

## What 2025 can tell us about 2026: four key investment lessons

Most investors have experienced some notable ups and downs during the past 12 months. Something similar may well await in the year to come. Is this a cause for concern or just a fact of investment life? Julian Dieppe explains how to understand, exploit and even enjoy the short-term volatility that characterises financial journeys in an age of uncertainty.



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Investors might reasonably look back on 2025 as something of a rollercoaster ride. There were peaks and troughs aplenty, including historic highs for many markets and at least one strikingly precipitous tumble.

Let's be honest, though: to some extent, pretty much every year fits this bill. Ultimately, ups and downs are part and parcel of investing.

Although it's sometimes hard to believe, the era of hyperconnectivity hasn't changed the essence of financial markets beyond recognition. On the whole, they're still defined by irrationality and imperfect information.

That's why the long-term process of accumulating and preserving wealth is seldom blissfully linear. It's why investments may rise, fall and rise again. It's also why potentially attractive opportunities keep cropping up – provided, of course, that you know where to find them.

Bearing all the above in mind, what have been the main lessons of the past 12 months? And how might we usefully apply them to the year ahead? Here are four takeaways that have stood out for me during the twists and turns of 2025.

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## 1. US exceptionalism is no longer a given

US equities have been the principal growth driver for many investment portfolios for more than a decade. Yet the long-dominant S&P 500 hasn't had everything its own way this year, especially in the wake of President Trump's crash-inducing "Liberation Day" declaration on trade tariffs.

European stocks have frequently proved a better bet. The FTSE 100 has also given the US a run for its money, as have China and a number of emerging markets. In addition, as the dust of 2025 starts to settle, there are now concerns that the AI-focused stocks underpinning US performance are conspicuously overvalued.

It's right to say the US might yet cling to its primacy. Beyond AI, the market appears to be in decent health. But the mere fact that its pre-eminence is no longer unquestioned clearly underscores the prudence of looking further afield – which brings us to...

## 2. Diversification is as important as ever

November saw much of the investment community anxiously awaiting word from the world's largest company, AI chip manufacturer Nvidia. A positive announcement would bring joy and relief in equal measure, whereas bad news would supposedly signal something akin to disaster.

Although Nvidia CEO Jensen Huang duly soothed fears of an AI bubble by revealing stronger-than-expected revenue and profits, the spectacle of so many fates seemingly hinging on an earnings call from a single company was mildly disconcerting. Investors who put all their eggs in one basket invariably run the risk of seeing them cracked.

It's true that the frenzy surrounding AI could go on for years. "Hyperscalers" such as Amazon, Google, Meta, Microsoft and OpenAI are cashflow-rich and heavily committed. Nonetheless, the wisdom of diversifying across asset classes, regions, countries and other factors remains as relevant as ever – which is why...

## 3. Bottom-up stock-picking continues to have value

The past year has re-emphasised that it's rarely sensible to make sweeping generalisations when investing. It might not be advisable, for example, to infer that a specific asset class, country or theme is either uniformly wonderful or unvaryingly terrible.

Granted, there's always a role for "top-down" considerations. The macro picture has to be taken into account, particularly in an age characterised by geoeconomic and geopolitical uncertainty.

Yet a more granular, "bottom-up" approach is often more likely to identify the brightest stars dotted throughout the investment universe. Crucially, it can also be a decisive factor in unearthing the hidden gems that escape most investors' attention – speaking of which...

## 4. 2026 is set to bring more volatility – and more opportunities

In my view, there are solid grounds for heading into 2026 with optimism. Maybe the most significant cause for a positive outlook at present is the likelihood of a fall in interest rates – a realistic prospect even in the UK, despite the grisliness of the Autumn Budget.

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1. See, for example, Daily Mail: "George W Bush 'prepared nuclear missiles after 9/11 – sparking panic in Mosco as Putin thought Russia would be attacked", November 17 2025 – [www.dailymail.co.uk/news/article-15299167/George-W-Bush-prepared-nuclear-missiles-9-11-sparking-panic-Moscow-Putin-thought-Russia-attacked.html](https://www.dailymail.co.uk/news/article-15299167/George-W-Bush-prepared-nuclear-missiles-9-11-sparking-panic-Moscow-Putin-thought-Russia-attacked.html).
2. Ibid.

To return to where we started: there will undoubtedly be further ups, downs, twists and turns in the year to come. Along with the tests of faith which it routinely inspires, volatility is the price we have to pay for performance. But this needn't be a cause for alarm.

In the face of another rollercoaster ride, it's important to note that volatility can also be a powerful source of opportunity and outperformance. In tandem, it's vital to remember that a key purpose of resilient and diversified portfolios is to cope with short-term turbulence and keep financial journeys on track over the long run.

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