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Navigating the Polycrisis: Strategies for Surviving and Thriving in a World of Interconnected Crises

As we approach 2023, investors face a polycrisis - a complex network of overlapping crises, all occurring at the same time, affecting global systems. It goes without saying that 2022 had been challenging due to a variety of factors, including the continued Ukrainian conflict, rising costs, and interest rate hikes. According to some observers, these issues are expected to endure in the 2023 with some experts predicting a recession.

In order to navigate this polycrisis, investors should adopt a long-term view with respect to their investments and consider diversifying their portfolios into sustainable investments with the potential for consistent returns.

Sustainable investments are also becoming increasingly important to investors as concerns about environmental and social issues continue to grow. By focusing on companies that are environmentally and socially responsible, investors can not only make a positive impact on the world, but also insulate themselves against the negative consequences of environmental and social crises. For example, the MSCI ACWI SRI Index, which tracks companies with strong environmental, social, and governance (ESG) practices, generally outperformed the MSCI ACWI Index up to 2021.

Another key area to consider is China, which is expected to remain a major economic player and a source of investment opportunities. Despite the challenges of the past year, China's economy has shown resilience and is expected to continue to grow in the coming years. By considering investments in Chinese companies and the Chinese market, investors can tap into this growth potential especially with the recent re-opening of the China's borders.

It is also important to be mindful of the interconnected nature of the polycrisis. As we've seen over the past year, a crisis in one system (whether regional or localised) can cascade and create ripples in global systems causing new crises or exacerbate existing ones. For instance, the continuing crisis in Ukraine has hampered international supply chains and affected the economy of several nations. This demonstrates how critical it is to think broadly and to be ready for a variety of potential difficulties.

Investors should adopt a variety of strategies if they want to survive the polycrisis. First, they should diversify their portfolios across regions, and industries to distribute risk and insulate themselves from the effects of any one catastrophe. They have to take into account making sustainable investments, which can make a positive impact on the world and hedge



against the unfavourable effects of environmental and social problems. Investors have to think about prospects in China, which is anticipated to continue expanding in the next years. Investors may ride out the polycrisis and end up on top in the long run by taking into account a combination of these techniques.

It is also important for investors to monitor systemic risks. A key feature of a polycrisis is that it stems from the activation of systemic risks – small problems that quickly spread throughout a system and often into other systems. As such, it's important for investors and fund managers to be vigilant about monitoring systemic risks and taking steps to mitigate their impacts. This could include diversifying across regions, sectors, and asset classes, as well as regularly reviewing risk management processes.

Investors should think about risk management techniques to guard against potential losses. To protect against market fluctuations, investors may wish to hedge their investments with futures, options, and derivatives. In addition to the forgoing, investors may also consider utilising portfolio insurance to mitigate losses. If nothing else, 2022 has highlighted how fast global crises with far-reaching effects may develop. The key takeaway being investors must be able to swiftly modify and change their methods in order to safeguard their holdings.

Overall, the polycrisis provides significant challenges for investors, but by taking a proactive and adaptive attitude, investors may successfully traverse this turbulent period. Investors may weather the storms of the polycrisis and position themselves for long-term growth by diversifying their portfolios and evaluating sustainable investments and possibilities in China. They may also safeguard themselves against future losses and be well-prepared for the difficulties ahead by staying informed about macro-economic information and current affairs and also by applying risk management measures.

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