



NAVIGATING A MORE COMPLEX INVESTMENT ENVIRONMENT

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For more than a decade, leading up to the COVID-19 pandemic, investing often felt like flying through calm, predictable weather. Global interest rates sat at historically low levels, central banks maintained ultra-accommodative policy, and abundant liquidity supported a long stretch of strong equity performance. Markets largely moved in one direction - upward. Volatility remained subdued. In that environment, passive investing worked brilliantly, much like an aeroplane's autopilot operating smoothly in clear skies.

As the time-old adage goes, the only constant is change...

The post-pandemic period brought the highest inflation levels in decades, prompting aggressive rate-hike cycles across major economies. Governments injected extraordinary stimulus into the system, and as that liquidity was slowly withdrawn, markets began to behave very differently. By 2026, we are no longer flying through calm air - we are navigating a far more complex investment atmosphere.

We've entered an airspace defined by:

- **Altitude changes** driven by shifting interest-rate expectations - and the reality that we are now close to the top of the cutting cycle, not the beginning.
- **Sudden pockets of turbulence** as market dispersion accelerates and winners diverge sharply from laggards
- **Crosswinds** created by geopolitical realignment, supply-chain restructuring, and persistent global tension
- **Flight-path deviations** as capital increasingly rotates away from the US and toward undervalued international markets
- **Thinner air** as liquidity continues to drain from the system, amplifying market reactions

In conditions like these, flying on autopilot is no longer safe and investing on autopilot is no longer prudent.

The current market dispersion

In smooth markets, most stocks rise together - allowing ETFs and index trackers to deliver strong, stable returns. But dispersion has returned in force; regions are diverging, sectors are decoupling, and winners and losers are no longer moving in unison. This is the investment equivalent of hitting invisible air pockets.

Passive strategies simply continue their preset course, unable to respond. Active managers, by contrast, adjust altitude, rotate toward quality, and steer portfolios away from vulnerable areas before the turbulence hits.

Reduced liquidity amplifies market shocks

For years, markets were buoyed by liquidity. That era is ending.

"Thinner air" in aviation reduces lift, which forces pilots to work harder, make sharper decisions, and adjust flight paths. The same is true for investing today: reduced liquidity amplifies market shocks, previously reliable correlations are breaking down, high-frequency outflows move markets faster than fundamentals.



INVESTMENT AND MARKET INSIGHTS

Passive strategies are designed to stay fully invested - regardless of liquidity conditions. Active managers, however, can manage exposures dynamically, seek more resilient asset classes, and protect capital when liquidity dries up.

Regime changes - unpredictable headwinds

Over the past few years, the world has shifted in ways that make markets harder to read and much less predictable. Inflation hasn't faded as quickly as many expected, and in some regions it's proving stubborn. Countries are no longer moving in sync when it comes to interest rates, with each economy facing its own set of pressures. Government finances also look very different across major markets - some are carrying far heavier debt loads, and on top of that, global politics is reshaping trade routes, supply chains, and the flow of money across borders.

All these forces create strong crosswinds for investors - the kind that skilled pilots are trained to navigate, but that autopilot systems cannot handle on their own. Relying only on passive investments in this environment can be a bit like flying straight into a headwind without checking your instruments. A more active, hands-on approach can help investors adjust course before the turbulence hits.

Global capital rotation – a course correction

A large portion of global investment money flowed into the United States, especially into big technology companies. But these "flight patterns" are now starting to shift. International markets are trading at more attractive valuations, several regions like Europe and parts of Asia are seeing stronger policy support, and global investors are placing more importance on currency diversification. At the same time, the US market is showing signs of strain. Much of the US market's performance has been driven by just a few very large companies.

When global capital changes direction, it often happens quickly - much like an air-traffic controller redirecting aircraft when weather conditions suddenly change. Active managers can adjust to these new routes in real time. Passive strategies, on the other hand, simply continue along the old flight path, even when conditions have clearly changed.

Advice and active management are your skilled pilots

When markets become unpredictable, flying without a pilot isn't brave - it's risky. The same is true for investing today. Navigating this environment without the support of a skilled advisor or experienced active managers can expose investors to unnecessary turbulence.

A trusted adviser acts like both a pilot and a navigator as they watch the instruments, help manage emotions during market swings, and keep your financial plan on course. They make sure your portfolio stays aligned with your long-term goals, even when conditions change quickly.

While passive investing may appear cheaper at first glance, it doesn't protect you from emotional decisions, hidden risks, or market blind spots. In a more volatile world, human judgment matters. This may include reducing concentrated positions, increasing offshore exposure, or making sure your structures are tax- and liquidity-efficient.

In closing

Markets are no longer being supported by abundant liquidity, synchronised policy, and steadily rising asset prices. Dispersion is higher, liquidity is thinner, and global leadership is shifting. In this environment, remaining fully passive means accepting the full impact of these changes. A disciplined, actively managed approach, guided by sound advice, allows portfolios to adjust as conditions evolve, manage risk more deliberately, and stay aligned with long-term objectives. The goal is not to predict every turn, but to be well-positioned to respond when it happens.



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