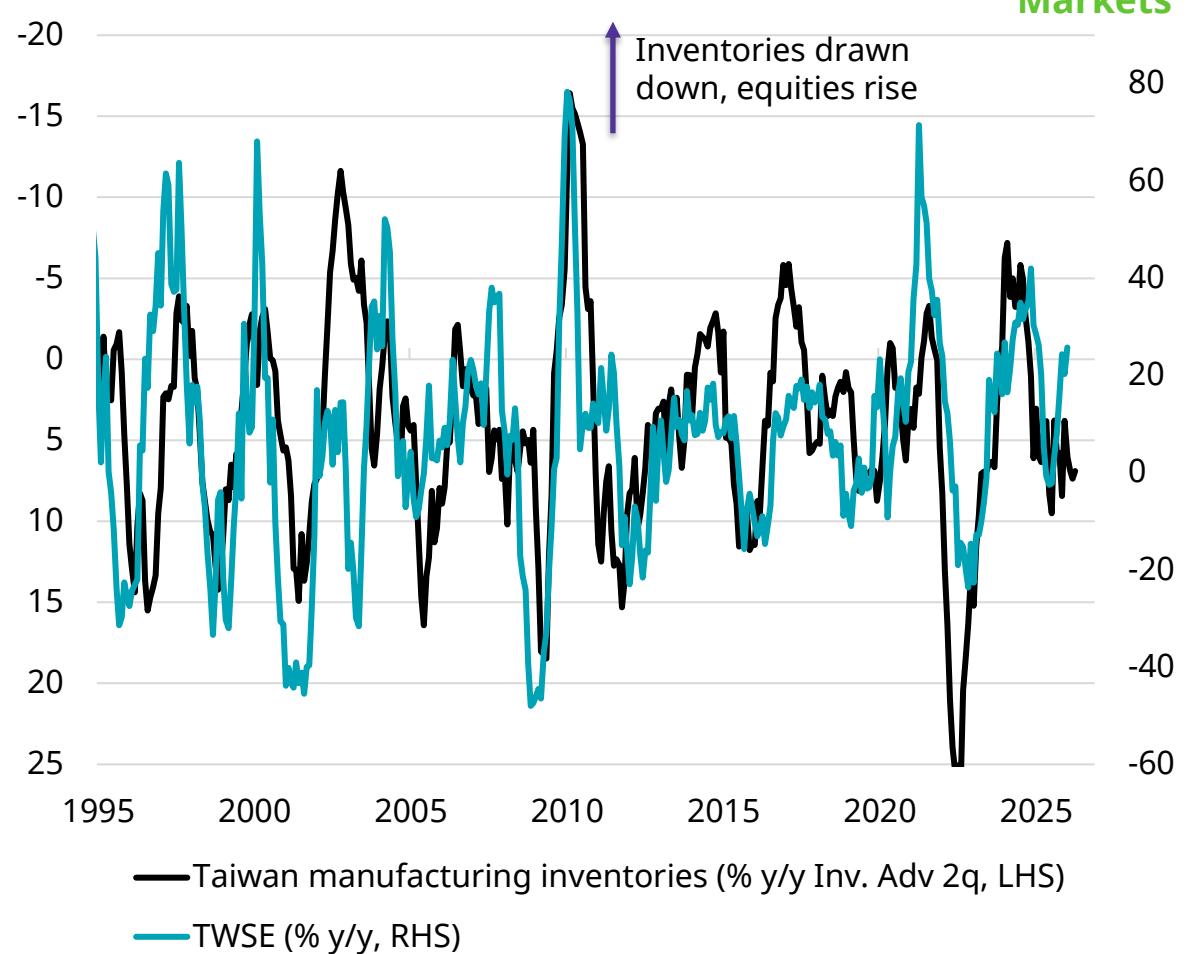
Source: Schroders, Refinitiv, December 31st 2025.

There are some signs of froth in the EM tech story

Swedish PMI is up, US inventory indicator rebounded strongly



Source: LSEG Datastream, Schroders Economic Group. 5 January 2026.

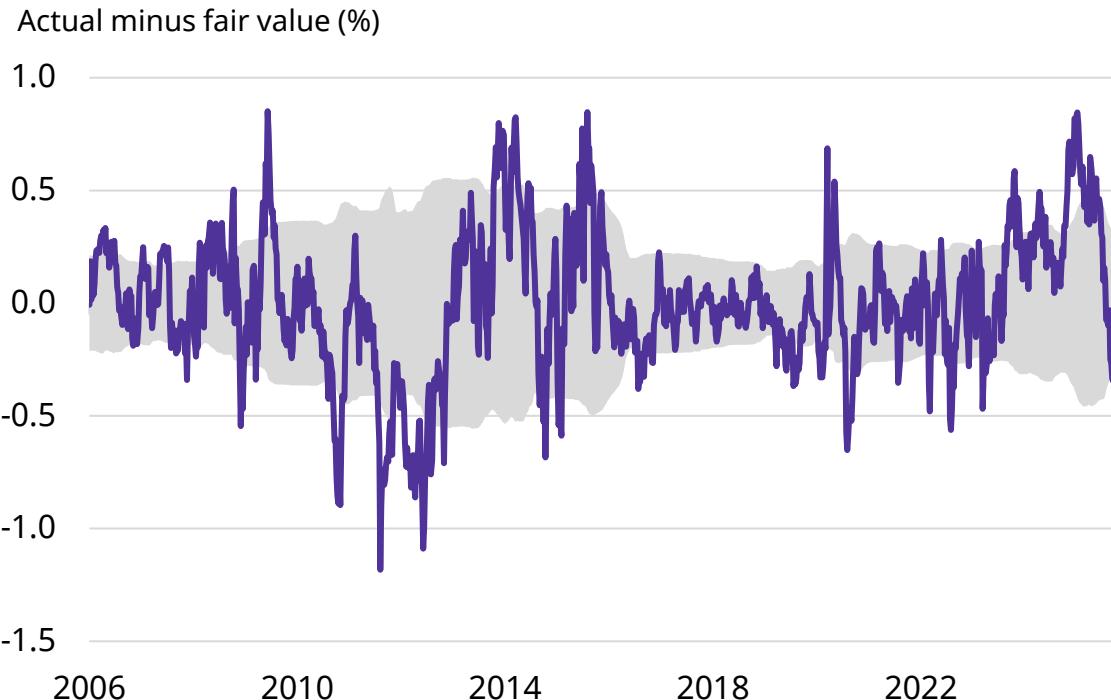


Negative on US Duration

But positive on the front-end, prefer steepeners

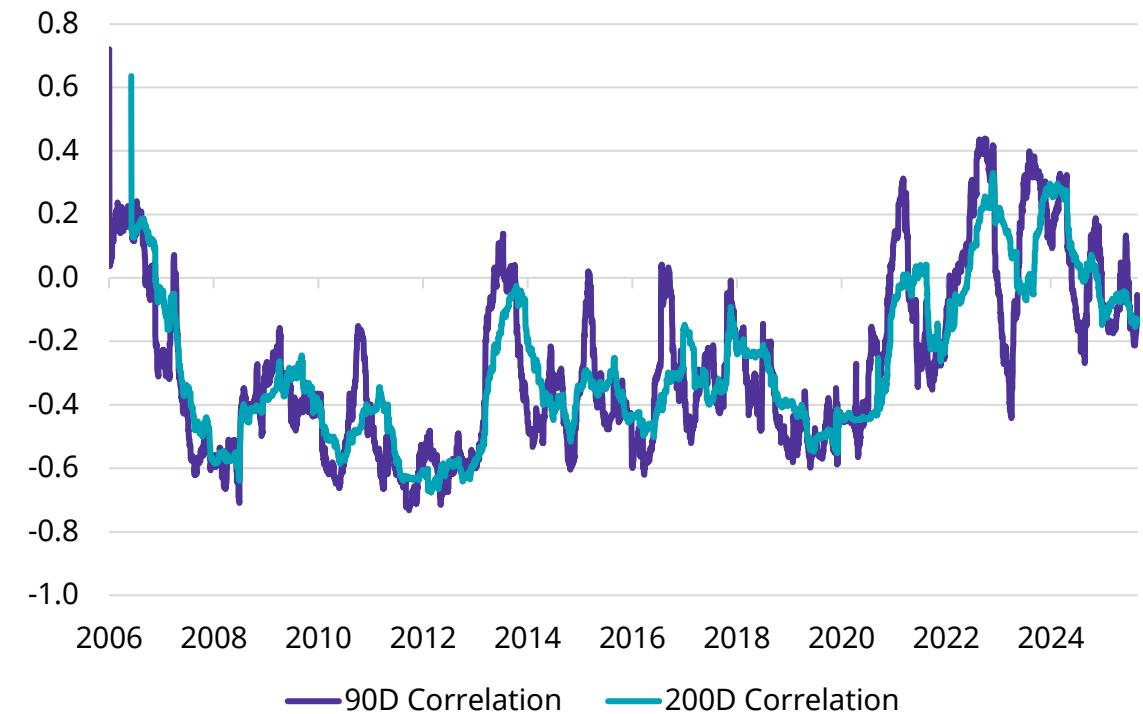


Fair value model points to upside risk for yields



Treasuries not displaying clear hedging properties either

Correlations (SPX vs US 10-year)



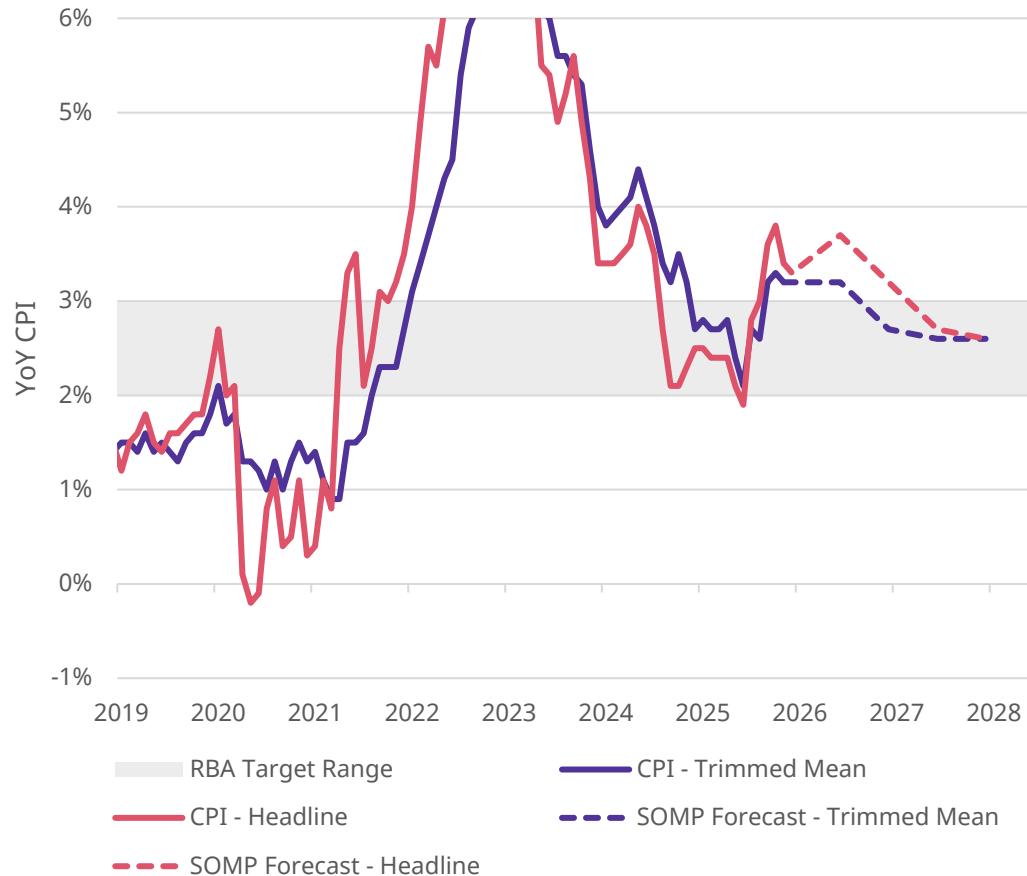
Source: Schroders, MARA team, Refinitiv Datastream, 09 December 2025.

Negative on Aus Duration

But positive on the back-end vs the US, prefer flatteners

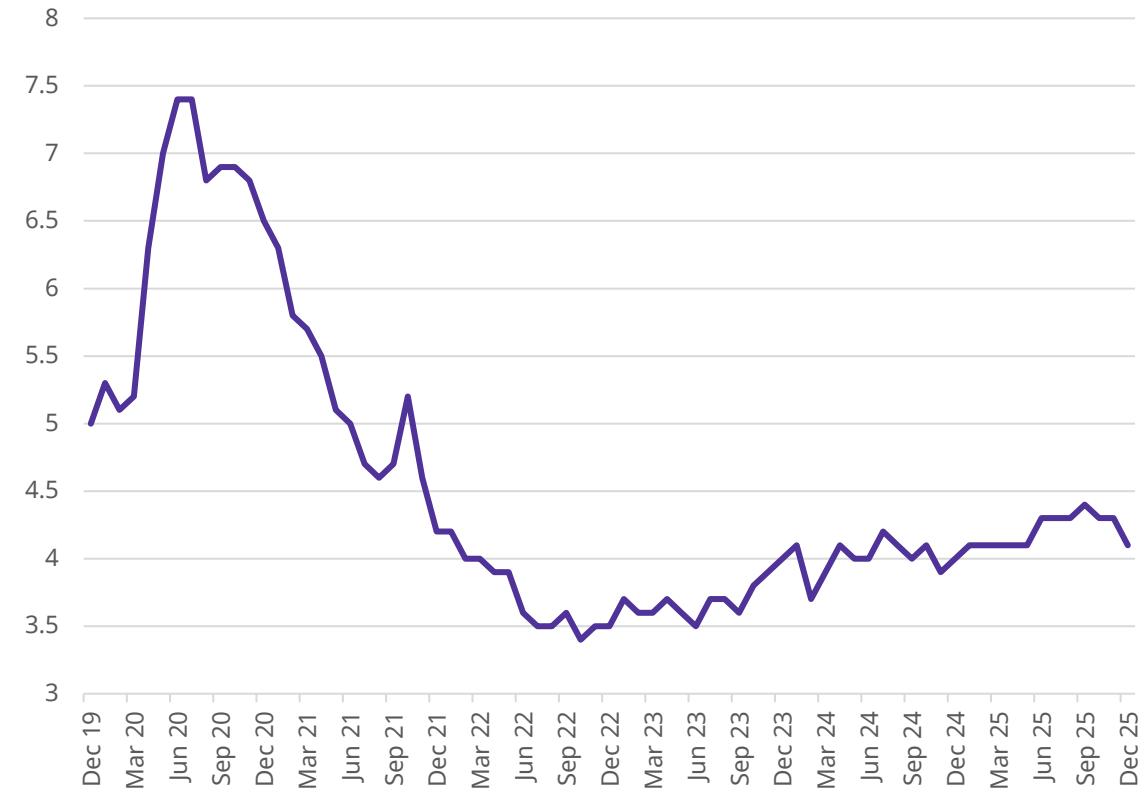


Inflation still elevated



Source: Schroders, LSEG

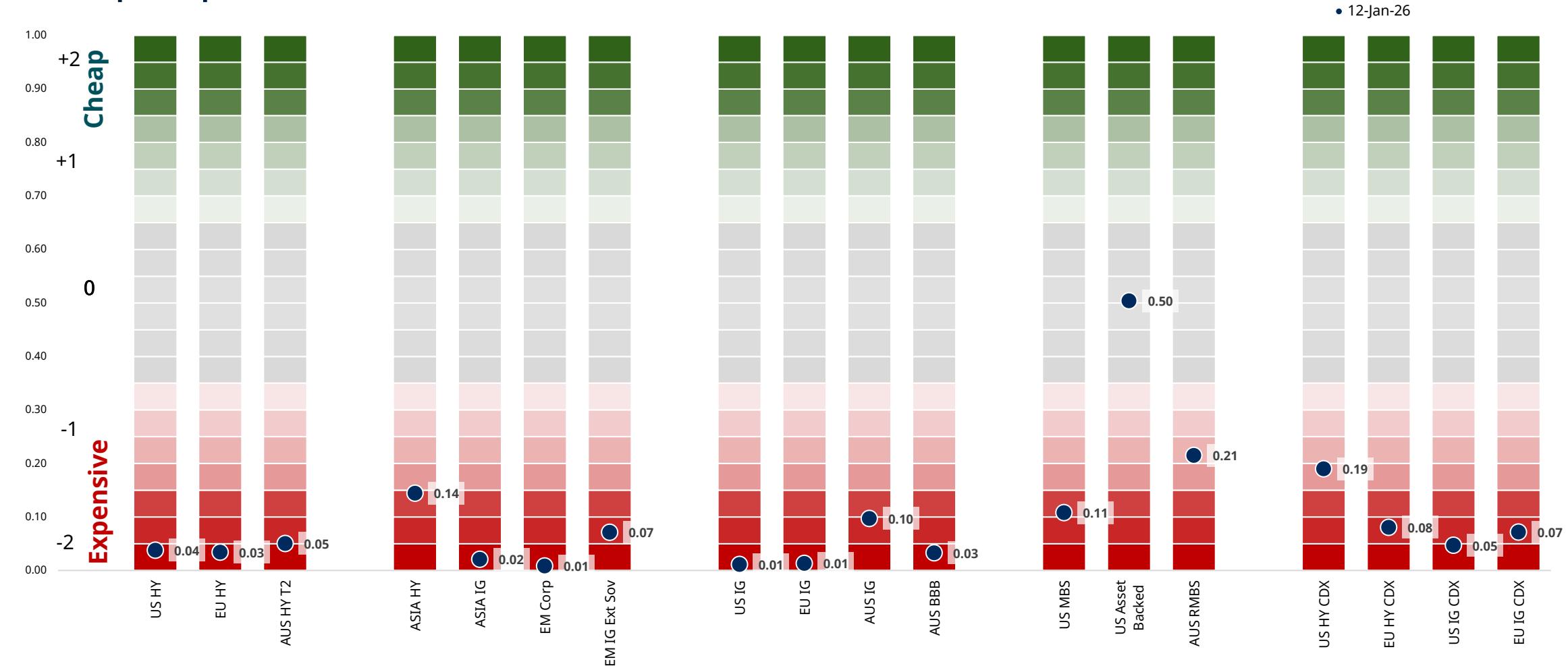
Unemployment falling



Neutral on credit, risk of underperformance

Relative opportunities in Aus corporates and US securitised

Credit spread percentiles

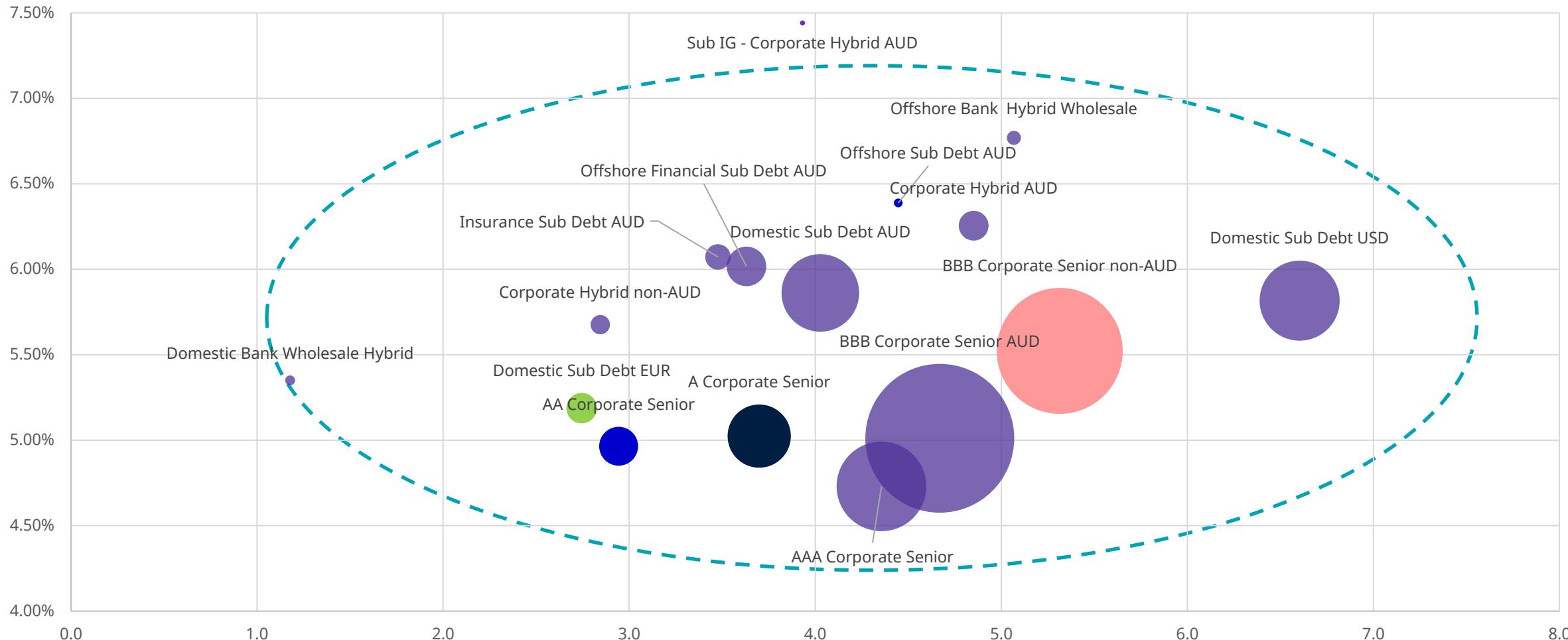


Source: Schroders, Aladdin, ICE BofA as at 12 January 2026. Aus T2 refers to investment grade subordinated bank paper.

Australian credit universe

Subordinated bank paper & BBB corporates – sweet spot for attractive yields

Yields available on Australian credit



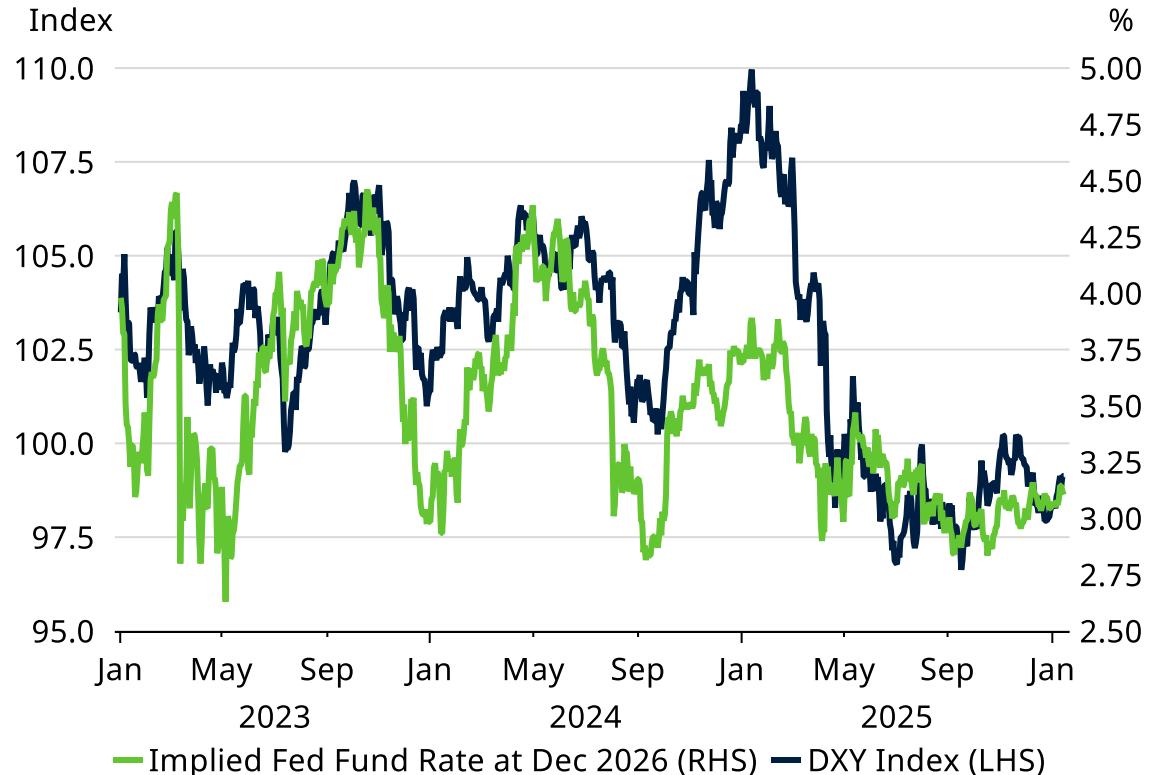
High quality, high yielding, A\$1.1 trillion opportunity set

Negative on USD

Cyclical risks are skewed to a weaker Dollar



DXY could weaken if markets price a more dovish Fed outlook



Interest rate differentials continue to favour EUR over USD



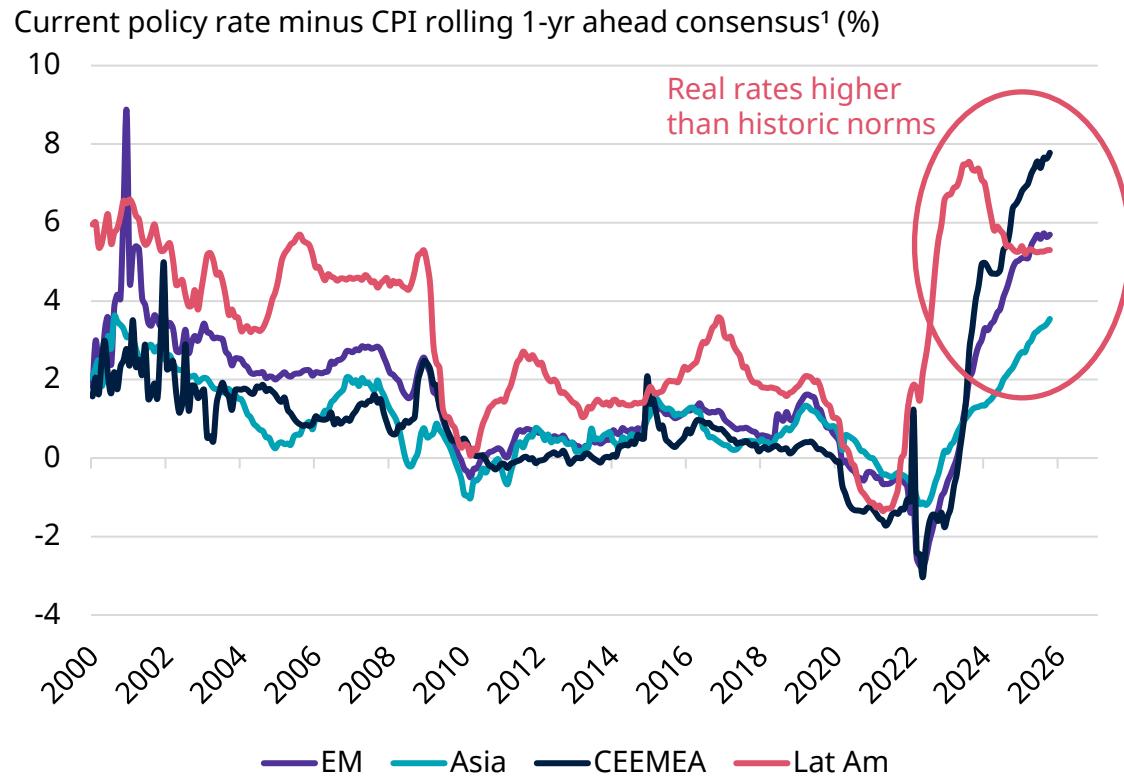
Source: Schroders, Macrobond, Bloomberg, 15 January 2026. Past performance is not a guide to future performance and may not be repeated. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. For illustrative purposes only.

Long EMD Local

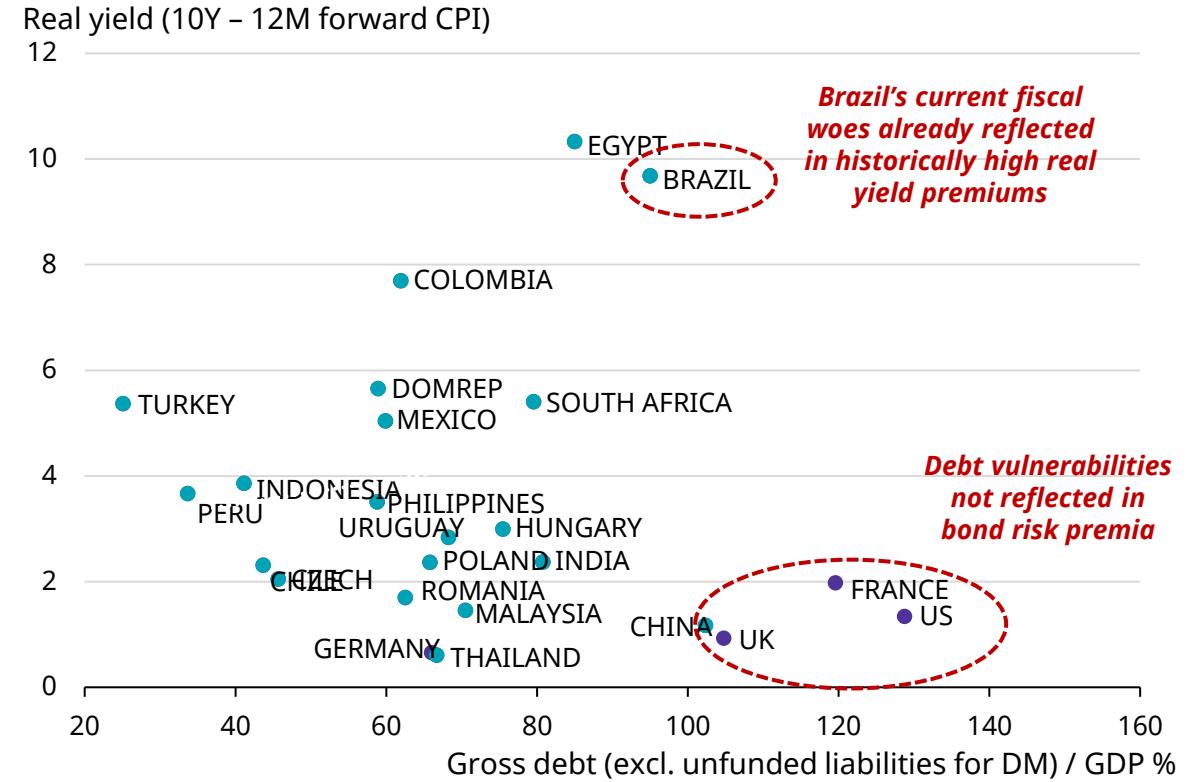
A weaker USD, attractive carry and improving fundamentals



EM central banks have room to ease



EM fiscal vulnerabilities already reflected in bond yields



Source: Schroders EMD team, 15 January 2026. ¹18 Major EMs, equal-weighted. Past performance is not a guide to future performance and may not be repeated. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. For illustrative purposes only.

What changes have you made to your gold allocation in recent months?

Significantly increased

Moderately increased

No change

Decreased allocation

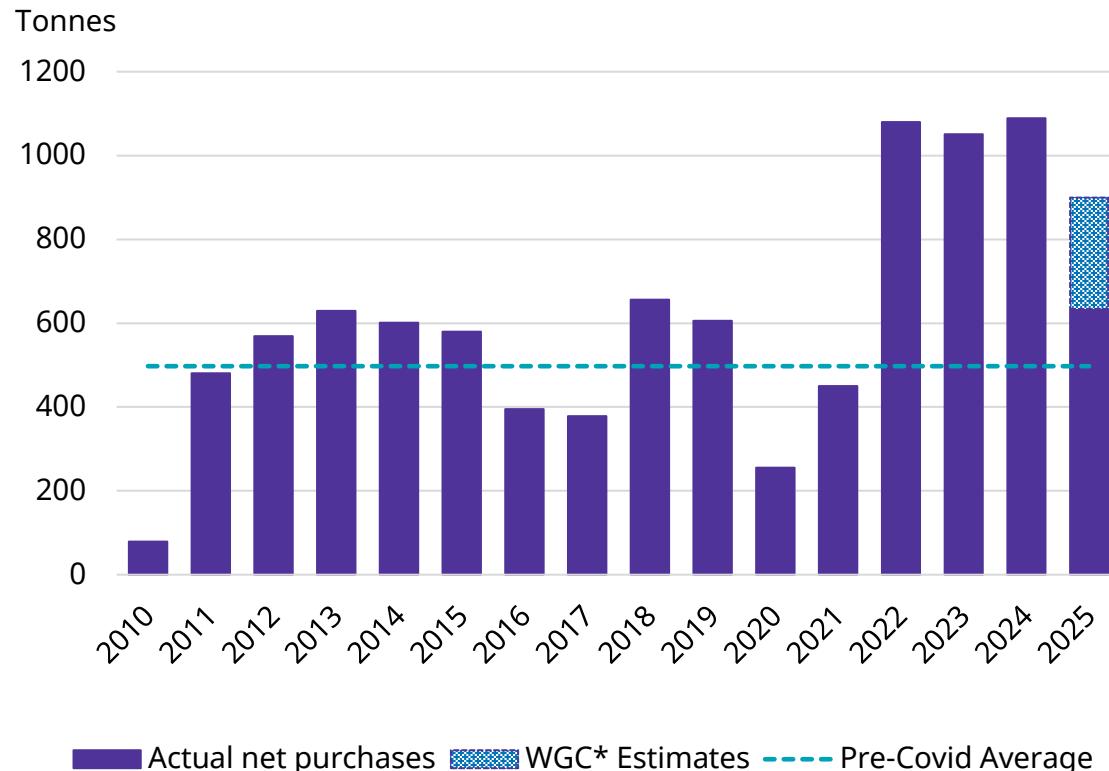
Don't hold gold

Remain positive on Gold

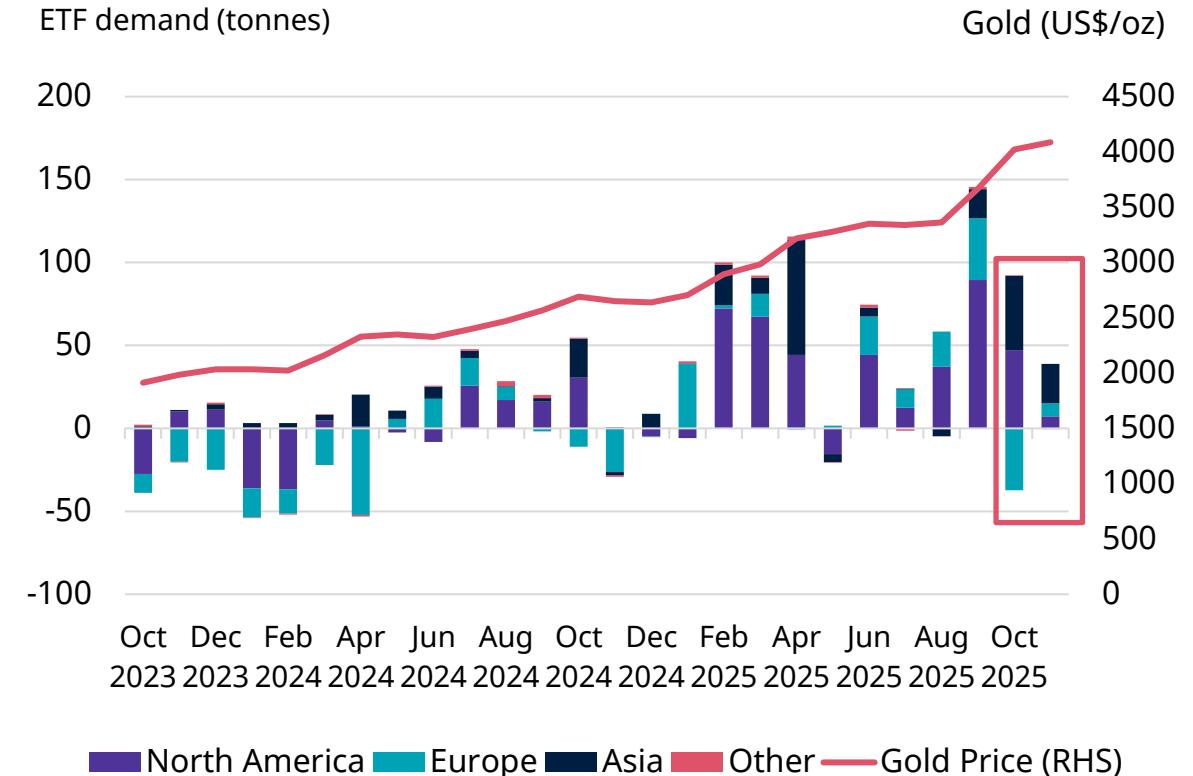
Central banks and Chinese consumers remain key support for Gold



Central bank demand expected to end the year strong



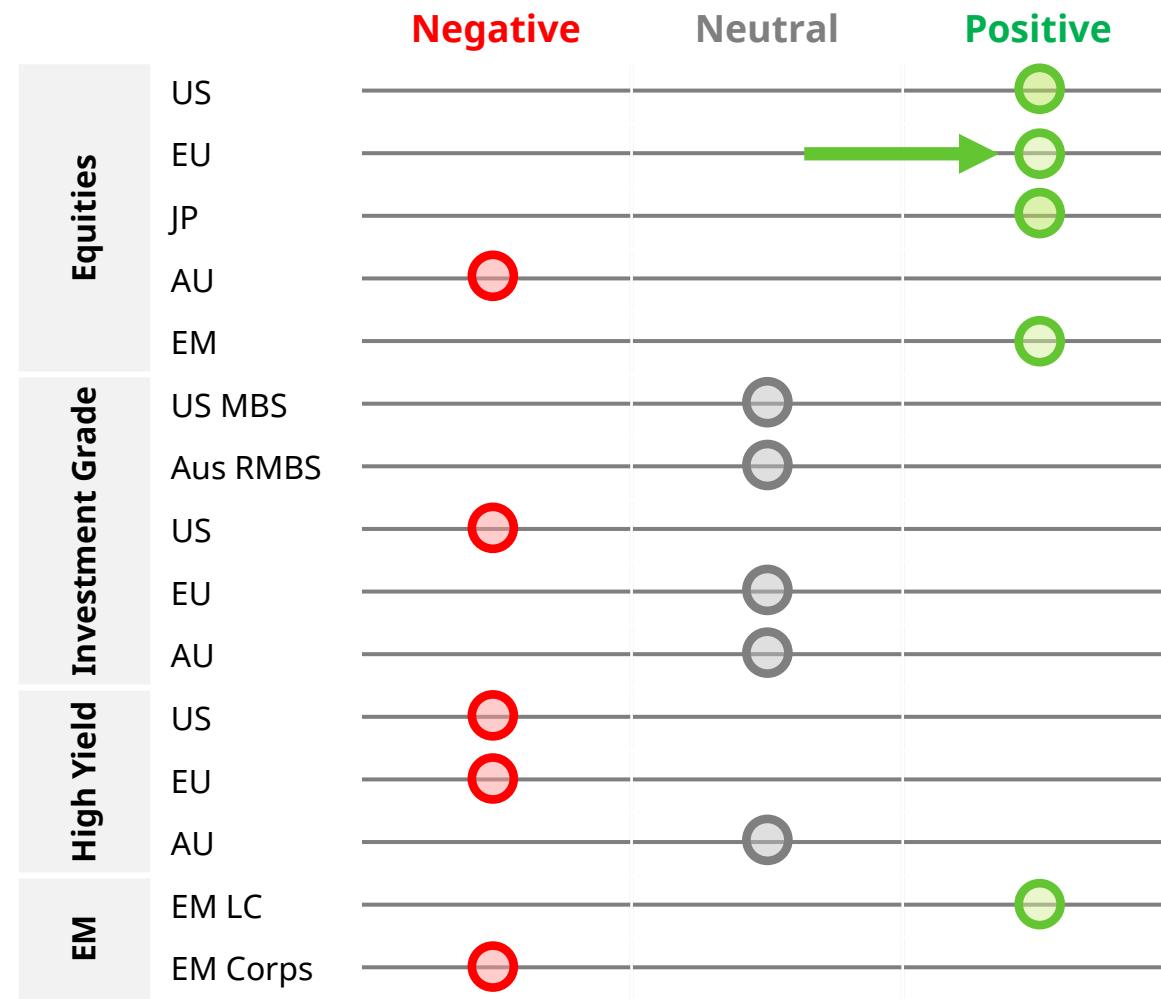
Eastern demand for gold ETFs remain firm



Source: Schroders, *World Gold Council, Commodity team, 4 December 2025. (LHS) 2025 data as of Q3 2025. (RHS) data as of 30 November 2025.,

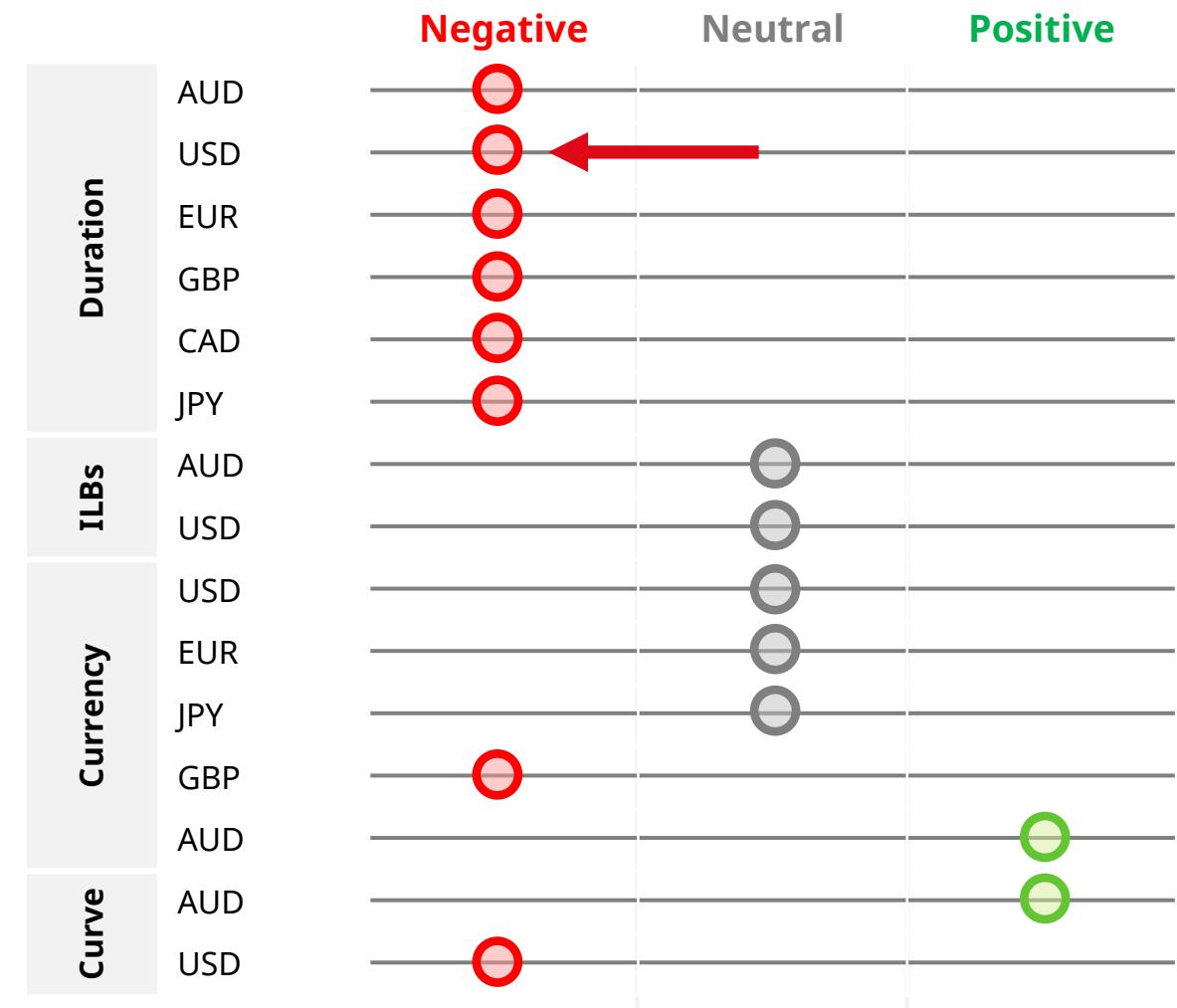
Real Return Fund Scorecard – January 2026

Asset Allocation Scorecard



Source: Schroders, 22 January 2026.

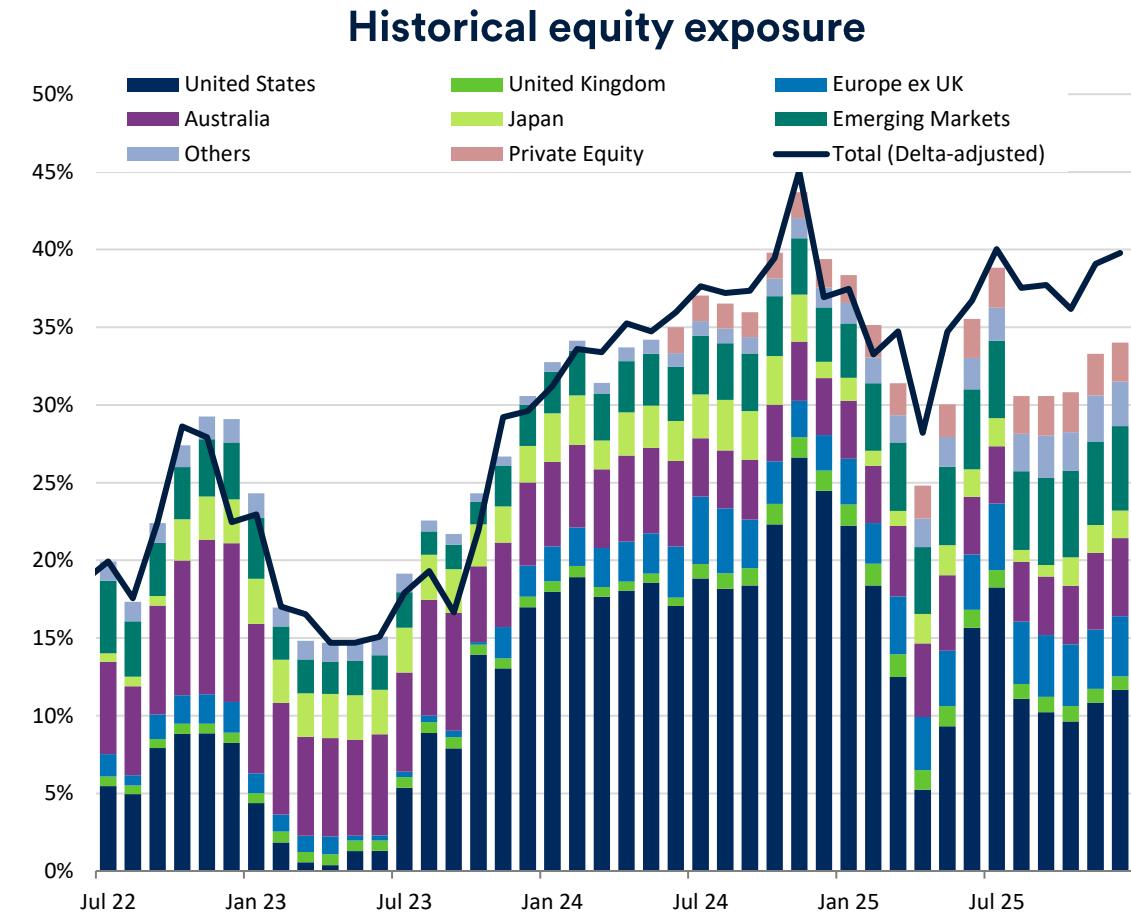
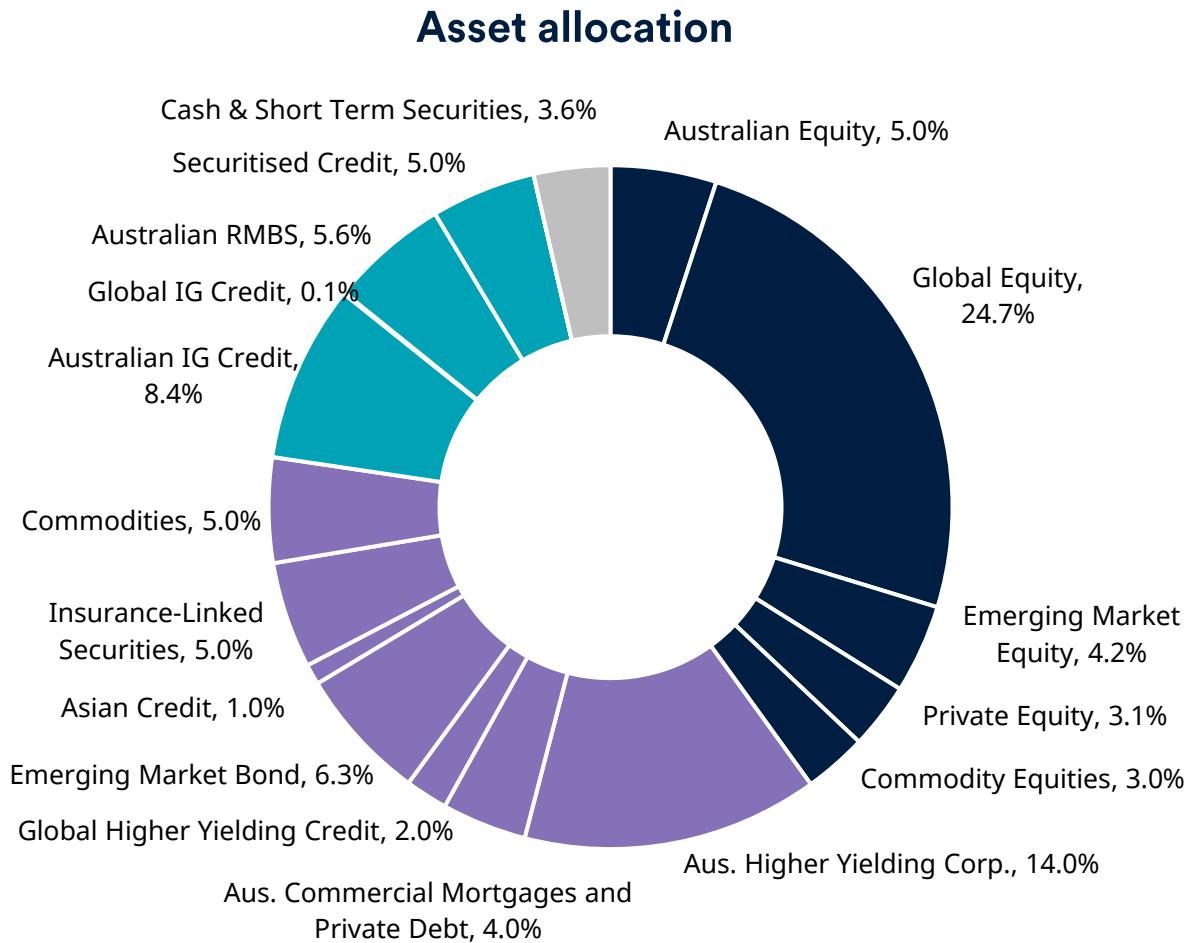
Rates & FX Scorecard



Negative curve score = steeper

Schroder Real Return Fund

Current asset allocation as of December 2025



Source: Schroders/Aladdin, as at 31 December 2025. For illustrative purposes only, subject to change and should not be viewed as a recommendation to buy or sell. Delta-adjusted equity weights. Distribution rate maintained at 4.5% p.a. in July 2025.

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