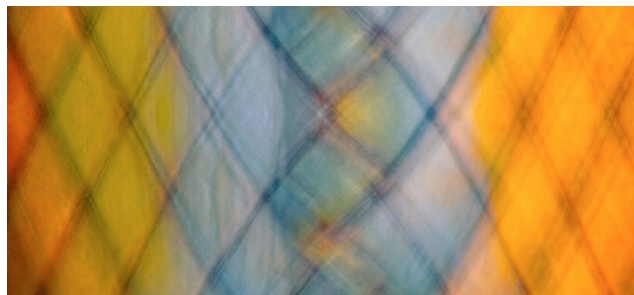


Strategic: Strengthen your core

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 the Iran war, AI worries, and private market redemption limits. 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: Robert Clark_Unsplash

Global stock markets have posted gains in 2026 despite renewed geopolitical uncertainty in the Middle East, questions over the durability of the AI capital expenditure cycle, and a more hawkish shift in expectations for interest rates in many major economies. The S&P 500 stands 10% higher and South Korea's Kospi has rallied 78% in local currency terms. Yet gold prices sit well below their year-to-date highs, commodities have declined since their Iran war peaks, and major government bond yields have followed central bank pricing higher. With asset class and even intra-stock-market performance dispersion high and uncertainty lingering, the case for building a core portfolio remains robust.

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 investors digest economic, technological, and geopolitical developments.

Nerves need not stop investing, even when some stock markets sit at or near all-time highs. Holding too much cash can erode long-term wealth. There are better options than waiting for a market drop.

First, maintain a balanced portfolio. A solid core is key for long-term success. CIO likes putting 30-70% of assets in stocks, with at least half in US shares and at least 20% in global markets, including Europe and emerging economies. Up to 30% can go to growth themes like *AI*, *Power and resources*, and *Longevity*. Fixed income—such as government and corporate bonds—can make up

15-50% of assets. Aim for a mix that matches currency needs. Alternatives like hedge funds, private markets, and infrastructure can add more diversification and help manage risk.

Second, rebalance. Big market moves can shift portfolios away from targets. Rebalancing means trimming outperformers and adding to underperformers. This can help lock in gains, control risk, and keep investors on track. Professional managers do this regularly, and individual investors can benefit from the same discipline—especially in volatile times.

For investors holding concentrated stock positions, now may be an opportune time to review how such positions align with financial plans and make a plan to reallocate in a disciplined way. Approaches can include setting mental rules to reduce positions when certain performance thresholds are met or at regular intervals. It may be worth looking at structured strategies that allow investors gradually to decumulate stocks, reducing emotional biases and executing sales in a systematic way. Investors can then identify gaps in their asset class, regional, and sector allocations and reinvest proceeds into fresh sources of potential yield, growth, or portfolio protection.

Third, look for ways to protect and grow wealth. Managing risk is as important as choosing the right assets.

The cautious can reduce some stock exposure and add capital preservation strategies or gold, which has historically

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been a good long-term hedge. The income seeker can complement a core allocation to high quality government and investment grade bonds with satellite investments in diversified fixed income approaches, high yield debt, emerging market bonds, equity income strategies, or structured strategies. And the more adventurous can consider tactical equity ideas or structured solutions that limit losses or boost yield.

Holding satellite investments may offer investors greater nimbleness and agility to navigate fast-moving markets, while preserving a stable core portfolio throughout the ups and downs of the market cycle. Reviewing the overall allocation in the round, however, is still important to maximize the chances of meeting long-run objectives.

The farsighted can also look at alternative investments like hedge funds, private equity, private credit, and infrastructure for new sources of return. We like hedge funds (including regional opportunities focused on Asian markets), private infrastructure, and private market vehicles that generate income from royalties. 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.

However, investors must be able and willing to bear the unique risks of investing in alternative assets, including but not limited to illiquidity.

While the recent activation of withdrawal limits (often referred to as "gating") following elevated redemption requests has brought "evergreen" vehicles' liquidity profile into sharper focus, these developments do not invalidate the evergreen model, in our view. That said, we believe investors should consider how the structures they own operate, how they behave under stress, and—most importantly—the inherently illiquid nature of the underlying assets. In some instances, investors may want to consider how private markets fit into the core portfolio or whether a satellite allocation, destined for spending beyond one's lifetime and therefore with fewer needs for liquidity, makes sense.

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

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