

Time for Multi Asset in 2026

Positioning portfolios for the next phase of market dispersion

IN A NUTSHELL



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- 2025 confirmed the value of diversification: strong equity gains were achieved despite political uncertainty and exceptional dispersion, while bonds stabilized, gold proved an effective hedge and FX – particularly a weaker U.S. dollar – became a decisive return driver for euro-based investors.
- These experiences underscore the need for a broader allocation mindset, as returns are increasingly shaped by multiple, shifting drivers rather than a single dominant asset class.
- Looking ahead, uneven equity opportunities, renewed income and diversification from bonds, stabilizing alternative assets and influential currency dynamics argue for disciplined, adaptive diversification in a complex 2026 market environment.

Why multi-asset discipline matters more than ever

The investment landscape remains defined by diversity rather than direction. 2025 demonstrated that markets can deliver attractive returns even as political uncertainty, divergent monetary cycles and shifting macro drivers persist. Equities benefited from strong earnings momentum and a broadening set of drivers, while bonds regained importance through income generation and renewed diversification as inflation pressures eased. Alternatives strengthened portfolio resilience, with gold reaffirming its role as a strategic hedge against inflation, geopolitical risk and currency realignments, complemented by real assets that were supported by long-term structural demand. Currency developments – most notably the broad weakening of the U.S. dollar – proved a decisive performance factor for euro-based investors. Overall, 2025 reinforced the case for disciplined multi-asset portfolio construction to navigate an increasingly complex market environment.

1 / 2025 in review - Equities led, but diversification carried the year

Capital markets entered 2026 with a sense of cautious optimism, as the experience of 2025 once again revealed how resilient markets can be despite political shifts, tariff uncertainty and diverging monetary-policy paths. Equity markets delivered notable gains, supported by robust corporate profitability, large-scale investment in AI infrastructure and a recovery in risk sentiment, even as dispersion across regions, sectors and asset classes reached levels rarely seen in recent years. Fixed income markets, particularly credit, continued to stabilize as inflation eased and policy directions became clearer. Alternatives proved to be effective diversifiers as well as performance kickers: gold, in particular, had a stellar year, posting

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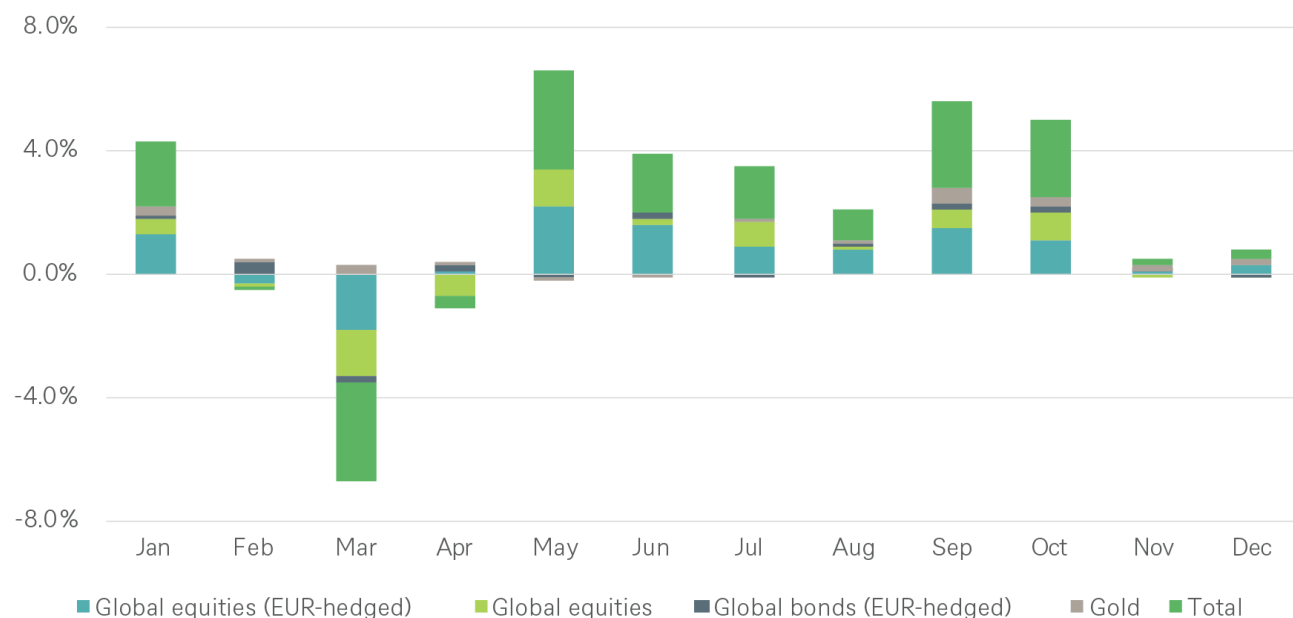
its strongest annual price increase since 1979. At the same time, the U.S. dollar weakened against all other G10 currencies—an unusual development that made foreign exchange (FX) a decisive source of both return and risk for euro-based investors.

In this context, investor behavior also began to shift. A year ago, we argued that it is the right time for multi asset, and our stance has not changed¹. European investors increasingly seem to have reached the same conclusion: the final quarter of 2025 marked the first meaningful inflows into multi-asset funds in more than three years.²

Last year clearly demonstrated that a well-diversified portfolio can deliver attractive outcomes, even in an environment shaped by highly diverse market drivers. Equities were again the main contributor to performance for most multi-asset portfolios, yet there were many moments when other portfolio components rushed to the rescue. However, getting the positioning right – whether in equities, fixed income, alternatives or currencies – was anything but easy.

To illustrate this point, we take a closer look at the performance of a simple multi-asset portfolio (Fig. 1) made up of global equities, both euro-hedged and open, bonds and gold. Overall, an in our view attractive return of around 12% was achieved in 2025, but under the hood the picture was nuanced. Most months showed positive returns for the portfolio and in every month at least one asset class contributed positively to performance. Looking at the components, it’s apparent that equities have yet again influenced portfolio success most, making up about three quarters of the gain over the last year. But foreign exchange movements have led to noticeable divergence. For example, in the month of April, currency-hedged equities were mostly flat, but adding the currency exposure dragged the return into negative territory. Furthermore, one can see that gold as well as global bonds provided protection in months where equities suffered losses. They also contributed in months where equities rallied.

Monthly performance contributions of a multi-asset portfolio in 2025



The following EUR-denominated portfolio is used for calculation: 20% MSCI ACWI Net Total Return Index, 40% MSCI ACWI Net Total Return Index (EUR-hedged), 35% Bloomberg Global Aggregate Index (EUR-hedged), 5% Gold
Sources: DWS Investment GmbH, Bloomberg Finance L.P., as of 16/02/2026

¹ Source: [Time for Multi Asset | DWS](#)

² Source: "Europe OE and ETF Flows," Morningstar as of December 2025

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2 / Outlook for key Multi-Asset drivers

At the risk of sounding like a broken record, we must acknowledge that multi-asset investing has never been straightforward. Even when markets appear calm on the surface, the underlying dynamics across equities, bonds, currencies and alternatives tend to move in very different – and sometimes surprising – directions. This complexity challenges investors, but it also creates an environment rich in opportunity across asset classes.

2.1 Equities: broader opportunity set

Global equity markets rose in 2025 across most regions, with emerging markets posting their strongest year since 2017, demonstrating that good returns were achieved well beyond a narrow group of early AI winners. Yet this broadening came with striking dispersion: Korea surged more than 80%, while Australia barely edged higher. Market leadership is now less concentrated than during the initial AI boom, but it remains uneven, with cyclical sectors in Europe, technology in Asia and selective financials globally each showing independent momentum. This renewed regional and sectoral dispersion is not merely noise – it represents an opportunity in our view. In such an environment, we think investors should benefit from focusing on sustainable earnings, structural growth drivers and valuation discipline rather than attempting to chase the next market favorite.

This year we continue to have confidence that equities still have room to run: upside is our base case, even if the journey is likely to include a few bumps along the way. With monetary policy staying rather accommodative and no recession on the horizon, the macro backdrop remains firmly supportive. We expect U.S. companies to deliver more than 10% annual earnings growth over the next five years, and the rest of the world is gearing up for robust earnings-per-share (EPS) expansion in 2026 as well. Against this backdrop, we expect the rally to keep broadening, making diversified, globally spread equity exposure, in our opinion, the smartest way to capture the next phase of market momentum.

2.2 Bonds: income with diversification benefits

Structurally, bonds continue to serve as an essential counterbalance to equities; this is a relationship that temporarily broke down during the inflation shock of 2022 (see our 2025 publication). But regional divergence matters greatly in our view. Duration behaves differently across markets, credit spreads move unevenly across sectors, and central banks pursue diverging cycles. Last year, U.S. Treasuries comfortably outperformed Eurozone government bonds across the curve in local terms, yet euro-based investors saw these gains evaporate due to adverse currency movements. With income and diversification back in focus, the lesson is clear: fixed income opportunities depend heavily on regional positioning, duration structure and the interplay with currency movements.

Directing our gaze to the future, we expect U.S. growth and inflation to continue to normalize, with policy easing still on track and two additional U.S. Federal Reserve cuts likely. With 10-year yields hovering around self-limiting levels, the curve should grind lower. Occasional bursts of volatility may strengthen this tendency by triggering flight-to-safety flows. In Europe, the fact that the ECB seems unlikely to move interest rates is keeping Bunds well supported. On the credit side, we do not expect tight spreads to deter demand. Corporate fundamentals are expected to remain solid and issuance strong, while EUR IG Credit may continue to shine as it offers Europe's most attractive combination of yield, stability, and technical strength.

2.3 Gold and real assets: resilience and strategic balance

Gold once again demonstrated in 2025 why it deserves a strategic allocation in multi-asset portfolios: Supported by sustained central bank purchases, expectations of monetary easing and a softer U.S. dollar, it reached new highs. Beyond these price gains, gold's core value lies in its role as portfolio insurance: it has historically been a resilient hedge against inflation risk, geopolitical uncertainty and currency realignments. This role becomes particularly important in phases when traditional equity-bond correlations weaken and the benefits from diversification in conventional assets fade. Against the backdrop of

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rising fiscal deficits and signs of a gradual de-dollarization trend, we remain constructive on gold as a stabilizing anchor within portfolios.

Within the broader alternatives universe, infrastructure and other real assets complement gold's defensive qualities in our view. These assets benefit from long-term structural drivers such as digitalization, the energy transition and the need for essential services, and often offer inflation-linked or inflation-protected cash flows. Rather than replacing equities or bonds, they enhance overall portfolio resilience through low correlations and greater sensitivity to real economic activity. Looking ahead to 2026, infrastructure assets are well positioned to benefit from lower yields, a reduced cost of capital and an improving investment environment – particularly in Europe – reinforcing the case for alternatives as a strategic source of diversification and stability.

2.4 Currencies: active source of added value, or additional risk?

Currencies rounded out the multi-asset landscape as one of the most decisive forces behind total returns in 2025. The U.S. dollar weakened against all other G10 currencies – a rare event – which had substantial implications for globally diversified portfolios. For euro-based investors, FX often mattered as much as, or more than, the underlying asset returns themselves. With rate differentials shifting and monetary cycles diverging, active FX management and thoughtful hedging are rooting themselves even more deeply as core components of modern multi-asset investing. Looking forward, we expect the recent deterioration in sentiment on the U.S. dollar to continue for some time, albeit to a lesser extent than in previous months.

3 / Summary

The environment investors face today is more diverse and, in some regards, more complex than in previous years. Equities are showing strong dispersion across both regions and sectors, bonds are offering attractive yields, while foreign exchange needs to be managed closely, and alternatives are providing stability but with heightened volatility in recent months. Conscious diversification both across and within asset classes is once again proving essential.

It could be argued that multi-asset portfolios are exactly what the doctor ordered: by bringing together the complementary strengths of equities, bonds and alternatives, they provide a framework for navigating market uncertainty and capturing evolving sources of return. But getting the mix right is not easy. Depending on the interplay between growth and inflation, and the role of possible exogenous shocks, the optimal portfolio can look quite different.

Glossary

The [Bloomberg Global Aggregate Bond Index](#) contains investment-grade bonds from 24 different local currency markets.

[Bunds](#) is a commonly used term for bonds issued by the German federal government with a maturity of 10 years.

[Diversification](#) refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

[Duration](#) is a measure expressed in years that adds and weights the time periods in which a bond returns cash to its holder. It is used to calculate a bond's sensitivity towards interest-rate changes.

[Earnings per share \(EPS\)](#) is calculated as a company's net income minus dividends of preferred stock, all divided by the total number of shares outstanding.

[Emerging markets \(EM\)](#) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

The [European Central Bank \(ECB\)](#) is the central bank for the Eurozone.

The [Eurozone](#) is formed of 19 European Union member states that have adopted the euro as their common currency and sole legal tender.

[FX or foreign exchange](#) is the currency – literally foreign money – used in the settlement of international trade between countries.

A [hedge](#) is an investment to reduce the risk of adverse price movements in an asset.

[Inflation](#) is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

[Monetary policy](#) focuses on controlling the supply of money with the ulterior motive of price stability, reducing unemployment, boosting growth, etc. (depending on the central bank's mandate).

[MSCI ACWI Net Total Return Index](#) captures large and mid-cap representation across Developed Markets (DM) and Emerging Markets (EM) countries, covering approximately 85% of the global investable equity opportunity set.

[MSCI ACWI Net Total Return Index \(EUR-hedged\)](#), captures large and mid-cap representation across DM and EM countries, covering approx. 85% of the global investable equity opportunity set while fully hedging its foreign currency exposures back to euros to eliminate exchange-rate impact.

A [recession](#) is, technically, when an economy contracts for two successive quarters but is often used in a looser way to indicate declining output.

The [spread](#) is the difference between the quoted rates of return on two different investments, usually of different credit quality.

The [Group of 10 \(G10\)](#) refers to a group of eleven leading industrialized economies in the world. The member countries are: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, United Kingdom and United States. They meet to consult and cooperate on economic, monetary and financial matters.

[Treasuries](#) are fixed-interest U.S. government debt securities with different maturities: Treasury bills (1 year maximum), Treasury notes (2 to 10 years), Treasury bonds (20 to 30 years) and Treasury Inflation Protected Securities (TIPS) (5, 10 and 30 years).

A [yield curve](#) shows the annualized yields of fixed-income securities across different contract periods as a curve. When it is inverted, bonds with longer maturities have lower yields than those with shorter maturities.

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as of 2/16/26; RBA 0091_103315_16 (02/2026)