

Diversify across equities

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- **Why?** 1) Concentrated equity positions can heighten portfolio swings and impair wealth growth during times of volatility. 2) In a world of geopolitical uncertainty and long-term strategic rivalries, diversifying stock exposure across geographies, sectors, and investment approaches may support returns and portfolio stability. 3) Low bond yields in select economies and fiscal concerns may warrant income-seeking investors looking at choice equity income exposure.
- **Why now?** 1) AI disruption fears have not abated, so we like reviewing US tech and communication services positions and trimming excess exposure. 2) In our base case of limited oil disruptions from the Iran war, we like diversifying into European and select Asian stock markets for exposure to global and local trends. 3) Companies with sustainably high dividends in select markets tend to be less volatile and more resilient during stock market declines.



Broader equity diversification across sectors, regions, and styles can help investors participate in market rebounds and manage risks from higher energy prices and growing AI disruption. Source: Marek Piwnicki_Unsplash

Broaden beyond US tech

We believe the long-term outlook for AI growth remains intact. However, we have concerns that the market may not easily digest all the debt and equity issuance that AI companies foresee. Furthermore, continued growth in AI capabilities is posing risks to the “moats” of existing digital platforms, and it is hard to tell who the real beneficiaries will be when the dust settles. To balance rising risks with opportunities, we believe investors should bring allocations to the US tech sector back into line with benchmarks.

Capture global and sector opportunities

We believe industrials, US consumer discretionary, health care, and utilities are all benefiting from resilient economic growth and structural trends such as electrification and re-industrialization. In Europe, we expect “leaders” in industrials and technology to benefit from ambitious reforms and global trends, while in Asia, Japan and China offer diversification. After a period of underperformance

from Chinese tech stocks, we expect these to rebound with AI tailwinds. We note that the longer energy prices remain elevated, markets that are more susceptible to shocks in energy prices may require a review, such as Japan or Germany.

In addition, our positive view on global industrials also supports the space economy, which in our view is reaching an inflection point. Private investment is surging, satellite technology is advancing rapidly, and launch costs have fallen—unlocking new commercial opportunities. Global defense spending is rising as geopolitical tensions intensify, directly benefiting space-exposed companies. At the same time, AI is making it easier to process and monetize satellite data, expanding the market for space-based services. While risks remain around technology, costs, and commercial viability, the combination of strong momentum, structural demand, and technological progress makes now an attractive entry point for investors looking to capture this emerging global

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theme.

Add more predictable income

Equity income strategies offer a practical way to add predictability and stability to portfolios, especially in uncertain markets. Companies with sustainably high dividends—such as those in Switzerland or Southeast Asia—tend to be less volatile and more resilient during drawdowns. Their steady cash flows and disciplined payout policies tend to provide a buffer against market shocks, and as interest rates decline, the relative appeal of equity income only increases.

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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