

Staying the course in uncertain times

Recent geopolitical tensions have rattled markets, but history suggests that discipline and long-term thinking remain the most reliable approach for investors.



Robert Cloete, CFA
Chief Investment Officer

When markets become volatile, the most important investment decisions are often the ones not taken. It's a moment to pause and focus on what really matters.

Recent events in the Middle East have introduced renewed uncertainty into financial markets. Developments have been fast-moving and, at times, unsettling. Alongside the humanitarian impact, which remains deeply concerning, investors are wondering what this means for their portfolios and long-term plans.

Oil prices have risen, inflation expectations have shifted and volatility has increased. Central banks are reassessing the outlook, while markets continue to adjust to a range of possible outcomes. The overall reaction, however, has so far been measured rather than extreme.

This environment creates a natural instinct to act. A more useful starting point is to maintain a broader and considered perspective.

What does history tell us?

Geopolitical shocks are not new. Markets have navigated wars, political upheaval, financial crises and pandemics, each accompanied by compelling reasons why the outlook appeared particularly uncertain at the time. The consistent outcome has been recovery.

This pattern reflects the resilience of economies and businesses. Companies continue to generate earnings, adapt to changing conditions and invest for the future. Innovation does not stop because sentiment weakens.

This perspective does not remove short-term risk. Volatility remains a normal and at times enduring feature of investing. It does, however, provide context. Long-term outcomes are driven by structural forces, not single events.

This context helps frame the present environment. The key question is not whether markets will move, but how investors respond.

Key points

- Market volatility linked to geopolitical events is unsettling but not unusual.
- History suggests markets recover from periods of disruption.
- Reacting to short-term headlines can undermine long-term outcomes.
- Diversification and discipline remain the most effective tools.
- Our approach remains consistent, focused on long-term risk-adjusted returns.

Why is it so tempting to act?

Periods of uncertainty tend to amplify the urge to take action. Headlines are immediate and often dramatic. Market movements can feel sudden and unpredictable. This reaction is entirely understandable.

The challenge is that reacting to short-term developments can undermine long-term outcomes. Selling assets in response to negative news may reduce near-term discomfort, but it can also mean missing the recovery that often follows.

A disciplined investment approach requires a different mindset. It involves accepting that markets will fluctuate and ensuring portfolios are constructed to withstand a range of outcomes.

Diversification remains central to this process. Different asset classes, regions and sectors respond differently to events. Some areas may come under pressure, while others provide stability or benefit from changing conditions.

From our perspective, this is where a diversified, global approach adds value. It allows us to draw on a broad opportunity set, selecting the most appropriate exposures and implementing tactical adjustments as appropriate.

How are we approaching the current environment?

Our approach remains consistent. We continue to maintain diversified portfolios, balancing exposure to growth assets such as equities with more defensive allocations where appropriate. This positioning reflects a long-term strategic

investment framework rather than a reaction to current events.

We are also mindful of the broader macroeconomic backdrop. Higher energy prices have the potential to feed into inflation and pressure economic growth. Meanwhile, interest rate expectations have been volatile, as central banks adapt to the evolving environment.

Corporate earnings remain an important anchor. While certain sectors may face pressure, overall profitability and earnings expectations continue to support markets. The outlook may evolve, but it has not fundamentally shifted.

Private credit and contagion risk

You may have read or heard in the news about concerning developments in private credit markets, raising understandable questions about potential spillover effects.

It's important to distinguish between different parts of the market. Private credit has grown rapidly in recent years, and some areas are now experiencing pressure as conditions tighten. This development is not unexpected in a more mature and complex cycle.

The risk of widespread contagion into public credit markets currently appears limited. Credit spreads have widened modestly, reflecting a degree of caution, but remain within ranges consistent with normal market conditions rather than systemic stress.

Our approach to credit is to maintain a focus on quality and diversification, while managing duration carefully, helping to reduce sensitivity to changes in credit conditions and interest rates.

This assessment reinforces the importance of maintaining perspective and avoiding conclusions based on isolated developments.

This approach emphasises discipline and selectivity. We monitor developments closely and assess their implications but avoid reactive decision-making. Where opportunities arise, we will act within a structured framework, maintaining a clear focus on risk-adjusted returns.

What can investing learn from business?

A useful way to think about the current environment is through the lens of running a business. Successful business owners don't abandon their strategy at the first sign of trouble. Economic conditions change, markets evolve and challenges arise.

The most resilient organisations continue to invest, adapt and manage risk through the cycle. Short-term setbacks are part of that process.

This analogy highlights an important investment principle. Building and preserving wealth requires a similar mindset. Decisions should be grounded in long-term objectives rather than short-term developments.

This discipline can be difficult to maintain during periods of uncertainty. It remains one of the most important drivers of long-term success.

A final thought

Periods of volatility are an inherent part of investing. This reality reinforces the importance of focusing on what can be controlled. A well-constructed portfolio, a clear investment framework and a disciplined approach provide a more reliable foundation than attempting to anticipate short-term developments.

Our role is to help you navigate these periods with clarity and confidence. We remain focused on managing your portfolio with a long-term perspective, while staying alert to evolving risks and opportunities.

About Hottinger. Hottinger Group is an international wealth management and multi-family office based in London, with a history dating back to 1786. We provide independent, bespoke advice and investment management services to wealthy individuals and families, helping them navigate complex financial, investment and generational planning needs. Our firm combines deep expertise with global resources to deliver tailored solutions across asset classes, underpinned by robust governance and a commitment to long-term client relationships.

About Edmond de Rothschild. Edmond de Rothschild is a conviction-based investment house guided by the belief that wealth should be used to help build the future. Family-owned and independent, the firm favours bold investment strategies rooted in the real economy, combining long-term performance with a focus on impact.

Contact us. To find out more about our investment services or to discuss your individual circumstances, please contact info@hottinger.co.uk or visit [hottinger.co.uk](https://www.hottinger.co.uk) for further information.

Hottinger Group, 4 Carlton Gardens, London SW1Y 5AA | T. +44 (0)20 7227 3400

Important information. This document is for information purposes only and does not constitute investment advice or a recommendation to buy or sell any investment. The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance is not a reliable indicator of future results. Any investment strategy or asset allocation targets are indicative only and may change over time. Investment decisions should be made based on individual circumstances and, where appropriate, professional advice should be sought.