Strategic: Strengthen your core

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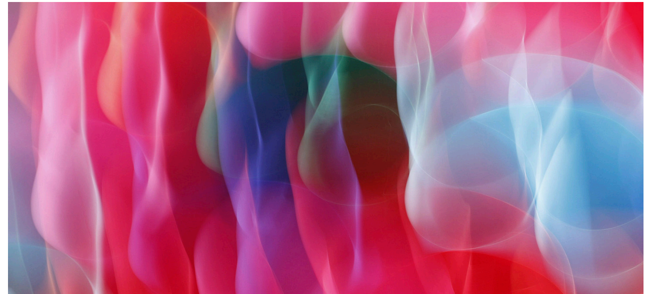
Why? 1) Building a core portfolio can help maintain focus on long-term goals through market volatility, including AI worries and geopolitical concerns. 2) A portfolio broadly diversified across and within asset classes, geographies, and sectors can consistently grow wealth, providing compounded returns. 3) This approach helps maximize the chance of meeting financial goals, allowing investors to pursue other interests or tactical opportunities with greater confidence and avoid locking in losses in downturns.



Source: Pexels

Video: Strengthen the core: Review your goals

Markets have been unsettled by swings in gold prices, AI disruption fears, more tariff uncertainty following the Supreme Court's decision, and the risk of conflict between the US and Iran. Nervous investors may feel compelled to hold outsized levels of liquidity. But those with excess cash should remind themselves of the big picture.

After a third consecutive year of 20%+ gains in global equities (MSCI All Country World Index) in 2025, investors who held and continue to hold too few equities have paid a price in terms of foregone performance.

Investors who avoided their home stock market may have missed out even more, given how Chinese equities (MSCI China Index), Japanese stocks (MSCI Japan), and European shares (MSCI EMU Index) all outperformed US equities, with gains of around 30%, 25%, and 25% respectively.

Stocks were not the only strong performers last year. Global bonds posted their best results since 2020, while gold climbed 63%, its largest annual gain since 1979.

Looking ahead, we maintain a constructive view on markets, and expect global equities to rise by end-2026 but with periodic bouts of volatility, as recently experienced with concerns over the disruptive power of new AI agents, as investors digest economic, technological, and geopolitical developments.

The outlook is supported by transformational innovation, anticipation of two more Federal Reserve rate cuts, resilient economic growth, and broadening stock market leadership on a better cyclical outlook.

Investors should seek to strengthen their core portfolios in three ways, in our view.

1. Top up balanced portfolios across stocks, bonds, and alternatives. A robust core portfolio is the foundation for long-term success. CIO suggests allocating 30-70% of assets to equities, with at least half in US stocks and at least 20% in global shares, including Europe and emerging markets. Up to 30% can be dedicated to structural growth themes such as AI, power and resources, and longevity. Fixed income should comprise 15-50% of assets, balanced across government bonds, credit, and private credit, with a 5-7-year duration and alignment to currency needs. Alternatives—including hedge funds, private markets, and infrastructure—can further enhance diversification and risk-adjusted returns.

2. Rebalance portfolios, especially after larger market moves. Big shifts between and within asset classes can mean portfolios may have drifted from their strategic allocations. CIO recommends rebalancing in a periodic and systematic way, with a disciplined plan and consistent schedule: sell relative winners, buy relative losers, and return to long-term asset allocations. This disciplined approach helps lock in gains, manage risk, and maintain exposure to future growth. Rebalancing may mean trimming

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outperforming equities and adding to lagging sectors or regions. It also provides an opportunity to review fixed income and alternative allocations, ensuring a balanced mix that reflects current market conditions and personal risk tolerance. Regular rebalancing is a core part of institutions' professional portfolio management—and an activity self-directed investors can try to copy, especially in volatile environments, to help avoid emotional decision-making and stay focused on long-term goals.

3. Enhance core portfolios with wealth preservation and tactical ideas. Strengthening the core isn't just about asset allocation—it's also about managing risks and seeking new opportunities. Risk-averse investors can hedge market risks by substituting some equity exposure with capital preservation strategies or adding up to a mid-single-digit allocation to gold, which has proven to be an effective hedge against geopolitical risks.

Return-seeking investors can broaden their stock exposure by seeking new regions, sectors, and industries through tactical equity opportunities, including structured strategies that offer limited exposure to losses or enhanced yield while waiting to "buy on dips."

Long-term investors can consider alternative investments as diversifiers and fresh return sources, such as hedge funds, private equity, private credit, and infrastructure. CIO suggests that investors with an "endowment" style may benefit from allocating up to 20-40% to alternatives, with careful manager selection and effective diversification across strategies. This approach can improve portfolio resilience and adaptability to changing market conditions.

An optimistic outlook for the year combined with near-term uncertainties and worries increases the urgency of acting now to strengthen core portfolios. Now may offer a window for investors to position themselves to capture future growth, manage risks, and achieve long-term financial goals in today's fluid market environment.

Global asset class preferences definitions
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities
Note: For equities, we have a five-tier rating system with two additional preferences
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

Risk information
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