(UBS)

Strategies investors can implement to boost the resilience of portfolios

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The UBS Chief Investment Office (CIO) continues to believe that maintaining a well-diversified portfolio will help ground long-term investors as they navigate the conflict in the Middle East. For those looking to more actively manage risks, CIO sees strategies investors can implement to boost the resilience of their portfolios.

Utilize structured investments with capital preservation features. Substituting a portion of direct equity exposure with capital preservation strategies can help investors capture most of any potential gains while limiting potential losses. Typically, these instruments combine a zero-coupon bond—which returns the investor's initial capital at maturity—with call options that provide exposure to potential gains in the underlying asset. Given their flexibility, which allows investors to tailor the degree of capital preservation and participation in rising markets, we think such approaches can make portfolios more resilient to volatility. However, investing in capital preservation strategies requires careful consideration of several factors, including maturity and liquidity.

Allocate to gold and alternatives such as hedge funds. Gold has historically provided protection from the monetary and financial effects that geopolitical events can cause, and we expect fears over rising global debt levels to continue to underpin demand for the yellow metal. Meanwhile, including an allocation to alternatives can improve diversification, growth potential, and insulate against market declines, in our view. Provided that an investor is willing and able to tolerate risks related to alternative investments, we believe certain hedge fund strategies can help steady portfolio swings given their focus on active risk management and flexible allocations, while private markets can offer return streams that are less correlated to public markets.

Develop a liquidity management strategy. Historical data shows that retreating from markets during periods of heightened volatility is unlikely the best strategy over the long term. But we believe holding sufficient liquidity to cover foreseeable expenses can help investors avoid forced selling in the event of a market drawdown. For everyday cash that is set aside for spending needs over the next year, we think deposit programs, money market funds, or certificates of deposit offer relative stability in exchange for modest yields. For core liquidity, which covers known expenses over the next 1-3 years, we think a bond ladder can provide predictable cash flows and mange interest rate risk. Investment cash, earmarked for needs up to five years out, can consist of medium-term quality bonds.

So, while the situation in the Middle East and its ultimate impact on global economies remain fluid, investors should approach portfolio management with discipline, diversification, and a focus on long-term objectives.

Original report – **Ways to manage portfolio risks amid volatility, 12 March 2026.**

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