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Re-underwriting a Portfolio

A Strategic Discipline for Institutional Investors and Why it Matters

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Markets are not static—economic cycles shift, asset class dynamics evolve, and investment theses require ongoing validation. Institutional investors—CIOs, trustees, investment staff, and RIAs—may want to continuously reassess whether their portfolios remain positioned for long-term success.

Re-underwriting a portfolio isn't about short-term market timing; it's about thinking through portfolio construction and raising the possibilities of achieving the institution's financial goals. This may mean considering if each allocation continues to serve its intended role in an evolving landscape. With inflation, interest rates, liquidity constraints, and geopolitical risks reshaping the investment environment, a disciplined reassessment of the portfolio, its underlying asset classes, and the managers that fill those asset classes is critical for risk management and value creation.

Following are six questions from Peter Woolley, Co-CEO and Consultant, that investment decision-makers should consider when re-underwriting their portfolio.

What are the current macroeconomic conditions, and how might they impact our portfolio?

"Understanding the broader economic landscape is fundamental to evaluating investment risks and opportunities. Shifts in interest rates, inflation, and global economic growth can alter the risk-return profile of various asset classes, making it essential to reassess exposures in light of changing conditions."

What are the underlying factors driving returns?

"When thinking about portfolio construction, every asset class has unique return drivers, whether it's economic growth, interest rate sensitivity, supply-demand dynamics, or structural trends. Identifying and monitoring these factors may help investors assess the sustainability of returns, anticipate potential risks, and determine if strategic portfolio adjustment should be made.

How liquid is our portfolio and how might this change?

"Liquidity plays a critical role in portfolio construction, especially during periods of market stress. Re-underwriting liquidity means evaluating whether the portfolio provides the necessary flexibility to meet capital calls, manage cash flows, and adjust allocations whenever needed, not just in normal market environments but also in periods of stress.

What are the current valuations relative to historical norms?

"Valuation is a key determinant of future return potential. If an asset class is trading at historically high valuations, it may signal lower forward-looking returns, both for the asset class and the overall portfolio. Conversely, undervalued asset classes may offer attractive entry points. A disciplined approach to valuation may help to establish that portfolio allocations are grounded in economic reality.

What are the associated costs?

Beyond returns, cost efficiency plays a crucial role in investment success. Management fees, transaction costs, and tax implications can erode returns over time. Evaluating whether a portfolio provides sufficient net value relative to its costs is a key step in re-underwriting decisions.

What are the potential regulatory or political risks in the portfolio?

Regulatory shifts and geopolitical developments can significantly impact certain investments. Whether it's changes in tax policy, new compliance requirements, or trade restrictions, staying ahead of potential risks allows for proactive portfolio adjustments rather than reactive repositioning.

A Continuous Process, Not a One-Time Exercise

Re-underwriting a portfolio should be an ongoing discipline that ensures portfolios evolve alongside markets. By regularly assessing economic conditions, return drivers, risk factors, liquidity, valuations, and costs, institutional investors can position their portfolios for resilience and long-term success.

In a world where market assumptions are constantly challenged, the ability to adapt and refine asset allocation is a competitive advantage. The best investors are not those who predict the future, but those who are prepared for its uncertainty.

For more information on the art of patient investing, to learn about a timeless approach to asset allocation, or to review what we're watching in 2025, please visit the **Thought Leadership** section of our **website** or click the links here to learn more.

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