



Insights, Tacit Thought | Weekly Investment Insights

Resilience

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We live in difficult times, but we are not the first generation to live through upheaval and we will certainly not be the last.

When things are going well, it is easy to forget that circumstances can change without notice, and that risk can never be fully eliminated. If you are genuinely unable to tolerate risk, cash and government bonds remain your safest harbour. In reality, however, we all need to embrace some degree of risk to achieve our financial objectives, whether that means preserving purchasing power in retirement or growing an asset base to provide for the years when we are no longer willing or able to work.

We have titled this week's Thought 'Resilience' because it is a quality we feel deserves far more attention than it typically receives. It is resilience, after all, that carries us through tough times. Financial resilience in particular feels underappreciated in the modern world, having quietly slipped down the decision making tree in recent years. Yet its importance cannot be overstated. It is what allows governments to meet unexpected needs, companies to weather economic downturns and sudden shocks to their revenues, and individuals to absorb the impact when life presents an unexpected bill.

Financial resilience takes different forms depending on one's circumstances, but in its simplest expression it is about planning for the unexpected, for the risk that cannot be quantified today. Within our portfolios, this means owning equities in companies that are genuinely built to endure: businesses operating with flexibility and strong cash reserves in a multi-polar, re-aligning world. Companies with one-dimensional business models and thin financial buffers are poorly equipped for this environment, and their equity prices will, in our view, reflect that reality over time.

For Tacit investment strategies, resilience is woven through multiple layers of our process, but it is most fundamentally expressed through our Growth and Stabiliser portfolio construction approach. Last week, as tensions in the Middle East intensified, our Stabiliser assets rose, providing exactly the ballast they are designed to offer during periods of unexpected equity volatility. This is our primary line of defence.

Our second line of defence sits within the equity sleeve itself. We are deliberate about the companies we own, focusing on businesses with durable competitive advantages, proven and adaptable business models, and balance sheets strong enough to withstand prolonged periods of stress. These are companies that generate consistent cash flows, carry manageable levels of debt, and have demonstrated an ability to protect, and in many cases grow, their earnings through difficult cycles. In a world where the macro environment can shift quickly and unpredictably, the quality of the underlying business is not simply a nice-to-have, it is a core component of portfolio resilience. Owning shares in a company with genuine financial strength and a clear competitive position provides another layer of resilience beyond asset allocation.

For our clients personally, resilience means never being a forced seller of equities at the wrong moment. That protection comes not from the market, but from careful planning, understanding each client's needs at every stage of the advice process, and ensuring that sufficient emergency funds are held in cash or government bonds to meet any short-term requirements without having to touch long-term investments.

Volatility, geopolitics, inflation and political risk are the terms that fill the news cycle. But for us, the word that matters most right now is resilience.

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