## CRI Quarterly Review

# Q2 2026

**Thomas Digenan, CFA**
*Chief Investment Officer*

*Overall, the global markets saw respectable gains over the second quarter. Volatility, which spiked early in the quarter, normalized. CBIS' Chief Investment Officer Tom Digenan shares his thoughts on how investors should position themselves to protect against, maybe even take advantage, of this dynamic market.*

**You have often discussed maintaining diversification across markets. Can you explain what that looks like within a portfolio?**

There are really three elements of a good plan: breadth, depth, and discipline. When I talk about breadth, I'm talking about across asset classes, depth within an asset class, and then discipline is how you implement that diversification.

**You start with breadth, probably for a reason.**

Yes, because we're talking about the asset classes that make up a portfolio. Historically, people think if a portfolio includes equities and fixed income, it's diversified. It is to a degree, but there's more to be had. Breadth means diversification across multiple asset classes. The more asset classes you can include in your diversification, the more benefit you'll receive in terms of low correlations. Beyond equities, bonds, and cash, we're including important classes like alternatives, real estate, emerging market equity, and emerging market debt.

**"Strategic asset allocation is probably the most important decision an investor makes."**

**What, then, is depth?**

Depth refers to good coverage within an asset class. For example, a common holding for a U.S. investor is an S&P 500 index portfolio. Does he or she have depth within that investment? Not really. Today, the index is so concentrated that seven of the stocks represent upwards to 40% of the benchmark. So how do you achieve depth? One way is through style diversification. That can be accomplished by adding growth, value, core, and quality among several different styles to a portfolio.

Depth is also achieved through different market cap exposures, i.e., small cap, mid cap, and so on. Geography also adds depth. Folks everywhere tend to have a home bias in their investments. They gain greater depth by investing in other markets around the world, like developed markets and emerging markets. That's depth within the asset class.

**Can we assume that discipline refers to how all of the above is implemented.**

Strategic asset allocation is probably the most important decision an investor makes. And it's where discipline comes in. I've come to see this process at two levels. The first I call Diversification 1.0.

Diversification 1.0 by my definition includes systematic rebalancing to maintain strategic allocation targets over the long term. Rebalancing can be done in a methodical manner, or it can be done based on market movements or drift.

The nice thing about Diversification 1.0 is it really forces investors to buy low and sell high, which isn't always easy. The equation is more mathematical than behavioral.

Then there's what I'm calling Diversification 2.0. As we know, the markets are often mispriced, which means they provide us with opportunities. Dynamic asset allocation is a way to take advantage of these opportunities. To be clear, dynamic asset allocation is not trying to time short-term price movements, i.e., market timing. It is, in fact, an analytical process based on fundamentals and valuation that seeks to identify mispricings in various markets and capitalize on those opportunities by tilting the portfolio in one direction versus the other.

**Can diversification and discipline support a strategic asset allocation over the long-term?**

Absolutely. To the extent there's an awareness of changing market conditions, an investor can benefit. But, in the end, to the extent he or she can incorporate breadth across asset classes, depth within asset classes, and then discipline in how you employ those decisions, a strategic asset allocation will benefit over the long run.



## *Contact Us*

**We want to hear from you!**

If you have any questions, please reach out to your CBIS representative:

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