

Saving in Times of Uncertainty

Insights | Article's link:
<https://sicobank.com/2h2026/saving-money.html>

Uncertainty has defined the investment landscape over the last few years. Inflation and restrictive interest rates weighed on markets in 2023; the war in Ukraine and conflict in the Middle East raised energy and trade-route concerns. In 2024, investors faced sticky inflation, election risk, global shipping disruptions and uncertainty over the timing of rate cuts. Tariff announcements also unsettled global equities during 2025, and by 2026, renewed Middle East conflict, higher commodity prices and weaker-growth concerns brought investors back to a familiar question: should investing stop when the outlook feels least clear?

The response is not to ignore risk, but to align it with long-term investment objectives. A 20/80 portfolio—20% global developed-market equities and 80% high-quality global bonds and cash—aims to preserve capital and moderate volatility; it would capture less of an equity rally, but its bond and cash holdings should cushion a sharp equity-market fall. It suits shorter horizons or investors with limited capacity to absorb losses.

Similarly, a more risk-tolerant 75/25 global portfolio that combines developed- and emerging-market equities exposure with a smaller bond exposure that includes high-yield bonds targets higher long-term growth but also tempers equity volatility through its bond allocation. While neither portfolio guarantees against losses, both portfolios provide investors with a way to invest in line with their risk tolerance. While direct comparisons to popular benchmarks such as the S&P 500 or the Bloomberg Global Aggregate are informative, they don't provide a suitable performance yardstick for a 20/80 or 75/25 scheme. Over 2024 and 2025, both the S&P 500 and the MSCI ACWI indices had high returns in US dollar terms. **A diversified scheme with stocks, bonds, and cash would ordinarily be expected to lag during a strong equity market, while also taking less equity risk.**

Bonds, however, are not cash: **changing interest-rate expectations and currency movements can also make a global bond index fall.** In fact, the Bloomberg Global Aggregate Index fell in 2024, a strong year for global equities.

Nevertheless, bond returns differ from equities, so even a small allocation can improve the overall resilience of a portfolio. As of July 2026, MSCI ACWI's three-year annualized standard deviation was 2.59% higher than that of the Growth Portfolio, while the Bloomberg Aggregate's standard deviation was also higher than the Conservative Portfolio's, by 1.46%. Although the figures are illustrative, they show why diversifying asset classes—here combining bonds with equities—can lower expected variability.

Fig. 1: Benchmark and Model Portfolio Performance

			3 years ending July 2026	
	2024	2025	Ann. Return	Ann. Std. Dev.
S&P 500 Total Return	25.02%	17.88%	19.32%	13.06%
MSCI ACWI Net Total Return	17.49%	22.34%	18.30%	12.63%
Growth Portfolio	12.53%	17.32%	13.23%	10.04%
Conservative Portfolio	6.30%	7.90%	6.77%	5.22%
Bloomberg Global Agg. TR	-1.69%	8.17%	2.99%	6.68%

The figures fit the expectation that a lower-equity allocation generally moves less but are obviously not a forecast of future risk. Investors should also consider drawdown—the decline from a previous high—because the latter is often what tests their ability to stay invested.

Crisis-month drawdowns make the trade-off tangible. In March 2026, the global equity market sold off, then rebounded over April. A saver who sold immediately after March and remained in cash through April would have missed the subsequent recovery; a \$100 portfolio at the end of February would have recovered if left invested through the dip. Selling after the fall would have actualized the losses. Missing strong rebound periods can therefore be as damaging as avoiding a portion of the decline.

Fig. 2: Selling Out vs. Staying Invested, March-April 2026

	March 2026	April 2026	\$100 starting portfolio		
	Sell-off	Recovery	Sell Out	Hold	Loss
MSCI ACWI Net	-7.18%	10.17%	\$92.82	\$102.26	-9.44%
Growth Portfolio	-6.09%	7.42%	\$93.91	\$100.88	-6.97%
Conservative Portfolio	-3.46	3.36%	\$96.54	\$99.78	-3.24%

This is where a monthly saving scheme is especially valuable. **During stressful markets, investors can be tempted to pause contributions, sell after losses or wait for certainty before reinvesting.** Dollar-cost averaging provides an alternative: invest the same amount each month, buying more units when prices are lower and fewer when they are higher. It does not guarantee a profit or eliminate losses, but it removes the need to identify the market bottom. Rebalancing adds another discipline: after large moves, restore the original weights by trimming assets that have become oversized and adding to those that have fallen. **This systematic process counteracts the emotional urge to buy confidence and sell fear. It helps most when markets feel least predictable.**

Neither result proves that one portfolio is always better. The Conservative Portfolio's lower drawdowns may be more valuable to someone approaching retirement or expecting a major expense, while the Growth Portfolio's greater equity exposure may better suit a long horizon and strong tolerance for loss. Whatever you choose, keep an emergency reserve outside volatile assets, match your portfolio choice to your goal, and review your plan after genuine life changes—not after a frightening headline. **In uncertain times, success is a diversified, affordable and systematic approach that can survive the next crisis.**

Salman Al Sairafi
CFA, CAIA
Head of Transformation

This report should not be considered an offer to sell, or a solicitation to buy, shares mentioned herein. Past performance is no indication of future results, and fund historical performance does not promise the same or similar results in the future. Principal value, share prices and investment returns fluctuate with changes in market conditions. Holdings and portfolio characteristics are shown as at the stated date and will change over time. The information contained herein has been compiled from sources believed to be reliable; however, SICO BSC(c) does not guarantee its accuracy or completeness. Opinions, forecasts and estimates constitute our judgment as of the date of this report and are subject to change without notice. This report is not a solicitation of an order to buy or sell securities or to provide investment advice or service. SICO or its affiliates may from time to time engage in long or short positions in the securities mentioned herein, may act as principal, agent or market maker, and may provide other services to the issuers of securities mentioned herein. This report is provided for information purposes only and may not be copied or distributed to any other person without the prior written consent of SICO. For residents of the Kingdom of Saudi Arabia, this document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of it; prospective subscribers should conduct their own due diligence, and if you do not understand the contents of this document you should consult an authorised financial adviser. SICO BSC(c) claims compliance with the Global Investment Performance Standards (GIPS®); GIPS® is a registered trademark of CFA Institute, which does not endorse or promote this organisation nor warrant the accuracy or quality of the content herein. To receive a list of composite descriptions or a presentation that complies with the GIPS standards, write to assetmanagement@sicobahrain.com or call +973 17 515000. SICO BSC(c) is a closed joint stock company registered in Bahrain, listed on the Bahrain Bourse Exchange as a closed company, registered with the Ministry of Industry and Commerce, and licensed as a conventional wholesale bank by the Central Bank of Bahrain. P.O. Box 1331, World Trade Centre, Manama, Kingdom of Bahrain. T: +973 1751 5000, F: +973 1751 4000