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Shielding portfolios from uncertainty

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Discover why Swiss investors should look beyond traditional assets and national champions to build stronger, more resilient portfolios.

In a world increasingly defined by geopolitical rivalry, diversification is not just prudent—it's essential for both navigating an unpredictable landscape and seizing the wider array of opportunities. Sudden policy shifts have made concentrated portfolios more vulnerable than ever. The new imperative is clear: build resilient portfolios that span regions, sectors, and asset classes. But what does it mean for Swiss investors?

More than just gold

Gold is often seen as a "safe-haven" asset and hedge against systemic risks. However, broadening commodity exposure to include copper, aluminum, and agricultural assets can help diversify sources of future returns. A diversified commodity allocation, rather than gold alone, of up to a mid-single-digit percentage is typically suggested in a portfolio.

More than just Swiss stocks

A similar logic applies when comparing Swiss pharma to the broader longevity theme. The latter includes biotechnology, diagnostics, digital health, and companies focused on extending healthy lifespans. Broadening exposure beyond Swiss pharma allows investors to benefit from demographic shifts and rising health care demand, capturing growth from emerging players and disruptive technologies. Investing in more than the national champions enhances portfolio resilience by reducing dependence on a single industry.

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More than just the Mag 7

The artificial intelligence theme is also a good example of where diversification applies across the value chain. AI's impact spans the enabling, intelligence, and application layers, spanning semiconductors and cloud infrastructure to software and automation. Allocating to the AI theme gives access to a wider range of companies benefiting from AI, rather than concentrating risk in a few megacap names such as the "Magnificent 7." This approach helps mitigate overexposure to any single company or business model while still participating in AI-driven growth.

More than just listed stocks

Alternative investments—such as hedge funds, private markets, and infrastructure—can also enhance portfolio diversification and resilience. Alternatives often have low correlation to traditional asset classes, providing insulation against market declines. For instance, hedge funds can help steady portfolio swings, while private markets and infrastructure can generate income and long-term growth. However, alternatives come with unique risks like illiquidity, limited transparency, and leverage, so careful management and due diligence are essential.

In summary, broad diversification can improve risk-adjusted returns, reduce exposure to specific shocks, and capture growth from multiple sources. Commodities, longevity, and AI themes, as well as alternatives, each plays distinct roles, helping investors navigate uncertainty and position themselves for the likely broadening of financial market returns.

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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