



THE ART OF STAYING INVESTED IN AN UNCERTAIN WORLD

Investment Insights

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I have spent three decades allocating capital through bubbles, crises and recoveries. One lesson stands out above all others.

Markets do not reward those who claim to predict the future. They reward those who can adapt when the music changes.

We begin by thinking we manage money. Over time, we realise we are really managing behaviour, patience and uncertainty.

Let me be direct. This is one of the most consequential macro environments I have seen in thirty years. Not because markets are collapsing. They are not. But because the assumptions that shaped portfolio construction over the past decade are breaking, one by one, in real time.

I will take you through three layers. Macro first: geopolitics, growth, inflation, and AI. Then financial markets: bonds, equities, the dollar, gold and commodities. And finally, I will dig in private markets.

Macro

Geopolitics: The Third Player in Every Investment Decision

Geopolitics is no longer a dinner-table topic. It is a market driver.

For years, investors allocated capital in a world shaped by globalisation. Economies were integrated and supply chains stretched. Capital moved freely. Borders mattered less.

That world is changing.

Mark Carney described the current moment as “a rupture, not a transition.” That is the right framing. The rules-based order is not gently evolving. It is breaking into blocs.

We used to live in a world built on globalisation — where the economy and markets were the two main forces, each influencing the other.

Now, there’s a third player in the room: geopolitics.

The causality has flipped — politics drives policy, and policy now drives markets. And markets now price national security, industrial resilience and strategic autonomy.

The issue is no longer only current account deficits and surpluses. It is who controls energy, chips, data, defence systems and critical supply chains. North America is pursuing energy autonomy. Europe is rebuilding defence capacity. Asia is reinforcing digital sovereignty. Industrial policy and friend-shoring are reshaping trade routes.

Forget globalisation. Think geo-allocation.

The world is no longer flat. It is fractured. Supply chains, energy systems, data flows and capital allocation increasingly stop at borders. That changes the map for every portfolio.

Portfolio implication. *Geography is back. It can no longer sit behind sector allocation. Investors must diversify not only by asset class, but by regional bloc, political exposure and strategic dependency.*

Growth: Resilient Headline, Fractured Reality

Before the Iran war, the 2026 growth outlook looked manageable. Growth was slowing but not breaking. Then geopolitics intervened, and the base case shifted.

The IMF’s April 2026 World Economic Outlook, published after the outbreak of war in the Middle East, projects global growth of 3.1% in 2026 and 3.2% in 2027, down from 3.4% in 2025. That is a slowdown, not a recession.

But the base case is not the real issue. The tail risk is.

In a severe scenario, where energy shocks persist into 2027 and central banks are forced to raise rates again, global growth could fall to 2% in both years.

The divergence beneath the headline is just as important. US growth is forecast at 2.3%, supported by AI investment and fiscal stimulus. The eurozone has been cut to 1.1%. The Middle East and Central Asia have been slashed by 2 percentage points to just 1.9%. There is also a lot of dispersion in emerging market depending on their dependence on oil imports.

The world economy is not collapsing. It is concentrating.

Only a handful of economies still pull the global cycle forward. This is not uniform weakness. It is dispersion.

Portfolio implication. *Allocate by where growth actually lives. Reduce passive exposure to broad benchmarks and build conviction positions around the economies and sectors that are genuinely pulling forward.*

Inflation: The Problem That Refused to Be Solved

Inflation was supposed to be solved. It is not.

The war reversed the disinflation trend just as it looked durable. The IMF now expects global inflation at 4.4% in 2026, up from 4.1% in 2025 and well above the 3.8% forecast made before the war. As IMF Managing Director Kristalina Georgieva put it: “all roads now lead to higher prices and slower growth.”

Three forces are driving this.

- The energy shock from the Middle East, the largest oil supply disruption in the history of the global market according to the International Energy Agency
- Washington’s fiscal impulse. The “One Big Beautiful Bill Act” has widened an already weak fiscal path. The Congressional Budget Office projects US federal debt rising from 101% of GDP in 2026 to 175% in 2056.
- The AI capex boom, which is increasing demand for power, infrastructure, labour and capital simultaneously.

The Fed now faces a genuine dilemma. Raise rates and it risks worsening debt-service pressure for a government already running an unsustainable deficit. Cut rates and it risks reigniting the inflation it is trying to contain. Markets are pricing that paralysis into the long end of the curve.

Portfolio implication. *Plan for a higher-for-longer inflation regime. Allocate to real assets, inflation-linked bonds and commodities. Avoid long-duration nominal exposure.*

The AI Supercycle: Real Spending, Unproven Returns

The AI supercycle is real. But the returns are not yet proven.

Microsoft, Alphabet, Amazon, Meta and Oracle have collectively committed between \$660 billion and \$690 billion in capex in 2026, nearly double 2025 levels. Analysts at Evercore and Bank of America estimate total AI capex could exceed \$1 trillion in 2027. This is one of the largest capital allocation events in economic history.

But the maths are uncomfortable. Amazon's free cash flow fell to \$1.2 billion from \$ 25.9 billion a year earlier as a \$59.3 billion year-on-year surge in infrastructure spending absorbed almost all operating cash flow. The capex-to-operating cash flow ratio approaches 80% in 2026 across the hyperscalers.

The question is not whether AI is real. It is. The question is whether revenues arrive fast enough to justify the infrastructure already committed. History suggests capital cycles of this scale often create overcapacity before they create returns.

Portfolio implication. *Diversify AI exposure beyond the hyperscalers. Power generation, cooling infrastructure, semiconductor equipment and data-centre real estate offer cleaner exposure with less valuation risk. In private markets, venture capital provides access to AI at level three – the specific applications where most of the long-term value will ultimately be created.*

Financial Markets

A mindset for this market

Markets have a sense of humour: they reward investors who admit they do not know everything.

After three decades in investing, that may be the most reliable lesson I have learned: humility.

That humility leads to diversification, still the closest thing markets offer to a free lunch. It means recognising that uncertainty can compound faster than returns. The real question, then, is how to diversify in an environment that still offers clear portfolio signals.

Bonds: The Grown-Ups Left the Room

Government bonds used to be the grown-ups in the room. They protected portfolios when equities fell. They offered income, stability and a reliable hedge against equity risk.

Then came 2022 and 2026. Bonds forgot their job description. They started behaving like teenagers: moody, unpredictable and dangerously sensitive to inflation. Instead of cushioning equity losses, they joined the drawdown. The old 60/40 model cracked. Correlations flipped. Diversification failed when it was needed most.

The 10-year Treasury yield reached 4.667% on 19 May 2026, its highest level since January 2025. The 30-year rose above 5.19%, a level not seen since before the global financial crisis. Traders are now pricing in the possibility that the next Fed move is a rate hike.

The bond vigilantes are back. Unsustainable fiscal dynamics are combining with reflation pressure. The US government must finance a rising deficit just as foreign demand for Treasuries is softening. Supply is rising. Confidence is weakening. The arithmetic is brutal.

Portfolio implication. *Government bonds can no longer be treated as automatic strategic anchors. Underweight long-duration US Treasuries. Favour inflation-linked bonds and shorter maturities. This is a structural supply-demand imbalance, not a cyclical wobble.*

Equities: Multiple Matters

Public equities remain essential for investors seeking returns above inflation. But the source of those returns is changing.

For more than a decade after the global financial crisis, falling interest rates did the heavy lifting. Lower discount rates pushed valuations higher. Multiple expansion was a powerful driver of performance. That tailwind is fading.

Going forward, equity returns must come from real fundamentals: revenue growth, margin improvement, innovation and capital discipline. The market will no longer reward investors simply for owning the index. It will reward companies that can earn their multiple.

Valuations Are Stretched

US equities look expensive on several long-term valuation measures. The CAPE ratio stands around 40, exceeded only during the peak of the internet bubble. The Buffett Indicator, market capitalisation to GDP, is at record levels.

J.P. Morgan has demonstrated a simple but powerful relationship: the higher the S&P 500 forward P/E at the time of purchase, the lower the annualised return over the following ten years. If the S&P 500 is bought at around 23 times forward earnings, history suggests the next decade's annualised return could sit between +2% and -2%.

That does not mean investors should abandon equities. It means the easy part is over. When valuations stop expanding, companies must start creating.

Concentration Risk Is No Longer Hidden

The US market is not only expensive. It is also concentrated. The top 10 US companies now represent a disproportionate share of large-cap market capitalisation, at a two-decade high. The Magnificent 7 have dominated returns, while the S&P 493 has dramatically underperformed.

The US now represents more than 70% of the MSCI World Index. Buying a global equity index no longer provides true global diversification. It embeds a large US exposure, a large technology exposure and a large valuation exposure. Passive global exposure has become less diversified than it looks.

Active Management Is Back in the Debate

For more than a decade, the median active manager struggled to outperform index strategies. Low rates, abundant liquidity and strong passive flows created a market where beta dominated skill.

The next decade may be different. More dispersion across sectors, geographies and companies historically favours investors able to allocate capital actively and selectively. But active management is not a magic word. Manager selection matters. The conclusion is not "active everywhere." It is "active where concentration, valuation and dispersion create opportunity."

Portfolio implication. *Do not abandon equities. But stop treating the index as neutral. US concentration inside global benchmarks has become too large to ignore. Broaden geographic diversification. Emphasise quality over momentum. Favour active managers in markets where dispersion is rising.*

The Dollar: Erosion Is Real, But Slow

The dollar remains dominant, but less automatic.

Its share of global reserves was 56.92% in Q3 2025, down from 72% in 2001. The direction is clear. But nuance matters. In Q2 2025, 92% of the apparent decline in the dollar's reserve share came from exchange-rate effects, not active central bank selling. Central banks largely maintained their USD holdings.

De-dollarisation is real as a direction. It is not yet a rupture. The dollar still dominates trade finance, derivatives clearing and debt issuance. Around 40% of global trade is invoiced in dollars, far above the US share of world trade at 14%. More than 80% of global commodity transactions are still priced and settled in dollars.

The most likely scenario is gradual erosion, not collapse. A more multipolar currency system, but still with the dollar at the centre. For non-dollar investors, large banks are pricing another 10% decline in the dollar over the next ten years.

For non-dollar investors, the real question is hedging. Large banks are pricing another 10% decline in the dollar over the next 10 years. The cost of hedging for euro-based investors is around 1.8% per year.

Another important consideration is the evolving correlation between the USD and US equities. The one-year correlation between the S&P 500 and the USD against other currencies has now become positive

Portfolio implication. *Currency management is no longer an afterthought. It is an key allocation decision. Build deliberate currency diversification. Increase exposure to euro-denominated assets, gold and commodity currencies. Do not mistake a political narrative for an imminent structural break – this is a 10-year story, not a five-month one.*

Gold: Three Hedges in One Asset

Gold has become three hedges in one asset: an inflation hedge, a dollar hedge and a geopolitical hedge. That is why it has performed so strongly. It is the market's verdict on fiscal stress, policy risk and institutional fragility.

The LBMA gold price set a new quarterly average record of \$4,873 per ounce in Q1 2026 and reached an all-time high of \$5,405 in January. By mid-May it had corrected to around \$4,703, still approximately 41% higher year on year.

That correction reveals something important. Bar and coin demand in Q1 2026 reached 474 tonnes, up 42% year on year, the second-highest quarterly total ever recorded. When the price fell, physical buyers stepped in.

Central banks bought 244 tonnes of gold on a net basis in Q1 2026, up 3% year on year. J.P. Morgan expects around 755 tonnes of central bank purchases in 2026, well above the pre-

2022 average of 400 to 500 tonnes. China, India, Turkey and several other emerging market central banks are not buying gold as a trade. They are buying it as a deliberate shift in reserve strategy.

Goldman Sachs reiterated its \$5,400 per ounce year-end 2026 target. J.P. Morgan targets \$5,000 per ounce by Q4 2026.

However Gold, after such a strong rise, could have a much more volatile future performance. For several family offices I advise, physical gold positions that were once around 10% of the portfolio have risen to 15% or even 20%.

Portfolio implication. *Gold belongs in the portfolio as a structural position, not a trade.. Rebalancing back toward strategic weight is itself now an active allocation question even more when this gold is held in its physical form.*

Commodities: The Overlooked Hedge

Commodities do not belong in a portfolio primarily as a return driver. They belong as an inflation hedge.

In a regime defined by persistently higher and more volatile inflation, commodities provide protection precisely in the scenarios where equities and bonds both underperform. Structural supply constraints, reshoring, energy transition spending, and tight labour markets are expected to keep inflation above the levels of the previous decade.

With a negative correlation of approximately -0.15 to US government bonds, commodities rise when inflation surges and bonds fall. That offers essential diversification that traditional 60/40 portfolios lack. They also provide a geopolitical risk buffer and benefit directly from both energy transition and AI infrastructure trends.

Portfolio implication. *Maintain a strategic commodity allocation as an inflation hedge, not a return chase. Broad commodity exposure provides diversification that no other liquid asset class replicates.*

Private Markets: Access, Patience and Control

Private markets clearly deserve a place in long-term portfolios. Because they give investors three things public markets increasingly struggle to offer.

- Access to companies before they become expensive.
- Time to let value creation mature.
- Control to improve businesses rather than simply ride market beta.

Fewer companies are coming to public markets early, private company stay private for longer. In the US, private equity firms now outnumber public companies. More value is being created while businesses remain private, especially in AI, healthcare, energy, defence, infrastructure and digital platforms. By the time many companies reach public markets, the bulk of value creation has already happened.

That is why private equity and venture are not just return engines. They are access engines. They bring investors closer to innovation, entrepreneurship and transformation.

But this does not mean private markets are immune to cycles. The market has changed. The broad-based beta trade is over. What replaces it is precision.

Private Equity: What Did You Build?

The old private equity playbook is finished.

For a decade, the model was simple: cheap debt, rising multiples, easy exits. Buy at 10 times EBITDA, sell at 14 times, and call it alpha. That era is gone.

According to Bain's 2025 Global Private Equity Report, average buyout entry multiples fell from 12.1 times in 2021 to 9.4 times in mid-2025, the lowest level in ten years. Debt costs are roughly 300 basis points higher than before Covid. Global mid-market buyout multiples remain around 13 times EV/EBITDA, below the 2021 peak but still above long-term averages.

That leaves less room for multiple expansion. Returns must now come from earnings growth, margin improvement, digital transformation and operational discipline.

The question is no longer: what did you buy? It is: what did you build?

Valuations Are High But Not Absurd

Private equity valuations are high, competition for deals remains intense, and the growing links between private equity and private credit mean that stress in one corner of the market may spread into another. However, in our view these remain risks to monitor, rather than evidence of excess.

Global buyout multiples (EV/EBITDA) for mid-market companies are below their 2021 peak but still above long-term averages at around 13x. That implies less room for multiple expansion to drive private equity returns, making returns more dependent on rising earnings growth and operational improvements.

Yet relative to public markets, private market valuations are not out of line: the median EV/EBITDA multiple for the S&P 500 last year was approximately 14x.

In other words, private equity valuations are high, but nonetheless in line with public market comparators.

The lower middle market remains more attractive. It is less crowded, less correlated to public equities and more dependent on operational leverage than financial leverage. That is where the better opportunity sits.

Manager Selection Is Now the Return

PitchBook data shows that the median IRR gap between top-quartile and median buyout funds has widened to 11 percentage points. In public markets, manager dispersion is measured in hundreds of basis points. In private equity, it is measured in thousands.

That changes the role of manager selection. It is no longer a detail. It is the return.

Portfolio implication. *Maintain a meaningful allocation to private equity where the illiquidity premium remains justified. Favour managers with proven operational value creation and strong sector expertise. Prefer the lower middle market. Maintain vintage diversification to benefit from the recovering deployment cycle. Use private equity secondaries to improve the J-curve profile and access more attractive entry points.*

Venture Capital: Access to the Next Economy

Venture capital deserves a specific place in the allocation. Not as a broad risk bet, but as targeted exposure to the next economy.

AI shows the scale of the shift. By 2025, AI represented approximately 61% of global venture capital investment value, double its 2022 share of 30%. In the US, AI and ML deals captured 66% of VC deal value, or around \$222 billion out of \$339 billion.

Private market AI goes far beyond large language models. The diverse range of applications across industries gives private AI investments fundamentally different qualities from the concentrated risk of the Magnificent 7 in public markets.

Most new technological developments have three levels:

- Level one: the core new technology. Currently, the large language models.
- Level two: the infrastructure needed to grow usage of the core technology. Currently, data centres and energy-related investments.

- Level three: specific end-user applications that open the technology to truly productive usage. Currently, AI agent applications catered for specific tasks and sectors.

Most of the growth and the value created ends up at level three.

The case for venture is not that every company will succeed. The case is that a few winners can shape entire industries. That makes venture a strategic satellite allocation.

Portfolio implication. *Use venture capital selectively to access AI and innovation opportunities beyond public markets. Diversify AI exposure beyond LLMs toward application-layer investments.. Favour managers with proven access to top-tier deals in AI, healthcare, energy systems and defence technology.*

Private Debt: Attractive but Battle-Tested for the First Time

Private credit did not exist as a mainstream asset class fifteen years ago. Bank regulation retreated. Investors needed income. A market filled the gap. By 2018, private credit had surpassed the broadly syndicated loan market in middle-market lending. It kept growing through every subsequent crisis, untested.

The test has arrived.

The Fitch Ratings US private credit default rate reached 5.8% for the trailing twelve months through January 2026, the highest since the measure was introduced in August 2024. Defaults hit a record high in May 2026. Redemptions from unlisted business development companies surpassed fundraising in Q1. Earnings call sentiment among the four major managers fell to a multi-year low.

This does not kill the asset class. It separates quality from excess. Three specific risks demand attention.

- AI infrastructure exposure. A meaningful share of recent direct lending financed data centre construction underwritten on LLM training demand. If AI public market valuations correct, capex decelerates fast. Credits written against construction pipelines face direct refinancing pressure.
- Elevated leverage. Many buyouts from 2019 to 2021 used aggressive floating-rate financing.
- Liquidity mismatch in evergreen vehicles. Evergreen AUM has grown from near zero to over \$500 billion. These vehicles offer semi-liquid redemption terms against illiquid underlying loans. Several faced gating pressure from Q4 2025. A redemption surge in a risk-off environment forces asset sales at discounts.

The asset class still offers genuine value. Senior secured positions, floating rate income, covenant protections and spread premiums over public credit all remain intact. But the vintage of the loan and the structure of the vehicle now matter enormously.

Portfolio implication. *Maintain the private credit allocation but rotate toward senior secured, closed-end mandates. Avoid semi-liquid evergreen vehicles with systematic redemption mechanisms. Move up the capital structure if growth disappoints. Require explicit disclosure of AI infrastructure exposure from every manager before commitment or re-up.*

Private Asset Allocation: Build It with Discipline

Private markets definitely belong in long-term portfolios.

Patience has become a performance factor.

Illiquidity is not a flaw when properly sized. It is a feature. It forces patience, lets value mature and turns time into performance.

For sophisticated family offices those that can afford illiquidity, private equity and venture capital are no longer the “spicy side dish” — they’ve become the **main course**

In practice, think of a barbell: liquidity for convenience and illiquidity for conviction and trends

- On one side, illiquid real assets: infrastructure, private equity, private credit. Conviction positions that compound quietly over years.
- On the other, short-duration, high-quality liquidity: T-bills, floating-rate notes, liquid alternatives. Dry powder and optionality when opportunity knocks.
- Build a process around your private market exposure

Then the choices matter: private equity, venture, infrastructure, credit, secondaries. Diversify by vintage. Choose managers carefully. Stay patient.

Prequin data shows median buyout holding periods have stretched from 5.1 to 6.3 years. Patience is no longer optional. It is part of the return equation.

That mix delivers both endurance and flexibility. Something like 25% to 35% in private markets, balanced by 15% to 20% in solid liquidity reserves.

Be Constructive, Not Complacent

Let me bring these themes together into a single, honest picture.

Growth is holding, but narrowing. Inflation has re-accelerated and carries three structural drivers that will not resolve quickly. Bond markets are in open revolt against fiscal excess. The Middle East has produced the largest energy supply shock in recorded history. AI investment is reshaping the growth outlook but front-loads costs ahead of revenues. The dollar's reserve role erodes slowly but persistently. Gold prices that structural anxiety in a single number.

And in private markets, the managers who understood this environment six months ago are now buying distress from those who did not.

The common thread across all these themes is this: the market still rewards passive positioning with surface-level stability. Beneath the surface, the stresses are acute.

Be active. Be selective. Shorten duration. Own real assets. Do not confuse a resilient headline with a safe world.

Humility is the only asset that compounds across every regime.

Markets reward those who stay standing when they are not right, more than those who claim to be always right.

The best allocators do not try to predict the future. They build portfolios that can survive the scenarios they have not imagined.