



Thinking like this moves us away from a simple binary risk on/risk off calculation. We must think instead about the broad path that can best navigate us through the changing landscape.

The good news is that the ground we are travelling on is rough but not impassable: global growth is forecast at 3.3% in 2016 and 3.4% in 2017 and most central banks could remain in a highly supportive mode – although their efforts still need to be supported by a political drive for structural reform.

The challenge is that staying on the middle of the path may not yield particularly attractive returns. Equity markets look unlikely to move much higher over the next 12 months. Many government bond investments already carry negative returns and market liquidity issues are another reminder of how important it is to have active fixed income management. Moreover,

the ability of a static strategic asset allocation to boost returns is limited by increased correlations between asset classes.

What this means in practice is that strategic asset allocation could need to be complemented by a constantly monitored tactical asset allocation, individual security selection and, of course, risk management to help protect the value of a portfolio against potential downturns. Doing this – as we approach and then move through future inflection points – will require knowledge and dexterity. I'm convinced that such a multi-faceted approach is a thoughtful way to manage your wealth through the coming months and years.

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Past performance is not indicative of future returns. Readers should refer to the explanatory notes at the end of this document.