Investing in the age of Black Swans

In a world of breaking news and broken assumptions, resilience starts with readiness

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Learning objectives

- By the end of this session, Advisers will be able to understand the increasing frequency and impact of Black Swan events and how they challenge traditional investment assumptions, particularly those based on historical data and passive strategies
- Recognise the importance of downside protection and drawdown risk management in building resilient portfolios that can withstand market shocks and support client outcome
- Explore the role of active management in navigating uncertainty, including how flexibility, real-time decision-making, and dynamic asset allocation can help advisers respond to volatility, concentration risk, and geopolitical disruption

A world in flux

“We don't know what we don't know – and those unknowns can hurt us most”

Nassim Nicholas Taleb,
The Black Swan, 2007.

A Black Swan event

- Unpredictable – rare and unexpected
- Carries massive impact
- Rationalised in hindsight

- Markets are Paradoxical
- Downside protection is critical
- Taleb’s clever metaphor of the Black Swan
- Lesson: future will not look like the past
- Resilience matters more than prediction

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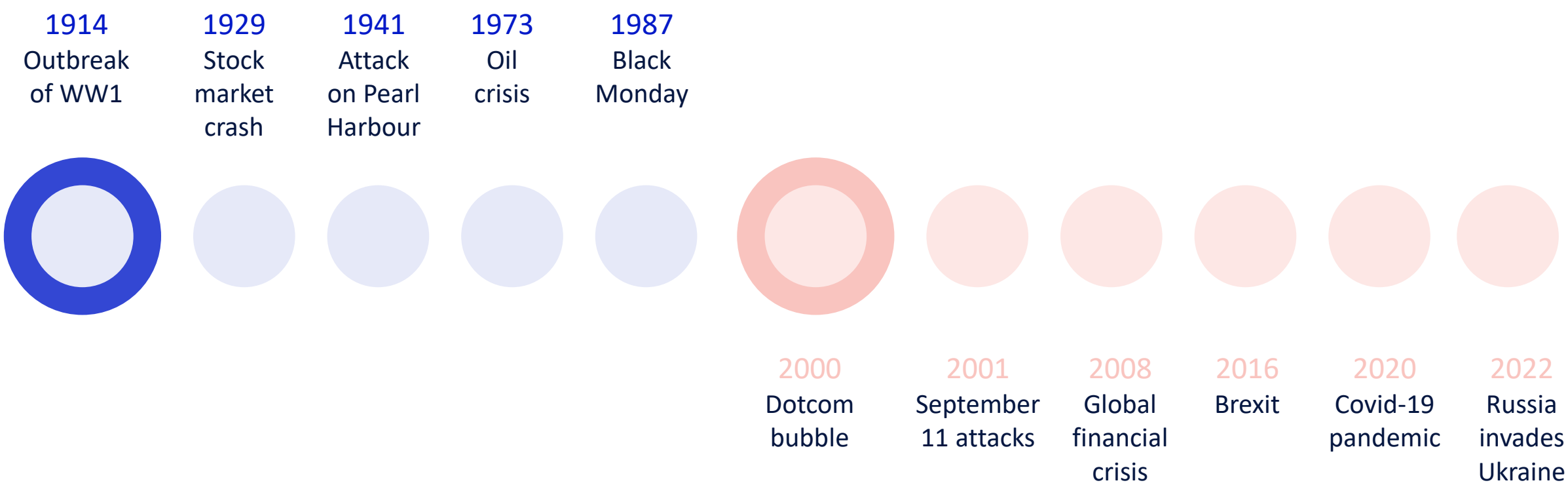
A Century of Black Swans

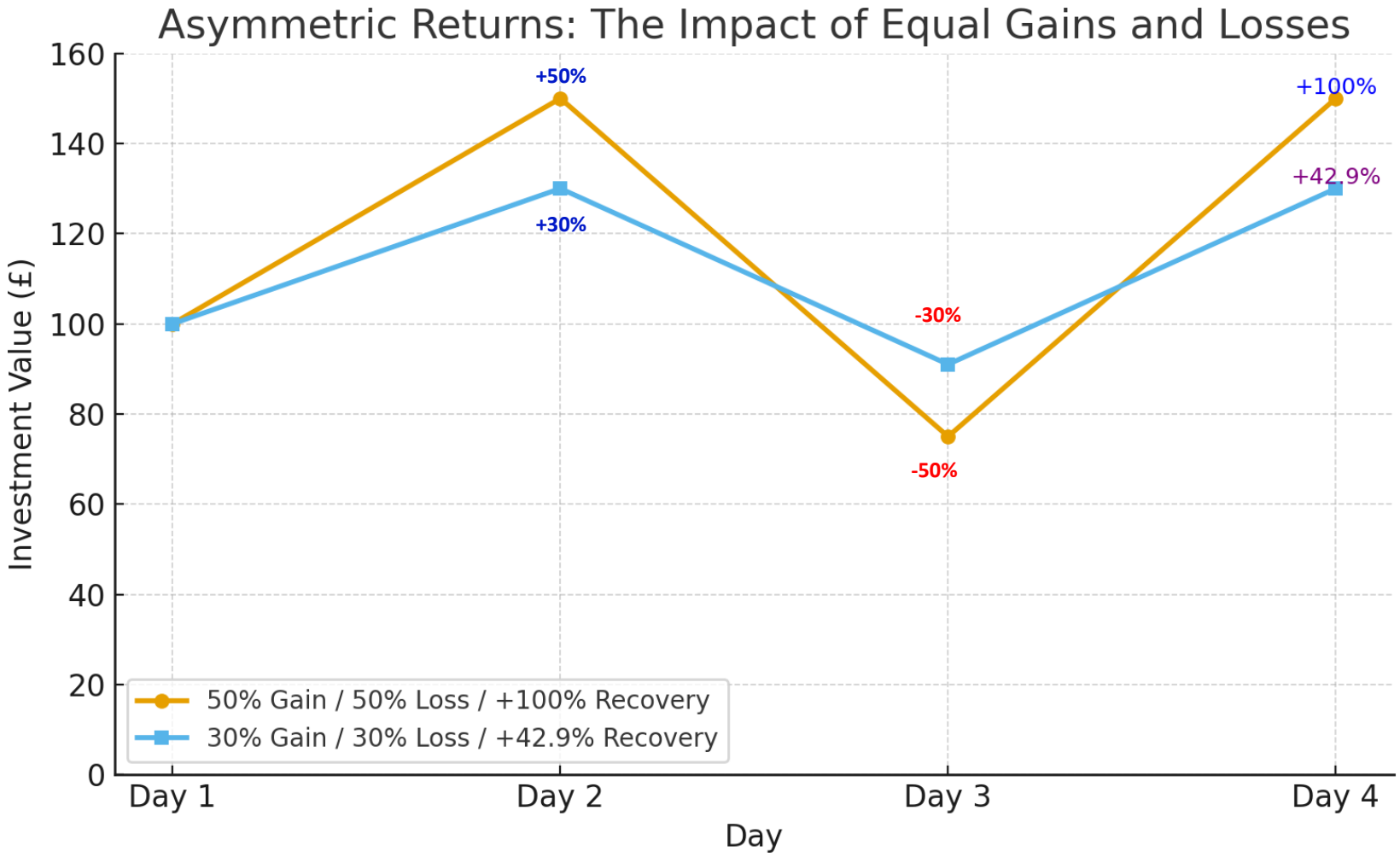


Source: Chooseinvesting.com, N. Taleb The Black Swan, 2007.

The importance of managing downside risk

Spring 2025

- 60% of IFAs surveyed changed strategies
- 16% increasing global asset allocations to active
- Active preferred by 68% looking forward 12 months



Volatility not scaring IFAs away from US equities 40% stated tariffs did not impact strategy.
Source: https://www.investmentweek.co.uk/news/4516921/volatility-scaring-ifas-away-us-equities.

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S&P 500 since 2000

- Key theme: Resilience
- Drawdowns are inevitable — but recoveries can be swift and powerful
- Liberation Day 2025 triggered a $6 trillion drawdown, yet markets hit new highs by summer
- Markets are driven by narrative as much as data
- Policy shocks, can erode long-term confidence
- The “TACO trade” & shifting sentiment
- Recovery takes time—but clients may not have that luxury
- Drawdowns interrupt compounding, making timing and strategy critical

Source: Bloomberg data to July 2025.

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Gold – outperformance in uncertain times

- Fear & Uncertainty
- Central Bank Buying
- Weaker USD
- Crisis Hedge
- S&P 500 Concentration

Headline performance doesn't always tell the whole story

Diversification across asset classes, geographies, and strategies is more critical than ever

Gold has been a strong contributor– challenging perceptions

Source: Bloomberg data to July 2025.

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The mediocre 7?

Market concentration and fragility

2024

- Market Concentration
- 23% return in S&P 500
- Core Portfolio Holding

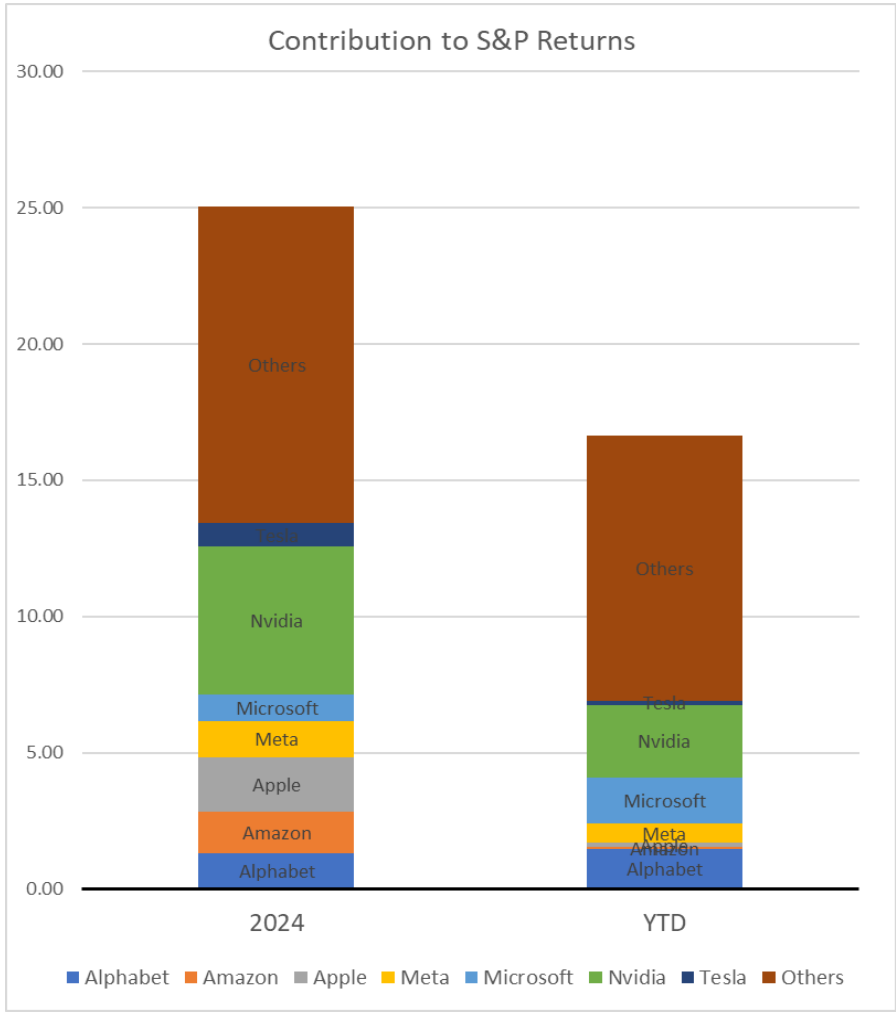
2025

- Shifting Narrative
- Opportunity in Balance
- Rotation – undervalued sectors

Lessons Learned:

- Diversification beyond Mega Cap Tech is not optional
- Concentrated portfolios are fragile in a volatile world
- Need to find balance – but not trend chasing

Magnificent 7 - 2024 v 2025



Source: Bloomberg data to 17/07/2025.

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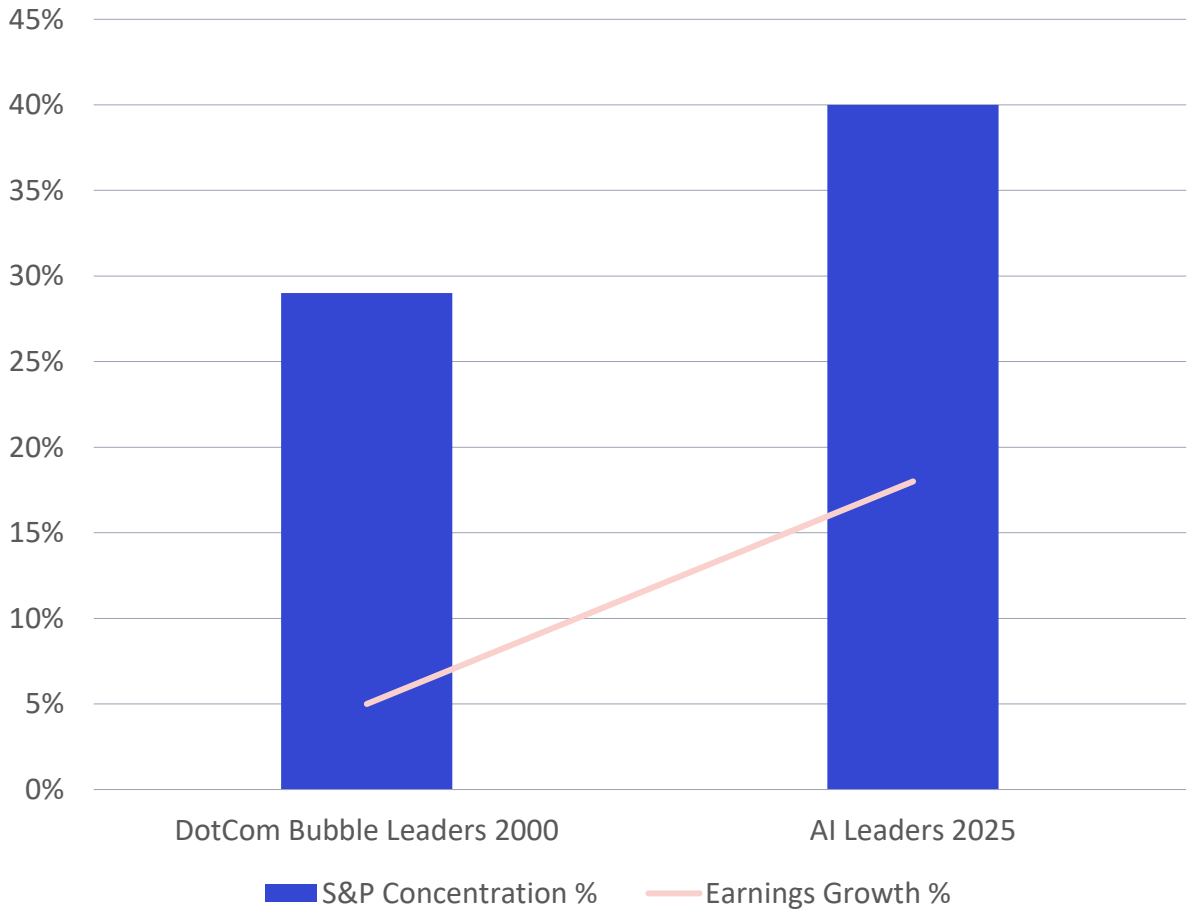
AI Concentration: Bigger Than Dot-Com—But Built on Earnings



- Extraordinary Concentration: Sept 2025 - 40% of the S&P 500, vs ~29% in March 2000
- Beyond the Magnificent Seven: a structural trend that dominates the index
- Dot-Com vs. AI Earnings Reality: In 2000: valuations were built on hope and hype. In 2025, AI companies deliver real revenue growth and profitability
- Risk Remains High: regulation, supply chain shocks, and slower AI adoption
- It's Not the Same Bubble: a structural theme with real fundamentals

The challenge isn't *whether* to own AI—it's how to own it responsibly.

AI Investment Bubble 2025: A New Dot-Com Crash? - The USA Leaders

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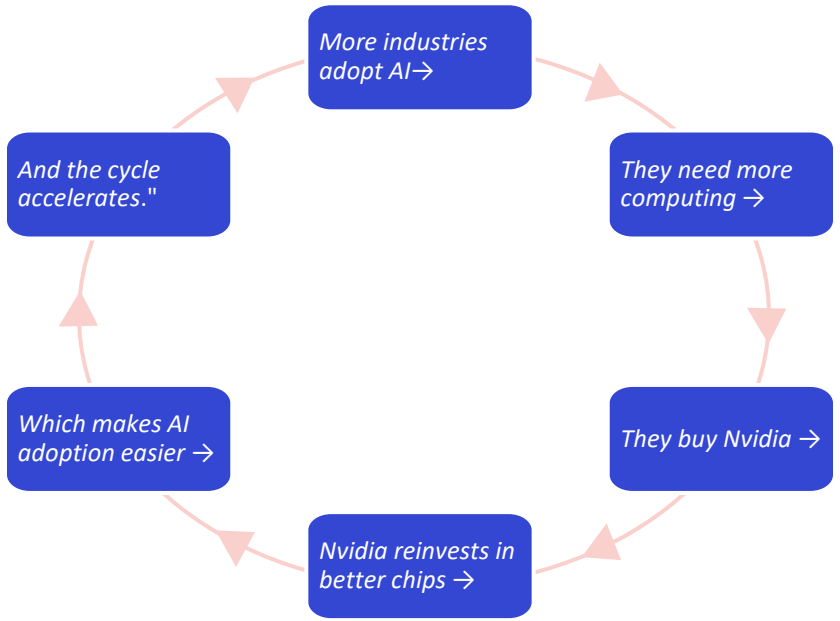
NVIDIA – A CASE STUDY

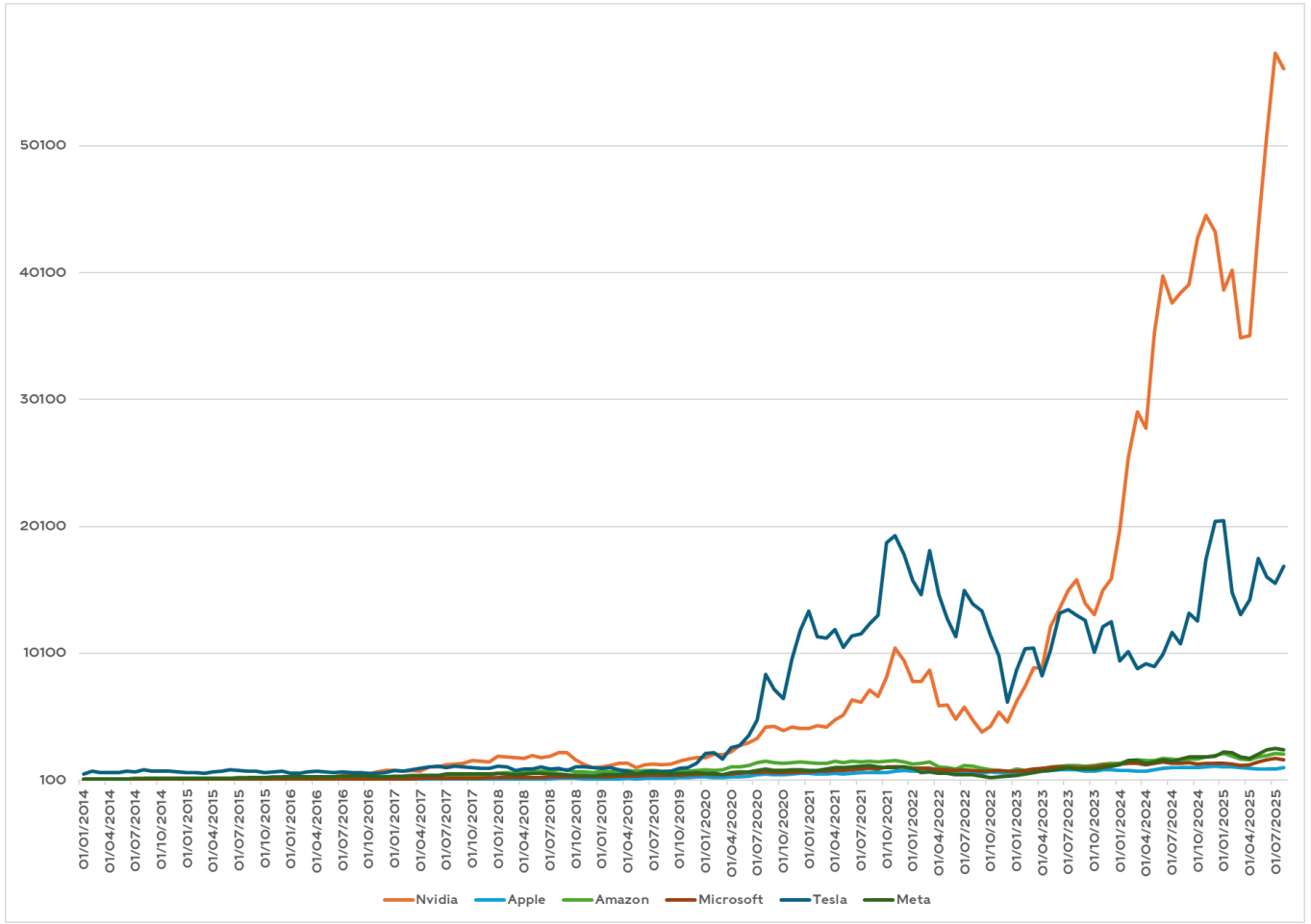
The Special One?

Nvidia outperforms of the rest of the mag 7 … why?

- Technological leadership: Nvidia is the backbone of AI computing
- Demand surge: Structural demand
- Relentless innovation: Software ecosystems **(CUDA)** and cloud partnerships



Magnificent 7 performance 2014-2025



Source: Bloomberg data to 17/07/2025.

Active agility: NVIDIA case study

This is an example of how we traded Nvidia over the course of three years in the Strategic Growth fund

Real-world example: Active trading in NVIDIA within a multi-asset fund.

Framework fit: Held under an Equity approach to add to long-term value creation.

Disciplined moves: Trimmed when expensive, added when under value.

Agile, not reactive: Valuation-aware, risk-managed, real-time decisions.

Built for volatility: Flexibility is key in today's concentrated, tense markets.

Dynamic advantage: Active means adapting fast—not taking more risk.

Source: Rathbone Strategic Growth fund (UK domiciled).

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NVIDIA, Black Swans & Geopolitics

AI & Geopolitics Intersect

- NVIDIA sits at the epicentre of the AI revolution – but also at the crossroads of geopolitics

Key Exposure Points

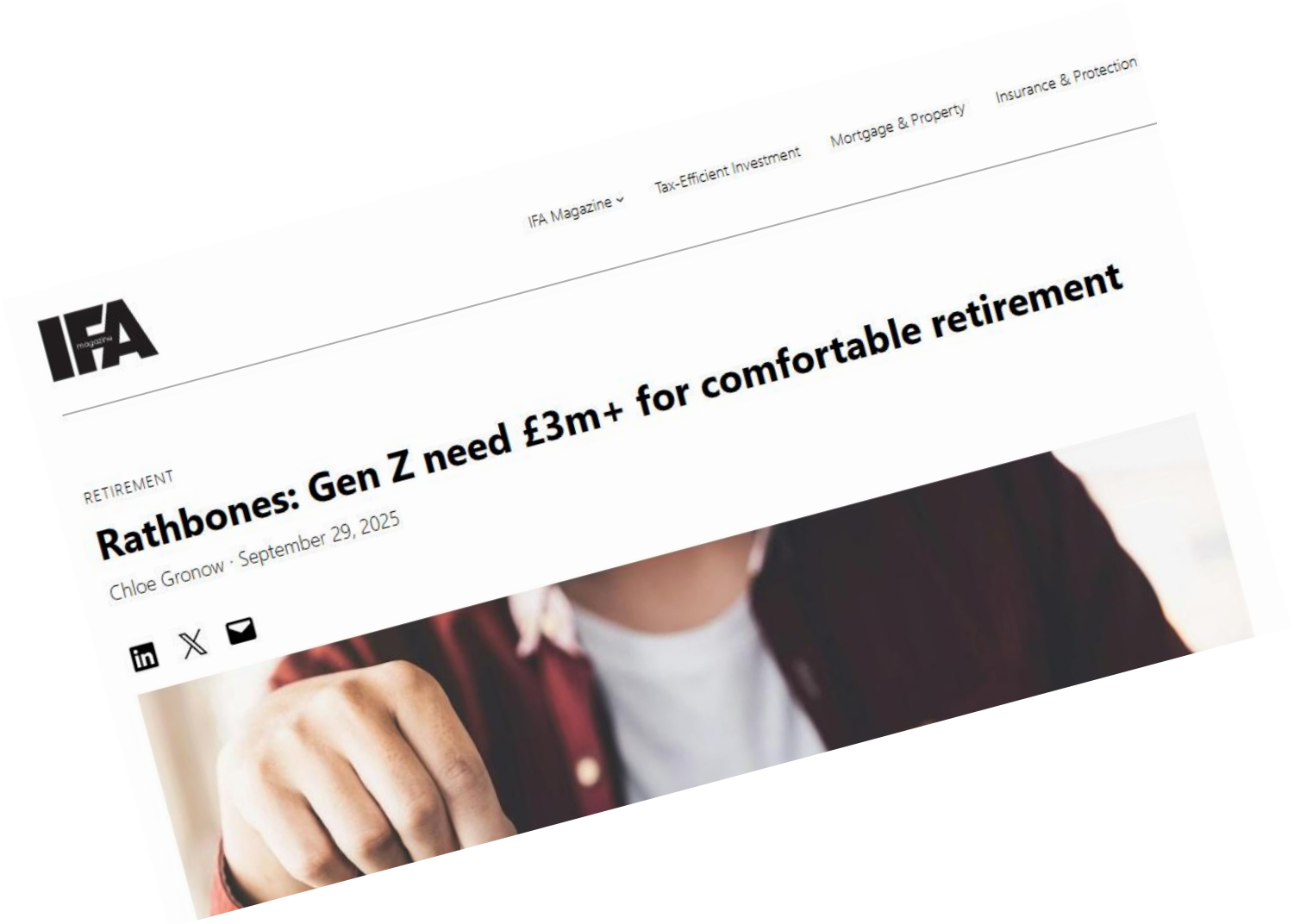
- Reliance on TSMC (Taiwan) for chip fabrication – vulnerable to Taiwan-China tensions
- US- China Tech War limiting NVIDA Chip exports
- Middle East Collaboration risks as US national security scrutiny intensifies
- Black Swan Dynamics including sudden regulatory shifts, tech backlash, cyberattacks, or other global shocks could disrupt

Active Advantage

- Active management enables selective positioning – capturing upside in innovation, protecting downside from shocks

In conclusion

The £3 million wake up call...



A 13-25 year old today may need £3m+ to retire "comfortably"

Over the next 50 years, future retirees will face unimaginable shocks – geopolitical, technological, environmental

Demands portfolios that balance growth for tomorrow with downside protection today- resilience, flexibility and adaptability across generations

https://ifamagazine.com/rathbones-gen-z-need-3m-for-comfortable-retirement/ 'A wake-up call': How much you need to save for a comfortable, moderate or minimum retirement | Trustnet

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Why Rathbones

Multi-asset fund range

- From 56-60 bps
- Fully active
- Risk targeted

Single strategy funds

- Active management
- Expertise across various asset classes
- Bonds, Equities, GEM, Asia, UK, Global

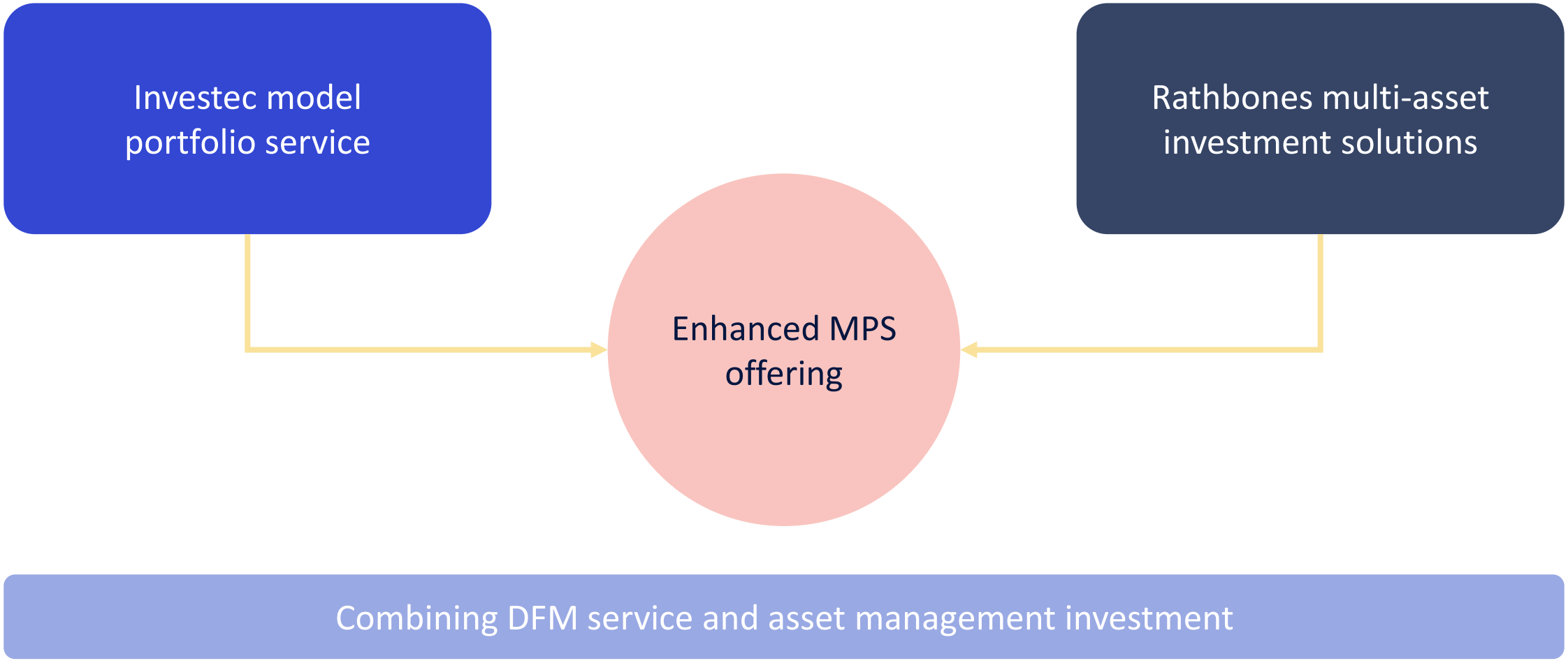
Bespoke discretionary

- For complex estate planning
- Individual portfolios >300k

NEW model portfolios

- 50bps
- 0% management fee
- Fully active
- LED approach

Unlocking potential through shared expertise



In a crowded market, how is the Rathbones Model Portfolio different?

A new LED approach

Expert led, agile decision making

100% active

A Unrestricted investment universe

Directly invested and diversified

50bps capped

Client outcome-led

Real returns, not benchmarks

Risk Aligned Approach

Well resourced and collaborative team

David Coombs
Head of Multi-Asset Investments

Will Mcintosh-Whyte
Fund Manager

Andrea Yung
MPS Investment Director

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Rathbones Multi-Asset Model portfolios in detail

MPS model	Target return	Risk level	Time horizon	Risk ratings
Rathbones Conservative	Bank of England base rate +1%	Low	5+years	defaqto 2 RISK RATED
Rathbones Cautious	Bank of England base rate +2%	Low	5+years	defaqto 3 RISK RATED
Rathbones Cautious Plus	Inflation +2% (UK CPI)	Low/medium	5+years	defaqto 4 RISK RATED
Rathbones Balanced	Inflation +2.5% (UK CPI)	Medium	5+years	defaqto 5 RISK RATED
Rathbones Balanced Plus	Inflation +3% (UK CPI)	Medium	5+years	defaqto 6 RISK RATED
Rathbones Growth	Inflation +4% (UK CPI)	Medium/High	5+years	defaqto 7 RISK RATED
Rathbones Growth Plus	Inflation +5% (UK CPI)	High	5+years	defaqto 8 RISK RATED

Targeting real returns to match client aspirations

The Rathbones MPS portfolio – LED approach

Liquidity

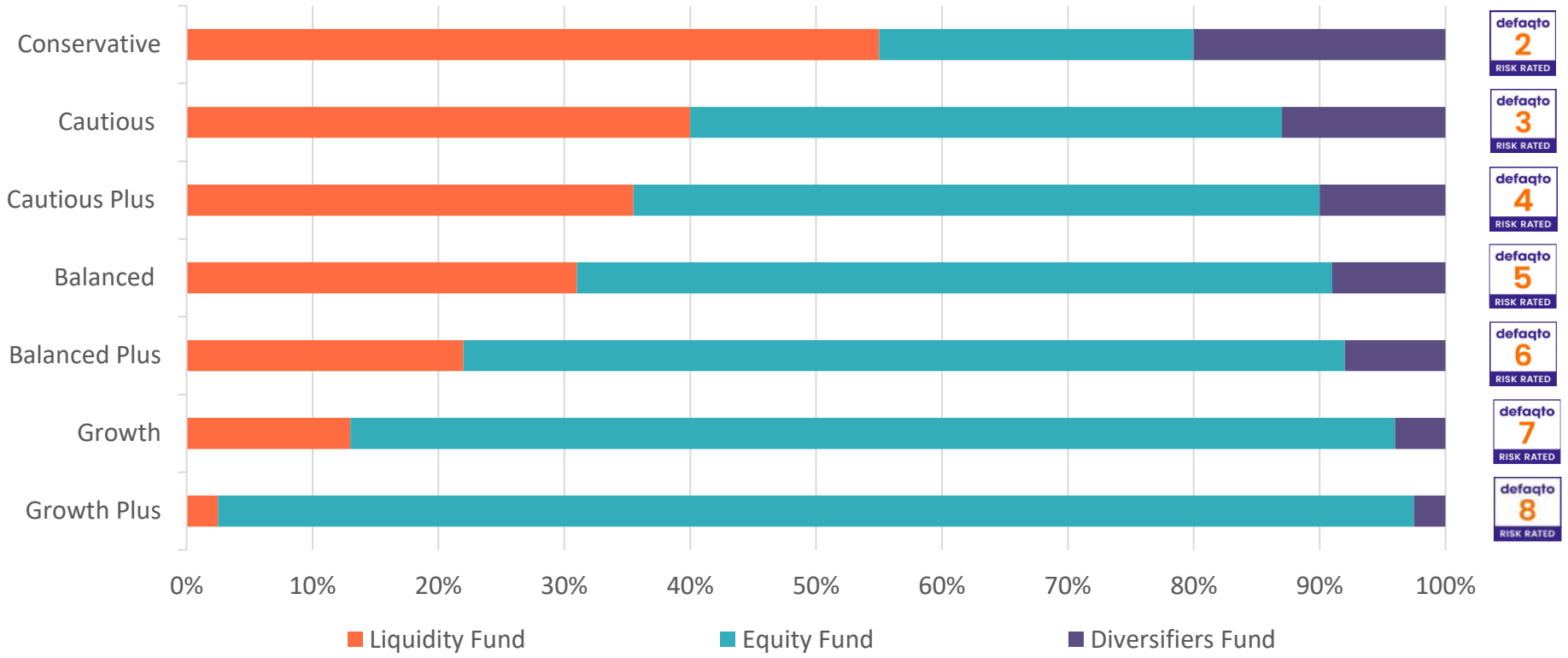
- Cash
- Gilts
- Investment Grade

Equity

- Investment Grade Corporate bonds
- HY Bonds
- Equities
- REITs & Infrastructure

Diversifiers

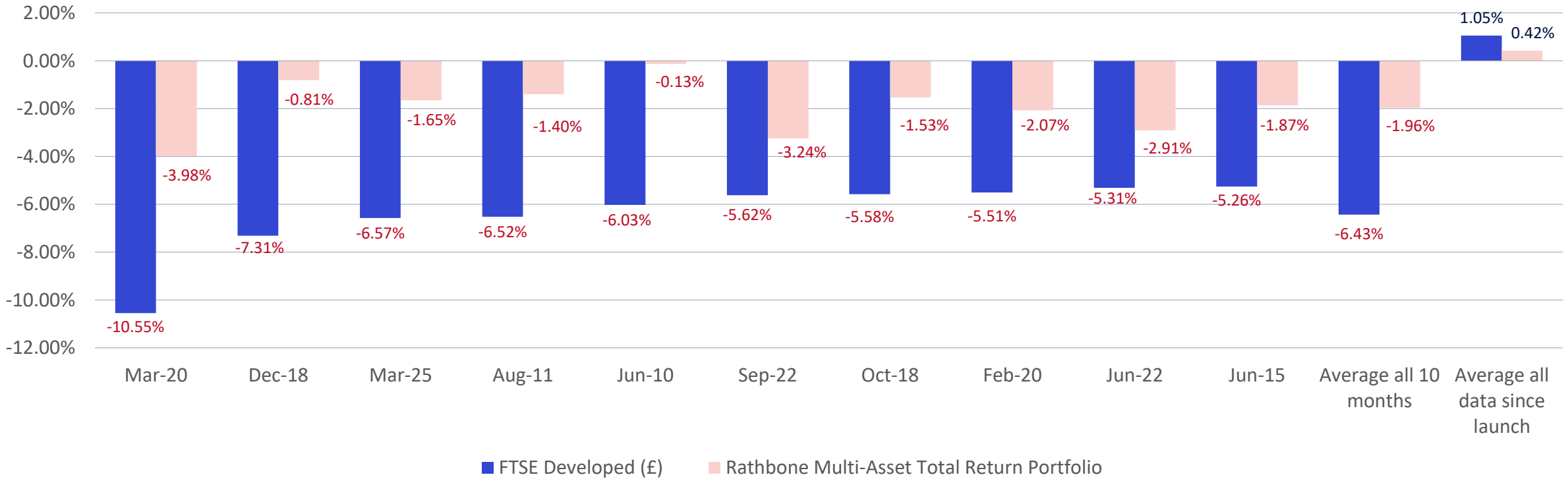
- Structured Products
- Gold
- Derivatives



Efficient execution – LED minimising impact on client outcomes

Managing Drawdown Risk: Ten worst performing months[1]

Rathbone multi-asset total return portfolio vs. FTSE Developed (£)



Data source: FE fundinfo as at 30 June 2025. 1. A comparison of the ten months in which the greatest falls have been experienced by the FTSE Developed TR (£) index since the inception of the fund, vs. the returns of the fund in those same months in GBP. Performance is a combination of S-class shares and R-class shares (where S-class was unavailable). S-class shares were launched on 01 October 2012. R-class shares were discontinued on 25 January 2024.

Past performance should not be seen as an indication of future performance.

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Platform availability

7IM

aberdeen
Elevate

aberdeen
wrap

AEGON
CoFunds

AEGON
ARC

AVIVA

Fidelity INTERNATIONAL

Fundment

Quilter

Parmenion

MORNINGSTAR Wealth Platform

SCOTTISH WIDOWS

transact
take control

wealthtime

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Thank you

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