

ABOVE THE FRAY

Geopolitical Risk

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Wars such as the one unfolding in Iran are always disturbing. For investors, there's additional concern over whether these conflicts will spill over into their investment performance. But it's important for investors to be cautious about making asset allocation changes in response to such events.

Markets are forward-looking. Prices move in response to changes in information. When unexpected developments arise that investors deem to be poor for markets, markets often drop. But the flip side is markets always set prices for positive expected returns. Once the news gets reflected in market prices, investors can still expect positive returns even amid worrisome circumstances.

This is borne out in historical stock returns. Global equity markets have continued an upward climb even in the face of economic and political upheavals. We don't have to look far for illustrative examples. During the past few years, stock markets have had positive returns despite multiple wars being fought around the world.

This is not to trivialize the destruction wars bring and their impact on geopolitical risks. But history suggests investors may not help themselves by divesting from stocks. For long-term investors, the best bet is usually to [stay the course](#).

Exhibit 1 Markets Have Rewarded Discipline

Growth of \$1—MSCI World
Index (net dividends),
1970-2025



Past performance is not a guarantee of future results. Actual investment returns may be lower.

In USD. MSCI data © MSCI 2026, all rights reserved. Data presented in the Growth of \$1 chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

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inCAPEable

Expected return: An estimate of average anticipated returns informed by historical data.

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