

protection strategy. You might also want to take a broader look at the assets you really have in your investment portfolio and in particular take your human capital in to account, when thinking about risks and rewards. Already, we are seeing clear signs that the advantages from taking a world-wide perspective when making investment decisions are once again growing. For example, a few individual emerging markets have performed quite well in recent months, after years of disappointing returns. Benefitting from such reversals requires a strong grasp of the trends shaping the global economy. To well-diversified investors, the increasingly volatile currency movements we are expecting are presenting opportunities, not just risks and it may be appropriate to integrate these into the portfolio decision-making process. At a time when yields on traditional asset classes can be so low, currency investments may in some cases help generate added returns, as they will be directly affected by central banks' policy. Handling such sophisticated diversification however requires consideration of the fourth point below.

### **Third: diversify but flexibly.**

Traditionally, the main idea of a multi asset approach has been to reduce portfolio risk through diversification. But if monetary policy is determining the overall risk sentiment of investors, affecting all conventional asset classes, traditional diversification effects (e.g. through combining equity and fixed income in a portfolio) are unlikely to contribute much to a portfolio's performance. But this is not to suggest that diversification no longer has a part to play: instead we would argue that it can still be extremely important, but to make it so, investors will need to broaden their investment horizon both regionally, within asset classes and with regard to other investments, e.g. alternatives/illiquids.

### **Fourth: knowledge is king.**

Paradoxically, in such an uncertain world, specific knowledge becomes particularly important. We would distinguish two types of knowledge here. First, you need deep local knowledge of what is happening in different regions of the world, to identify structural trends early on, and select assets accordingly. As wealth managers, we fully intend to help our clients make the best of what has no doubt become a more difficult investment environment. Second, you need a data-driven understanding of what is going on at an overall investment level, so you can separate out the reality of what is going on from general perception. Only with this knowledge can you, for example, look deeper into concepts such as valuation, equity selection and risk. The environment will change and you need to be able to judge the likely implications for your own personal situation.

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