



IN TODAY'S ECONOMIC LANDSCAPE, where terms like “recession” and “tariffs” dominate discussions, investors must be more strategic than ever to navigate market volatility, mitigate risks, and capitalize on pockets of opportunity. By focusing on resilience and leveraging diverse investment tools, investors can work toward their wealth goals even amid uncertainty.

Diversification of assets, themes, and geographies enables investors to outperform cash and achieve stability in an era where established U.S. exceptionalism is increasingly debated. While we still believe there is room for U.S. equities to expand in the coming year, selectivity is key. In addition to stocks, we've focused on key areas to adjust investment portfolios and better navigate the new market regime.

### STRATEGIC STOCK SELECTION IN U.S. EQUITIES

Being selective within U.S. equities is crucial for investors aiming to maximize returns while managing risk. Investors should focus on companies with strong fundamentals, such as robust balance sheets, consistent earnings growth, and competitive advantages in their respective industries. Additionally, identifying sectors poised for growth, such as technology and industrials, can provide opportunities for capital appreciation. It's also important to consider valuation metrics to avoid overpaying for stocks, even in promising sectors.

### OPTIMIZE FIXED INCOME EXPOSURE

Building resilient portfolios involves assets with low or negative correlations, each capable of outperforming cash. Core fixed income remains a primary source of resilience during growth downturns, while opportunistic credit strategies can capitalize on economic stress. For example, equity-linked structured notes can generate higher return potential with a narrower range of possible outcomes than assets with similar volatility, such as preferred equities and high-yield bonds. These structured notes pay a coupon, which is a function of implied equity market volatility and interest rates, potentially providing greater downside protection and higher potential returns.

Shorter-dated rates have proven effective in shielding portfolios from recession fears, offering protection against downturns while longer-term rates face risks like deficits. By concentrating fixed income exposure in five- to seven-year maturities, investors can achieve stability, as these rates are less correlated with near-term economic fundamentals.

### DIVERSIFY CURRENCY HOLDINGS

Currency diversification is essential for enhancing returns and reducing volatility amid a declining U.S. dollar. By diversifying into the euro, yen, and gold — assets increasingly favored by central banks — investors can mitigate currency risks. Non-U.S. equities also offer a primary path to diversification for dollar-based investors. Gold, expected to rally due to geopolitical risks and potential dollar weakness, presents an opportunity for increased allocation.

### CONSIDER INFRASTRUCTURE INVESTMENTS

Infrastructure investments offer unique opportunities for private investors. With consistent historical returns from inflation-adjusted cash flows, infrastructure is particularly attractive in uncertain times. Over 40% of infrastructure returns are driven by income, making it appealing amid bond market volatility.

In navigating today's complex economic environment, investors are encouraged to adopt a thoughtful and diversified approach. By strategically diversifying assets, optimizing fixed income exposure, and exploring currency and infrastructure investments, investors can effectively manage risks and seize opportunities. This approach empowers investors to work toward their financial goals with confidence, even in uncertain times. ■



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