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# If it ain’t broke, don’t fix it

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**With the arrest of President Maduro and his wife, Venezuela—and possibly the entire region—faces an uncertain future. Investors should prepare for increased geopolitical uncertainty. However, even in this environment, a diversified portfolio should remain the optimal tool for long-term wealth preservation and growth.**

The new year is only a few days old, but has already seen its first major geopolitical development: Venezuelan President Nicolás Maduro and his wife were arrested by US forces in Caracas and brought to the United States. According to US Attorney General Pam Bondi, who posted on the social media service X, they will face trial there on charges including drug trafficking and weapons possession and production. This development marks a turning point for the country and raises questions about Venezuela’s future and the role of the US in the Western Hemisphere.

President Donald Trump has announced that the US will administer Venezuela during a transitional phase. He also emphasized that US access to Venezuela’s oil reserves—which, according to estimates, are the largest in the world—is a key motive for the intervention. The administration stated that investments are intended to revitalize the oil sector, for the benefit of the population but also to enable profits for US oil companies. According to Trump, these companies will invest billions over the coming years.

How successful this endeavor will be remains to be seen. What is clear is that the list of challenges is long and complex: Since Hugo Chávez took power in 1999, there has been a lack of capital for investment and access to skilled labor. The complex debt restructuring is also likely to delay the country’s return to international trade. Additionally, rebuilding could face obstacles related to governance and security. Much will depend on how well cooperation with Venezuela’s interim president, Delcy Rodríguez, functions. Although President Trump has not ruled out the presence of US troops in Venezuela, history has shown how difficult it can be to stabilize—or even transform—a fragile country. A look at oil prices suggests that markets are not yet expecting additional Venezuelan barrels: The price of crude oil has barely reacted to the intervention.

The arrest of President Maduro also raises the question whether other governments could face a similar fate, and how the markets would react. With this intervention, the US government has clearly asserted its claim to leadership in the Western Hemisphere, demonstrating both the capability and the political will for such militarily demanding undertakings, while simultaneously reaffirming its leadership role for the entire region—a role that, in recent years, has increasingly been challenged by countries like China and Russia. President Trump also publicly suggested the possibility of similar actions against other governments, for example in Colombia, Cuba, or Iran.

If that is the case, investors will have to contend with geopolitical tensions this year as well. The extent to which markets would be affected would depend on whether any crisis remains locally contained—as has been the case so far with Venezuela or the war in the Middle East—or whether markets begin to price in the possibility of a regional conflict, or in the worst case, a proxy war between the US and Russia and/or China. While this may seem concerning, we consider a regional conflict unlikely. Moreover, history has shown that local geopolitical shocks usually have only a limited impact on a globally diversified portfolio. The current situation in Venezuela thus confirms that even major political upheavals in a single country do not necessarily lead to severe market disruptions.

More important market drivers—such as corporate earnings and monetary or fiscal policy decisions—are typically hardly influenced by geopolitical factors. From an investor’s perspective, it therefore seems more important to monitor the development of these factors. Our outlook in this regard remains positive. We believe that a diversified portfolio can again deliver significantly higher returns this year than cash or savings deposits, and thus remains the optimal tool for long-term wealth preservation and growth. Simply put, if it ain’t broke, don’t fix it. Structured strategies can also help to hedge risks, generate income, and/or systematically build up equity exposure. Especially for conservative investors, this should be a better strategy than hoarding excessive savings in a zero-interest-rate environment.

Appendix

**Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments).** Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Private Credit:** There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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