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Building portfolios that can perform across a range of scenarios

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Brent crude oil fell below USD 100/bbl for the first time in two weeks after President Donald Trump said US officials had “very good” talks with Iranian envoys in New York. The three-hour meeting took place on the sidelines of the United Nations General Assembly, and Trump said another session was being planned.

The comments stood in contrast to Trump’s address to the General Assembly earlier on Tuesday, when he threatened to “annihilate” the Islamic Republic unless its leaders come to an agreement. He also suggested that the war in the Middle East may not end until at least after the US midterm elections in November.

Our base case is for energy disruption to remain relatively limited and an inflation shock that does not become sufficiently broad or persistent to derail growth. But the current conflict could still escalate and place further strain on energy supplies. Other geopolitical developments may also drive market swings, alongside renewed concerns over government debt and the sustainability of AI capex.

While we continue to recommend positioning for further equity upside, building portfolio resilience is equally important. We also see strategies investors can consider to mitigate downside risks.

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Utilize capital preservation strategies to manage potential volatility. Investors seeking to retain equity exposure while limiting losses in a market setback can consider capital preservation strategies. These approaches can be tailored to investors' desired level of protection, participation in potential gains, and investment horizon. They may be particularly relevant for investors with concentrated positions, a low tolerance for drawdowns, or upcoming liquidity needs. Investors should be mindful that the terms offered depend partly on market conditions, while repayment remains subject to the issuer's creditworthiness.

Consider exposure to broad commodities. Broad commodities can strengthen portfolio resilience by providing exposure to real assets to hedge against inflation, supply disruptions, or geopolitical stress. Investors can allocate across energy, industrial metals, agriculture, and precious metals, whose distinct supply-and-demand drivers may produce different sources of return over the economic cycle. We favor actively managed strategies that can adapt as leadership shifts, control implementation costs, and concentrate on the most promising opportunities. In our view, a mid- to high-single-digit allocation may provide meaningful diversification without adding excessive portfolio risk, although the appropriate weight will depend on each investor's objectives, risk tolerance, market outlook, and existing real-asset exposure.

Build allocation to alternatives for less-correlated return and income streams. Alternatives can broaden portfolio return drivers when equities and bonds move more closely together. Hedge funds can pursue opportunities across rising, falling, and dislocated markets, while private equity can provide access to long-term growth themes and private infrastructure can generate resilient, potentially inflation-linked income. Investors should diversify across strategies, managers, sectors, regions, and vintages, and align their allocation with their objectives, risk tolerance, and liquidity needs. Manager selection is critical given wide differences in performance, fees, and leverage, while investors should take into account risks including lower transparency and liquidity.

So, rather than reacting to each change in the geopolitical or market outlook, investors should focus on building portfolios that can perform across a range of scenarios. Maintaining equity exposure while incorporating capital preservation strategies, broad commodities, and alternatives can help manage downside risks, broaden return sources, and build portfolios that are better equipped to withstand periods of volatility.

Original report: [Build resilience through portfolio diversification, 23 September 2026.](#)

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