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BITESIZE

PORTFOLIO ADVISORY INSIGHTS

Why the cost of portfolio resilience is worth paying

In July the narrow US equity rally broadened out, tempting investors to chase higher valuations amid multiple expansion. We think now is not the time to chase a rally. Now is the time to build resilience. Even if there is an opportunity cost.

We have been following four key indicators to gauge the pathway of the economy:

- **The manufacturing PMI is close to levels consistent with recession**
- **Initial jobless claims are trending higher**
- **Oil prices remain in a range despite production cuts**
- **The yield curve has started normalising again**

Risk is skewed to the downside for the economy and for risk assets. There are several ways to build resilience in a portfolio:

- **Enhancing diversification through quality, value, or alternatives**
- **Protection may be added through an options strategy**
- **Adding government bonds at yield levels that are high relative to recent history**

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Isaac is the Global Chief Investment Officer and Portfolio Manager for Oreana Financial Services. With experience across investment strategy, portfolio and risk management, research and central banking in Asia, the UK and Australia, he leads the team in monitoring economic and market outlooks.

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