

# PORTFOLIO MANAGER INSIGHTS

WEEKLY INVESTOR COMMENTARY | AUGUST 18, 2021

Investment Committee

One of the risks that all investors must manage is geopolitical uncertainty. Headlines on regional and global crises are not only alarming but can take investors by surprise since they are often beyond the typical business and market news flow. To make this even more challenging, managing these risks usually has less to do with adjusting one's portfolio than about managing expectations and staying level-headed. How can long-term investors stay calm in the face of global events today?

There have been many geopolitical crises over the past two decades that have been intertwined with business cycles. These include: the attacks on September 11, the war in Iraq, Russia's annexation of Crimea in 2014, on-going concerns over the nuclear capabilities of North Korea and Iran, the rising global influence of China, its crackdowns in Hong Kong, refugees in the Mediterranean, and many more. While each of these episodes is impactful in its own right - especially when there are humanitarian consequences - this does not mean there are always implications for long-term portfolios.

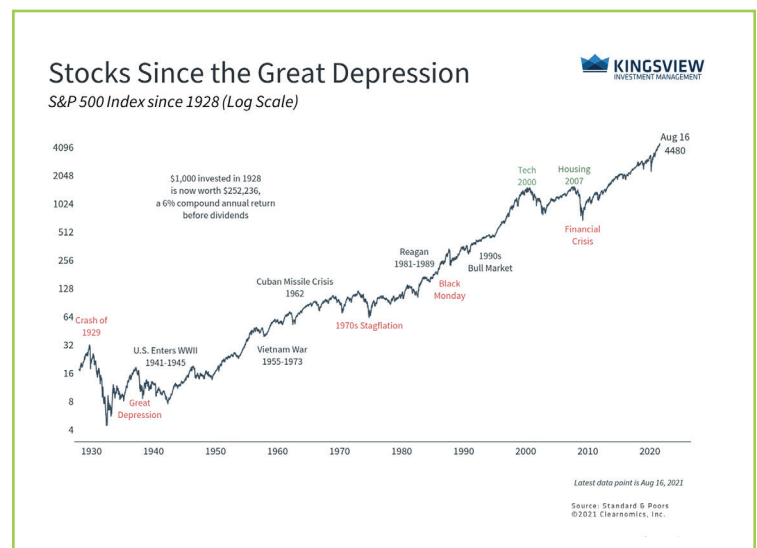
This is because while markets may react to a variety of short-term news on a daily and weekly basis, what drives portfolios over years and decades is quite different. Over longer periods of time, slow and steady economic growth, corporate performance, and valuations matter much more. This was true during the conflicts in the decades following World War II and during the Cold War, when there were several long bull market expansions.

Of course, markets depend on global stability, the rule of law across regions, and business/consumer confidence.

However, history shows that it's a mistake to make dramatic shifts in portfolios in response to regional crises. Properly diversified portfolios, especially those built around long-term financial plans by a trusted advisor, are designed to handle these periods of uncertainty. After all, markets can fluctuate wildly at any moment, whether it's due to geopolitics, economic shocks, or as we've learned the past 18 months, pandemics.

Recent events in Afghanistan, while troubling and still evolving, will most likely be no different. The Afghan government has been losing its tenuous hold on the hundreds of districts across the country over the past three months. U.S. and NATO troops have been scheduled to be withdrawn for some time now, especially after a so-called peace agreement between the U.S. and Taliban was signed last year.

## IN THE LONG RUN, MARKETS HAVE RISEN THROUGH PERIODS OF UNCERTAINTY



## KEY TAKEAWAYS:

- Despite recessions, political uncertainty and global wars, the stock market has generated strong returns over the past century.**
- Investors with long time horizons can benefit from a growing economy despite short-term crises.**

(continued on next page)

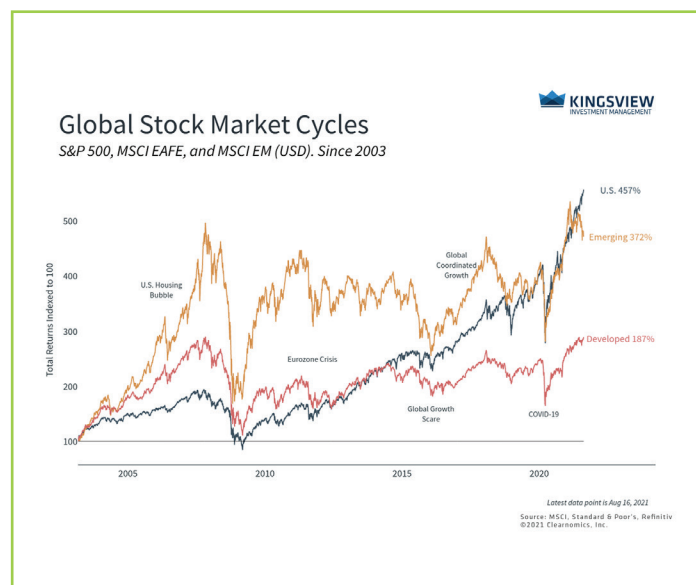
# PORTFOLIO MANAGER INSIGHTS

WEEKLY INVESTOR COMMENTARY | AUGUST 18, 2021

Investment Committee

Clearly, mistakes and miscalculations have been made which are more frustrating given the U.S.'s involvement in the conflict for two decades. And while these issues will be debated by pundits for months to come, investors ought to avoid passing judgment with their portfolios.

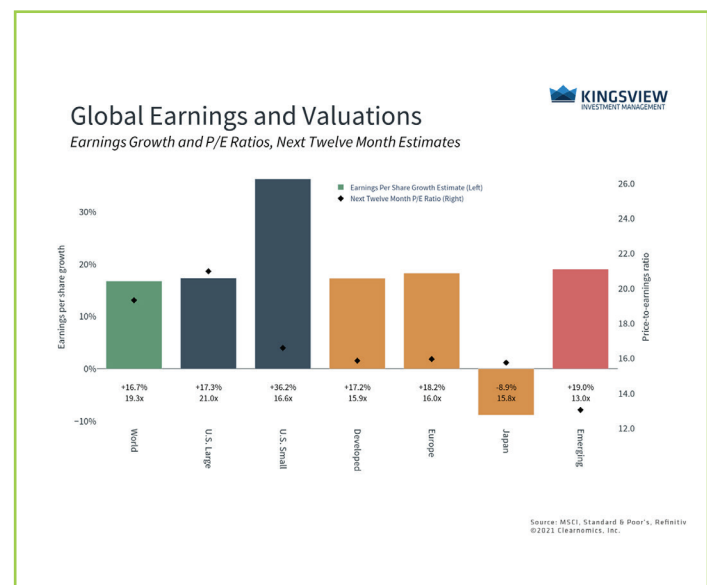
## GLOBAL MARKETS ALSO PERFORM WELL OVER TIME, DESPITE UPS AND DOWNS



### KEY TAKEAWAYS:

1. Although each region behaves differently, investors have done well across global stock markets over the past two decades.
2. Emerging markets in particular are especially volatile. Still, they have been an important component of diversified portfolios for years.

## THERE ARE MANY GLOBAL OPPORTUNITIES TODAY



### KEY TAKEAWAYS:

1. Many regions are still catching up to the strong U.S. recovery of the past year and a half.
2. Valuations are still attractive in emerging and developed markets, and uncertainty from geopolitical conflicts may create opportunities for long-term investors.

Ultimately, investors must consider these events in a broader economic and market context. Despite the strong bull market, there are still many investment opportunities across regions as valuations recover and earnings grow. A major challenge for long-term investors is to always keep a level head. History shows that doing so is often rewarded and improves the odds of achieving financial goals.