cio investment club

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Multi-asset's next chapter: from product label to investor outcome



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Contents

03 Introduction

04 Look through the noise

05 Start with what the investor needs

06 Revisit the sources of return and risk

07 Active, passive and the diversification illusion

08 Private markets: opportunity depends on the terms

09 Governance, cost and the investor's journey

10 A practical agenda for investors and advisers

12 Participants

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Multi-asset's next chapter: from product label to investor outcome

Multi-asset, as a sector, is stuck in an awkward moment. Higher interest rates have reset the income available from bonds, liquidity is a first-order concern again and AI is redrawing competitive dynamics. Private markets are being fitted into structures designed for daily dealing, fees are under pressure and the product still carries the scars of 2022.

For institutional investors and their advisers, the outlook for the sector is positive, but conditional: multi-asset can help investors navigate uncertainty and meet long-term objectives – but only when the portfolio is built for a clearly defined purpose, its risks are understood, and its promises are realistic.

A roundtable of asset owners, consultants and managers in mid-October, organised by the cio investment club, agreed that multi-asset still has a job to do. The harder question is whether the industry can say what that job is.



Look through the noise

The discussion began with a familiar challenge for investors: how to make sound decisions when headlines, policy shifts and market narratives compete for attention. Despite continual histrionic news flow, the panel did not agree that the economic backdrop was uniformly bleak. Instead, participants argued that investors should distinguish market noise from the forces that ultimately affect returns.



For **Rob Almeida**, global investment strategist at MFS, that means returning to company fundamentals. "At the end of the day, cash flows drive asset prices," he said. Recent years had delivered strong cash flows and profits, he argued, but the more important question is whether those can endure. Headlines about economic growth, central banks or artificial intelligence matter to investors insofar as they affect profitability and future cash flows.

Alain Zeitouni, head of multi-asset for EMEA at Russell Investments, cautioned against letting an alarming news cycle become a substitute for economic analysis. "The macro situation is not bad," he said, pointing to low unemployment and continuing growth in the US. The constant stream of alerts gives "a false impression that the economy is struggling", he said, and professionals need to "stick to our processes, to fundamentals".

Hannah Evans, head of manager research at Omnis Investments, saw something else in the noise. "It's very easy to aggregate it all for doom and gloom, but actually I think there is a lot of dispersion, and that dispersion creates opportunities for us," she said. For skilled investors, variation in company prospects can create scope to find attractive investments even when the broader debate is dominated by a few large stocks or a single market theme.

Sam Mahtani, Independent Advisor to Investment Board of Cats Protection, agreed that the focus on a handful of US mega-caps has left value elsewhere, and that a good manager can find it.

Other speakers emphasised there were risks that should not be dismissed. **Josh Pilley**, head of multi-asset at XPS Group, pointed to the government debt pile and loose fiscal policy in the US and parts of Europe, which, he said, could be the sting in the tail for markets.

Peter Martin, CIO of the Medical Defence Union, meanwhile, argued that the current uncertainty is not a temporary exception in the investing environment: political events and market shocks wax and wane in different guises, but investors still need to pursue the outcomes for which their portfolios were designed in a perennially uncertain and changing world.

This is where multi-asset can play an important role. Its case is not that it can make uncertainty go away. It is that, with an appropriate objective and a disciplined process, it may help investors manage a range of risks rather than make a single market view carry the whole burden.

"For skilled investors, variation in company prospects can create scope to find attractive investments even when the broader debate is dominated by a few large stocks or a single market theme"

Start with what the investor needs

The roundtable repeatedly returned to a basic question: what does a particular multi-asset portfolio aim to do? The label alone cannot answer it. A portfolio built to generate income, one designed for long-term growth, and one intended to support a spending target may have very different allocations, risks and experiences.



Zeitouni said the industry's historic mistake was to sell very different products under one label. "They're not meant to be one-size-fits-all products," he said. An income-generating portfolio and a growth portfolio deliver a very different experience. Someone in a cautious portfolio over the last decade, when fixed income returns were poor, had a very different time from someone in a growth one.

"It's about a portfolio achieving a return, and to look across the asset classes and the funds you can invest in to achieve that," said Martin, describing the issue from the perspective of investors responsible for a whole portfolio.

That framing also challenges the idea that a multi-asset fund automatically provides protection in every market. Evans noted that bonds can help reduce overall portfolio volatility without necessarily protecting against losses in every downturn. Their behaviour depends on the economic and market environment. The lesson, she said, is to understand what role a particular holding is expected to play, rather than relying on an assumed relationship between asset classes. "Bonds will not always be negatively correlated with equities, and sometimes the two can be highly positively correlated. It depends on what you're looking for your bonds to do," she said.

> *"It's about a portfolio achieving a return, and to look across the asset classes and the funds you can invest in to achieve that"*

Much of the debate ultimately came back to expectations.

Pilley said managers should be frank about what clients can reasonably expect. "Multi-asset funds ten years ago were marketed as 'we can weather the storms very well', and generally they haven't," he said. A portfolio that aims to lose less than a falling market, for example, is also likely to capture less of the upside in a strong one. That trade-off needs to be understood before the investment is made—not explained away after its performance disappoints, said Pilley.

The panel's experience of 2022 illustrated the challenge. As both equities and bonds fell, some cautious portfolios suffered losses at the same time as inflation rose sharply. Investors who had understood the products as delivering a steady inflation-plus return could have found the results especially jarring.

For investors and advisers, the practical implication is to ask for a precise description of the intended outcome. Is the portfolio designed to grow capital, provide income, reduce volatility, or support a specified spending need? What losses could it experience in a difficult environment? What might it give up in a strong one? A clear answer makes it easier to decide whether multi-asset is suitable, and to judge later whether the portfolio has done the job it was hired to do.

Revisit the sources of return and risk

The changing relationship between bonds and equities was one reason the panel questioned simple portfolio templates. The traditional 60/40 allocation may remain a useful reference point, but it is not a complete description of how a portfolio will behave. Correlations change, and a mix of asset classes does not necessarily mean risks are well diversified.

"The elephant in the room is obviously bonds," Mahtani said, since the 60/40 mix did not work for 10 or 15 years but government bonds now pay a positive real yield.

Martin is of the view that many commentators are now opining that the rise in real yields is not necessarily over – and that is important. "If reals do in fact get to four structurally, there are arguments for asset owners to at least consider why do I need equities as a dominant feature of the solution we need to produce the desired outcome? Because in this scenario we could potentially get an inflation plus four return long term which might achieve the goals you seek," he said. A true multi-asset manager should have the flexibility to think in this manner he added, "rather than just being dogmatic to equity investment per se".

> *"It's not enough simply to say I've got 50%, 60%, 70% in US equities…"*

Evans said traditional style and regional buckets are a poor guide to risk. "It's not enough simply to say I've got 50%, 60%, 70% in US equities," she said. "You need to start really showing where your risks are lying."

Investors should therefore look beyond the asset-class split to understand the economic forces that affect each holding. A portfolio may appear diversified by category while being exposed to a similar underlying driver across several investments.

In Zeitouni's view, the starting yield gives fixed income investors more income and a cushion than they had in the ultra-low-rate era, and his team has been adding duration.



Active, passive and the diversification illusion

The discussion of active and passive investing followed the same principle: the question is not just whether a portfolio uses active managers or index funds, but what exposures it delivers and why.



Almeida argued that passive strategies can be useful in some environments and called it a legitimate diversifier. "Passive outperforms active when margins are expanding. Active outperforms passive when margins are collapsing," he said.

Mahtani saw a role for a hybrid approach: use passive building blocks where they efficiently deliver a chosen market exposure, while keeping the overall framework – such as the asset allocation and rebalancing – deliberate. If an active allocation call is implemented through an index product, he said, "you're just ensuring that your viewpoint is delivering that return".

But the panel also warned against treating passive investments as automatically diversified.

A benchmark is not diversified just because you picked it, and different building blocks can all be concentrated in the same thing, said Evans. "Just because you're going passive doesn't mean you're diversified, and it certainly doesn't mean you're passive," she added.

"You can invest passively, but you will need to be active in the choice of what you invest in and its benchmark," said Martin, who described this as being "actively passive": selecting and reviewing the benchmarks and exposures over time rather than allowing an allocation to persist by default.

Zeitouni noted that "passive" can mean very different things in a multi-asset fund, depending on whether the manager keeps discretion over strategic and tactical allocation, and made the case for the manager's role. "A 60/40 portfolio bought ten years ago and left alone today is an 80/20, just because you haven't rebalanced," he said.

Almeida argued that increased investment and competition could make the coming period different from the latest in which a rising market had lifted a broad range of assets. "Beta will have a lesser role than it has the last 15 years, and alpha will have a greater role than it's had the last 15 years," he said.

For investors, this suggests examining not only how much exposure they have to a market, but also what businesses and risks sit beneath that exposure.

> *"Passive outperforms active when margins are expanding. Active outperforms passive when margins are collapsing…"*

Private markets: opportunity depends on the terms

Private markets were discussed as a potential addition to some portfolios, but not as a universal solution. The participants' concerns focused on three related questions: whether the investor understands the exposure, whether the manager can provide enough information to assess it and whether the investment's liquidity is compatible with the portfolio's promises.

Zeitouni framed liquidity as a basic design requirement. "Make sure that what you have in your portfolio and the liquidity you have, matches your client's liquidity requirements. That's the basics." If investors expect to be able to redeem frequently, the portfolio should not rely on holdings that might be difficult to sell when many investors want their money back.

The distinction is important because private assets may have a role for investors who knowingly accept illiquidity, but they should not be presented as interchangeable with readily tradable holdings.

> *"Make sure that what you have in your portfolio and the liquidity you have, matches your client's liquidity requirements."*



Martin warned against embedding illiquid assets in products that are sold as liquid without making the implications clear. "It's oil and water," he said. "You should avoid wherever possible in my view mixing the two. There have been too many examples where it ends in tears, whether it be property or private credit for instance."

Evans noted that limited look-through into private holdings can also make it harder to assess correlations and risks across a portfolio. If an investor cannot see what is held, it becomes more difficult to check whether the portfolio still matches its intended design.

Pilley raised a related concern about Long-Term Asset Funds (LTAFs) with a dominant anchor investor.

If they want their money back, or they change their strategy, that can cause everyone else huge problems," he said. Investors, he argued, should look through to the investor base. "Who am I invested with, and what size, is a really important part of the due diligence process that investors need to undertake."

Almeida challenged the wider claim that private assets inherently offer higher returns with lower risk than public ones. "Debt is debt, whether it's public or private," he said.

The test, he argued, is to underwrite the business: "What do they do? How do they do it? What's that return on invested capital going to be over the next five years?" He urged investors to focus on what a company does, how it competes and whether its prospective returns justify the risks, rather than relying on the assumption that private ownership itself improves the investment.

The discussion pointed to a more nuanced view of private assets. They may have a role in some portfolios, but they are not a diversification shortcut. Investors should establish what they are buying, how valuations and liquidity work, what information will be available, and whether the terms fit their own time horizon and cash-flow needs.

Governance, cost and the investor's journey

A portfolio's suitability depends not only on its investments but also on the investor's capacity to oversee it. This came through particularly in the discussion of charities and endowments.



Mahtani described multi-asset as a familiar, widely used solution in parts of that market, while questioning whether some investors had received the returns they needed.

"For charities, a 1% difference to the return can make a huge difference to the impact they can have on society," he said. A charity targeting CPI plus three needs to deliver roughly 6% a year on a compound basis, he noted, and "a lot of them haven't done that".

Multi-asset is the dominant product in the sector, largely because Trustees are used to it, according to Mahtani.

That makes governance and advice part of the investment question. Smaller organisations may have less time, expertise or budget to assess managers and monitor portfolios. A professionally managed multi-asset solution may help where it provides appropriate oversight and fits the organisation's needs. But familiarity is not evidence of suitability: trustees still need to understand the objective, the risks and the costs.

Fees matter, but the panel resisted the idea that the lowest price is always the best value.

Pilley observed that due to higher fees, multi-asset funds tend to be removed when returns have been underwhelming. "You see how much is being paid, and investors often are just not getting value for that," he said. At the same time, cost pressures in DC schemes can influence how providers assemble portfolios: many are squeezing equity fees through passive so they can spend their budget on private markets.

The panel also considered how a portfolio might reflect the values or requirements of different investors. Evans highlighted the scope to adapt portfolios, with and Zeitouni noting needs including environmental or faith-based constraints. While such customisation is not necessary for each portfolio, it can mean recognising that an institution's objectives, restrictions and beneficiaries differ from those of another investor—and making those differences visible in the design.

Martin highlighted a further opportunity for multi-asset: helping savers manage money through retirement, not just accumulate it beforehand. "There is fundamentally still not enough consideration and solutions in place for about what you do when you have your monies in drawdown," he said, arguing that decumulation deserves far more explicit attention as a distinct investment challenge for savers weighing income, flexibility, longevity and the risk of depleting their pots.

> *"You see how much is being paid, and investors often are just not getting value for that…"*

For multi-asset providers, this is a potential opportunity to solve a defined problem rather than simply repackage an existing fund.

Almeida pointed to target-date funds as an example where the objective is readily understood: the investment is linked to a particular future date, such as retirement or education spending. More broadly, he suggested that "the value of advice is inversely related to performance", so investors can undervalue it after a long period in which investing has been easy.

That does not mean a severe downturn is necessary to make multi-asset useful, but it does underline the importance of explaining its role before investors need to rely on it.

A practical agenda for investors and advisers

The discussion highlighted the importance of defining multi-asset products by the outcomes they aim to achieve and assessing them against those objectives. This gives investors clearer expectations and a more consistent way to evaluate their role across different market environments.



For investors and their advisers, that standard suggests several questions to put to a manager, from what the fund aims to achieve to the governance budget needed to oversee its performance.

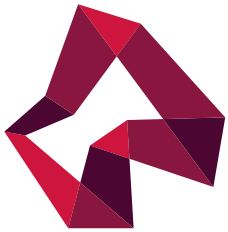
"Something needs to happen," Mahtani said, arguing that the industry needs to revisit "the product, the process, and the communication and the messaging".

That is a more useful ambition than a marketing facelift alone. Better communication matters, but only if it reflects a portfolio that is genuinely designed around an investor's needs.

The positive case for multi-asset is ultimately a practical one: it can bring allocation, diversification and ongoing oversight together for investors who need them. Its future credibility will depend on making that value clear—and on being precise about what the portfolio can, and cannot, deliver.

Questions for a multi-asset manager

- **What is the portfolio intended to achieve?** Identify the return, income or spending objective, the time horizon and the risks the investor can bear.
- **What drives the portfolio's returns and losses?** Look through asset-class labels to understand concentrations, common risk factors and possible overlaps.
- **What should investors expect in difficult markets?** Ask for a candid account of likely trade-offs, including how the portfolio may behave when its diversifiers do not offset losses.
- **Does liquidity match the promise?** Check how quickly underlying holdings can be sold, how the fund may respond to redemptions and whether any illiquid exposure is clearly disclosed.
- **Is the governance proportionate?** Establish who monitors the portfolio, what information is available and whether the investor has the capacity to oversee the arrangement.
- **Does the solution fit this investor?** Consider the investor's spending needs, values, circumstances and, where relevant, the transition from accumulation to retirement income.



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Participants



Robert M. Almeida

Global Investment Strategist, MFS Investment Management

Robert M. Almeida is an investment officer and global investment strategist for MFS Investment Management® (MFS®), offering insight and perspective on cyclical and secular trends impacting investors. He serves as lead portfolio manager on multi-asset income and alternative strategies and is a member of MFS' Fixed Income Strategy and Fixed Income Risk and Opportunities groups.

Rob joined MFS in 1999 and served as an institutional portfolio manager for the Fixed Income Department from 2007 through 2009. He joined the US Growth Equity team in 2009 and became a portfolio manager in 2014. He added additional portfolio management responsibilities in 2018 and assumed his current strategist title in 2019.

Rob is a graduate of the University of Massachusetts and earned his Master of Science degree in finance from the Sawyer Business School.



Peter Martin

Chief Investment Officer, The Medical Defence Union

Peter is the Chief Investment Officer for The Medical Defence Union and has been with the MDU since 2016. He has over 30 years' experience as a senior investment professional.

Prior to joining the MDU, Peter was head of manager research at JLT Employee Benefits and before this at Aon Consulting. Peter's investment research specialisms have included bonds, LDI and property.

He is currently a member of the Investor Committee of the Association of Real Estate Funds. Peter was also a member of the Society of Pension Professionals (SPP) Investment Committee for many years and in addition was a member of the Investment Committee to the Pensions Board of the Institute of Actuaries. More recently, Peter was a member of the Management Committee for the Association of Member Nominated Trustees and a Trustee for the MDU Pension & Life Assurance Scheme.

He is a Fellow of the Institute and Faculty of Actuaries and also holds the Investment Management Certificate (IMC).



Hannah Evans

Head of Manager Research, Omnis Investments

Hannah joined Omnis in 2022 having begun her career at a UK actuarial consultancy, Lane Clark and Peacock, LLP.

Hannah has nearly 20 years' experience in investment manager research and more recently worked at Russell Investments evaluating and identifying investments strategies that offer the optimal risk and reward characteristics for clients.

At Omnis she leads the work on selecting and monitoring the investment managers of the Omnis funds.



Sam Mahtani

Director, Alpha ESG Consulting Ltd

Sam has a total of over thirty years of investment experience and is the founder of Alpha ESG Consulting Ltd, an Independent Sustainability and Investment Advisory firm, helping charities, foundations, and fund management firms with their approach to investing sustainably.

He is an Advisory Board Member for the government backed 'Be the Business' board scheme helping advise and mentor small business entrepreneurs in the UK. He also sits on the investment committee of a leading animal welfare charity in the UK.

Sam is an Associate of the Institute of Financial Services and a member of the CFA Society in the UK.



Josh Pilley

Associate Investment Partner and Head of Multi-Asset Research, XPS Group

Josh is an Associate Investment Partner and Head of Multi-Asset Research at XPS Group.

His role encompasses both client advisory responsibilities and fund management research. In his client focused role, he is investment advisor to a portfolio of private sector defined benefit pension schemes ranging in size from £5m to £1bn.

As part of his research responsibilities, he leads XPS's multi-asset manager research team, researching a wide range of multi-asset funds that are suitable for DB and DC pension schemes, charities, and endowments.



Alain Zeitouni

Senior Director, Head of Multi-Asset – EMEA, Russell Investments

Alain Zeitouni is Senior Director, Head of Multi-Asset at Russell Investments, based in London.

He is the portfolio manager of Russell Investments' flagship Multi-Asset Growth Strategy (MAGS) funds, as well as the MAGS risk-rated retail fund range. Since September 2020, Alain has led the EMEA Multi-Asset team and holds ultimate responsibility for the performance of all multi-asset funds in the region.

Alain works with investors to integrate equity, fixed income, real asset, and alternative investments into their portfolios, with a particular focus on clients in the UK, Continental Europe, the Middle East, and Asia. He is responsible for creating strategic asset allocations, selecting between active and passive strategies, and dynamically positioning total portfolios to help clients achieve their investment objectives.

He is a member of the Solutions Subcommittee and a key decision-maker on the Risk-On/Risk-Off team—a group of strategic experts who provide detailed guidance on the firm's overall risk appetite within portfolios.

Alain joined Russell Investments in 2011 as a Portfolio Manager on the Multi-Asset team. Prior to that, he spent 10 years at Barclays Wealth Managers France, where he established the multi-management department. He began his career in 1999 in London as a Financial Analyst with General Electric Capital Europe.

In attendance



Elizabeth Pfeuti (Moderator)

Director, Rhotic Media

Former Dow Jones staffer Elizabeth Pfeuti is a member of the Rhotic Media executive leadership team. A highly decorated journalist, Elizabeth has been in financial journalism for almost 20 years. At Dow Jones, she covered the asset management, investment banking and investor services beats for Financial News, where she also wrote on a wide range of regulatory themes.

She was previously the European Editor for CIO Magazine and boasts an exceptional contact book of buy-side and in-house institutional CIOs and asset management executives. More recently she has worked on corporate briefs for pension consultants, investment banks and asset management groups.



Henry Odogwu

Senior Managing Director - Institutional Sales, MFS Investment Management

Henry Odogwu is a senior managing director of institutional sales at MFS Investment Management® (MFS®). In this role, he leads a sales team focused on institutional investors across Europe, the Middle East and Africa.

Prior to joining MFS in 2026, Henry spent nearly six years at BlackRock, where he held a series of senior leadership positions, most recently serving as managing director and head of UK professional trustee relations. Before BlackRock, Henry was a managing director at FTSE Russell (London Stock Exchange Group), where he led distribution for European asset owners and continental European asset managers, banks, private banks and insurance companies.

Henry earned a Bachelor of Engineering degree with honours in mechanical engineering from Brunel University. He also holds the Investment Management Certificate (IMC) and serves as a trustee of Barnardo's, a charity where he chairs the investment committee.



Krish Dhanjee

CFA, Relationship Manager, Institutional, MFS Investment Management

Krish Dhanjee, CFA, is an institutional relationship manager with MFS Investment Management® (MFS®). In this role, he is responsible for developing and expanding global consultant relationships.

Krish joined MFS in 2018 as a consultant relations analyst, before taking on his current role in 2023. He previously worked at Willis Towers Watson as a senior investment analyst for three years.

Krish earned a Bachelor of Science degree in financial mathematics from the University of Kent. He holds the Chartered Financial Analyst designation.

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Sean Thompson

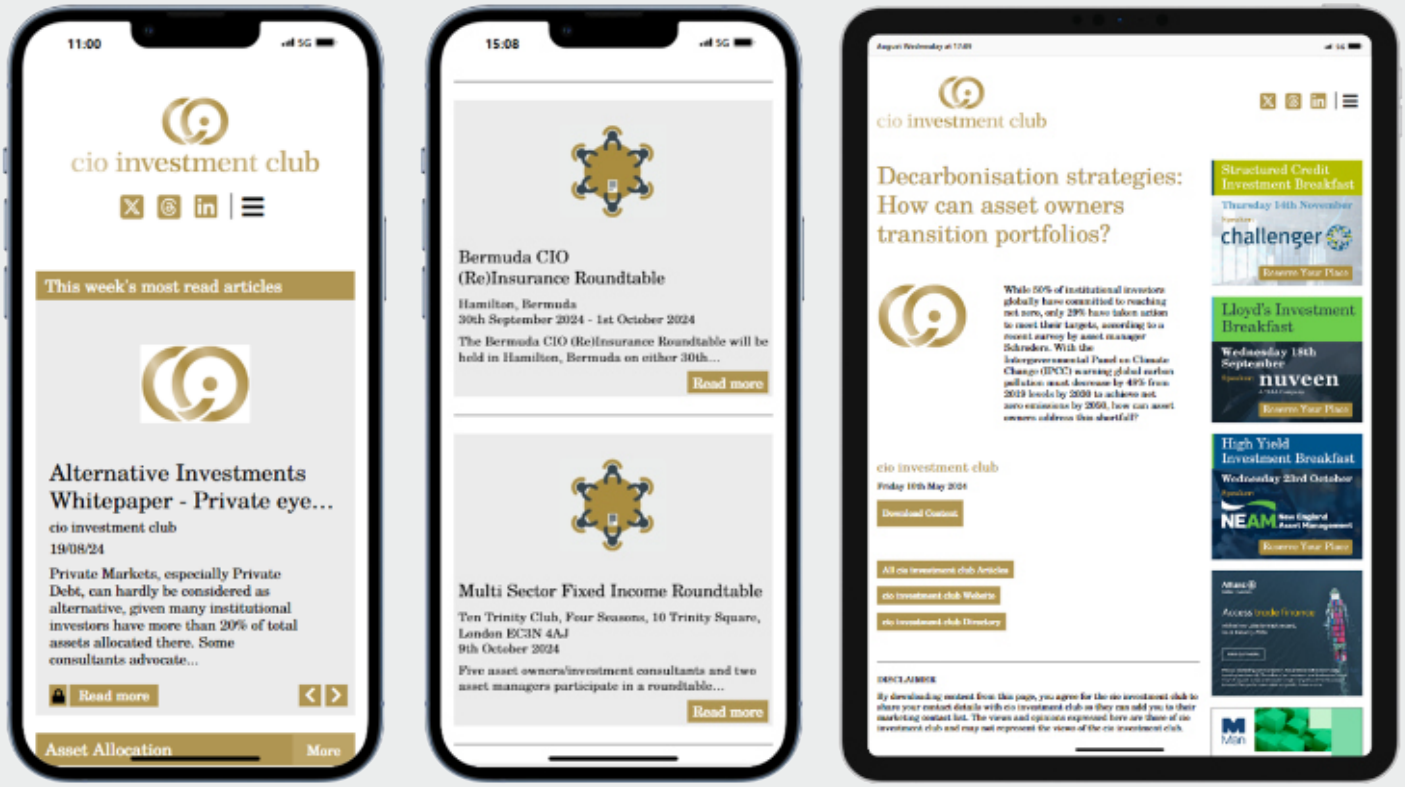
Founder & Director, cio investment club

Sean has nearly 40 years of experience working in London's financial services sector and the insurance market. After 10 years as Managing Director of CAMRADATA, Sean launched the cio investment club on 1st January 2024.

The cio investment club's mission is to become the voice of chief investment officers and investment professionals at institutional firms. To help achieve this the club hosts events throughout the year that educate and inform, whilst providing thought-provoking content to its members.

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